



Press Release  
July 17, 2012

## ST-Ericsson reports second quarter 2012 financial results

- Net sales \$344 million; 19 percent sequential increase
- Adjusted operating loss<sup>1)</sup> \$235 million; \$62 million improvement over prior quarter
- Transfer of application processor development organization finalized on July 1

Geneva, Switzerland, July 17, 2012 - ST-Ericsson, a joint venture of STMicroelectronics (NYSE:STM) and Ericsson (NASDAQ:ERIC), reported financial results for the second fiscal quarter ending June 30, 2012.

Sales in the second quarter increased 19 percent over the prior quarter reflecting a significant ramp of volumes of NovaThor™ platforms shipping to our major customers. Adjusted operating loss decreased sequentially by \$62 million to \$235 million, as the result of volume and margin improvements due to new platforms and the first steps of the ongoing actions to reduce operating expenses.

Didier Lamouche, President and CEO of ST-Ericsson said: "This has been a quarter of progress across the board. We ramped our NovaThor ModAp platform with Samsung and Sony Mobile Communications and also added several new Chinese key players. We are executing in a timely manner our new strategic plan to reposition our whole business model and we finalized on July 1, as anticipated, the transfer of the application processors development team to STMicroelectronics to build a world class partnership.

We are advancing towards our objective to reduce our breakeven point and to reach sustainable profitability. During the quarter, all profit and loss metrics showed a sequential improvement: from revenue growth to gross margin expansion and from expense reduction to the decrease of our operating loss. While these indicators are encouraging, we recognize that further improvements in the execution of our critical programs are needed. Moreover, we operate in a very dynamic, fast-changing market and a highly competitive environment. In this context our primary focus is on delivering improvements of operating results and cash flow."

**2012 second quarter financial summary (unaudited)**

<b>\$ million</b>	<b>Q2 2012</b>	<b>Q1 2012</b>	<b>Q2 2011</b>
<b>Income Statement</b>			
NET SALES	344	290	385
OPERATING INCOME/(LOSS) ADJUSTED <sup>1)</sup> for:	(235)	(297)	(181)
– amortization of acquisition-related intangibles	(19)	(19)	(25)
– restructuring charges	(56)	(10)	(15)
OPERATING INCOME / (LOSS) as reported	(309)	(326)	(222)
NET INCOME / (LOSS)	(318)	(312)	(221)

<b>\$ million</b>	<b>Q2 2012</b>	<b>Q1 2012</b>	<b>Q2 2011</b>
<b>Additional financial data</b>			
<b>Net financial position <sup>2)</sup></b>			
Cash, cash equivalents & short-term deposits/debt, net	33	22	18
Parent companies short-term debt	(1238)	(978)	(445)
Net financial position	(1205)	(956)	(427)
<b>Net operating cash flow<sup>3)</sup></b>	<b>(249)</b>	<b>(159)</b>	<b>(233)</b>

**Additional financial information**

The net financial position<sup>2)</sup> at the end of the second quarter was negative \$1205 million. Inventory decreased by \$38 million reaching \$171 million at the end of the second quarter.

**Outlook**

Given, on one hand, the very substantial revenue growth during the second quarter and, on the other hand, the macro-economic and industry environment, ST-Ericsson expects net sales to be approximately flat sequentially for the third quarter 2012.

**Highlights – products, technology and wins announced in the second quarter 2012**

- Customers
  - Samsung continues to incorporate the ST-Ericsson NovaThor ModAp platforms into their award-winning Samsung GALAXY smartphone line with the announcement of the Samsung GALAXY Beam and Samsung GALAXY Ace 2.

- China Unicom and Yulong are now customers of the NovaThor platform. The NovaThor U8500 ModAp platform powers the new Coolpad Cheer CP7728.
- The Xperia™ go smartphone became the fourth phone this year from Sony Mobile Communications to leverage the ST-Ericsson NovaThor platform.
- The Shanda Bambook smartphone – the first from the China-based company – is powered by the ST-Ericsson NovaThor U8500 ModAp solution. It is the first of several smartphones planned by Shanda to use the ST-Ericsson NovaThor platform.
- Two new Panasonic ELUGA devices for the Japanese market are powered by the compact yet power efficient Thor M5780 thin modem.
- A new Sharp AQUOS smartphone is based on the power efficient ST-Ericsson Thor M5730 and available now in Japan.
- Partners/technology
  - STMicroelectronics secured additional sourcing for 28nm and 20nm FD-SOI Technology with GLOBALFOUNDRIES. ST-Ericsson selected ST FD-SOI technology for use in its future mobile platforms, which will enable enhanced performance from the ST-Ericsson NovaThor platform with much less battery usage.

## Financial results appendix (unaudited)

### Consolidated Balance sheet

In \$ million	June 30, 2012	December 31, 2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	33	9
Trade accounts receivable, net	50	97
Inventories, net	171	223
Deferred tax assets	10	8
Other receivables and assets	113	102
<b>Total current assets</b>	<b>377</b>	<b>439</b>
Goodwill	742	745
Other intangible assets, net	378	437

Property, plant and equipment, net	316	364
Long-term deferred tax assets	218	188
Other investments and other non-current assets	26	70
	<b>1,681</b>	<b>1,804</b>
<b>Total assets</b>	<b>2,058</b>	<b>2,243</b>

#### LIABILITIES AND SHAREHOLDERS' EQUITY

##### **Current liabilities:**

Short-term borrowings and current portion of long-term debt	1,238	807
Trade accounts payable	176	175
Other payables and accrued liabilities	296	292
Deferred tax liabilities	0	0
Accrued income tax	7	8
<b>Total current liabilities</b>	<b>1,718</b>	<b>1,282</b>

Reserve for pension and termination indemnities	94	87
Long-term deferred tax liabilities	4	3
Other non-current liabilities	25	25
	<b>123</b>	<b>115</b>
<b>Total liabilities</b>	<b>1,841</b>	<b>1,397</b>
<b>Total equity</b>	<b>217</b>	<b>846</b>
<b>Total liabilities and equity</b>	<b>2,058</b>	<b>2,243</b>

#### **Footnotes**

1) The adjusted operating income/(loss) is defined as the operating income/(loss) reported before amortization of acquisition-related intangibles and restructuring charges and is used by management to help enhance the understanding of ongoing operations and to communicate the impact of the items on the operating loss as reported.

2) Net financial position represents the balance between financial assets, which comprise cash, cash equivalents and short-term deposits, and financial debt which includes bank overdrafts and parent companies short-term bridge credit facilities.

3) Net operating cash flow is defined as net cash from operating activities, less capital expenditure and less restructuring charges.



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**Notes to editors**

ST-Ericsson invites journalists, analysts and investors to a conference call scheduled on July 18 at 12:00 pm (CET). Call-in numbers, a live webcast of the conference call, as well as supporting slides, will be available at [www.stericsson.com/investors/investors.jsp](http://www.stericsson.com/investors/investors.jsp).

**About ST-Ericsson**

ST-Ericsson is a world leader in developing and delivering a complete portfolio of innovative mobile platforms and cutting-edge wireless semiconductor solutions across the broad spectrum of mobile technologies. The company is a leading supplier to the top handset manufacturers and generated sales of \$1.7 billion in 2011. ST-Ericsson was established as a 50/50 joint venture by STMicroelectronics (NYSE:STM) and Ericsson (NASDAQ:ERIC) in February 2009, with headquarters in Geneva, Switzerland.

[www.stericsson.com](http://www.stericsson.com)

[www.twitter.com/STEricssonForum](http://www.twitter.com/STEricssonForum)

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*The ST-Ericsson results reported in this press release do not reflect in their entirety the results of the Wireless Segment of STMicroelectronics, which include other activities that are not part of ST-Ericsson.*

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*This press release contains forward-looking statements that involve inherent risks and uncertainties. We have identified certain important factors that may cause actual results to differ materially from those contained in such forward-*



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*looking statements. For a detailed description of risk factors see STMicroelectronics' (NYSE:STM) and Ericsson's (NASDAQ:ERIC) filings with the US Securities and Exchange Commission, particularly each company's latest published Annual Report on Form 20-F.*