



## ST-Ericsson reports third quarter 2012 financial results

- Net sales \$359 million
- Adjusted operating loss<sup>1)</sup> \$148 million, reduced by half in two quarters
- Sequential improvements on all operating profit and loss metrics

**Geneva, Switzerland, October 23, 2012** – ST-Ericsson, a joint venture of STMicroelectronics (NYSE:STM) and Ericsson (NASDAQ:ERIC), reported financial results for the third fiscal quarter ending September 29, 2012.

Sales in the third quarter increased 4 percent over the prior quarter reflecting the continued ramp of NovaThor™ platform shipments as well as \$35 million revenues from IP licensing. Adjusted operating loss decreased sequentially by \$87 million to \$148 million, as the result of volume and margin improvements and of the actions to reduce operating expenses.

Didier Lamouche, President and CEO of ST-Ericsson said: “In the third quarter, we made further improvements on all the key metrics, thanks to our steady and timely progress in executing the new strategic direction we set in April. The ramp of our NovaThor integrated ModAp platforms continued with customers such as Samsung, Sony Mobile Communications and new and existing Asian customers, with new smartphones being brought to the market. Although our losses remain large, we have succeeded in halving them in two quarters thanks to our progress in cost reduction and productivity improvements. As we enter the fourth quarter and we still have to face the further decline of the legacy portion of our business, we are encouraged by new design wins on leading phones, like the recently announced Samsung Galaxy S III mini, which is the twentieth device powered by our NovaThor platform and brought to the market in about one year.”

### 2012 third quarter financial summary (unaudited) \*

\$ million	Q3 2012	Q2 2012	Q3 2011
<b>Pro-forma Income Statement *</b>			
NET SALES	359	344	412
OPERATING INCOME/(LOSS) ADJUSTED <sup>1)</sup> for:	(148)	(235)	(194)
– amortization of acquisition-related intangibles	(19)	(19)	(25)
– restructuring charges	(7)	(56)	(5)
OPERATING INCOME / (LOSS) as reported *	(174)	(309)	(224)
<b>Pro-forma NET INCOME / (LOSS) *</b>	<b>(190)</b>	<b>(318)</b>	<b>(211)</b>

\*: No impairment test on Goodwill and Intangible Assets has been run in the interim period. Consequently the Income Statement and certain of its metrics, like Operating Income/(Loss) and Net Income/(Loss) are non-GAAP measures

\$ million	Q3 2012	Q2 2012	Q3 2011
<b>Additional financial data</b>			
<b>Net financial position <sup>2)</sup></b>			
Cash, cash equivalents & short-term deposits/debt, net	39	33	20
Parent companies short-term debt	(1390)	(1238)	(614)
Net financial position	(1351)	(1205)	(594)
<b>Net operating cash flow<sup>3)</sup></b>	<b>(146)</b>	<b>(249)</b>	<b>(149)</b>

### Additional financial information

The net financial position<sup>2)</sup> at the end of the third quarter was negative \$1351 million. Inventory increased by \$9 million reaching \$180 million at the end of the third quarter. Net operating cash flow was negative for \$146 million at the end of the third quarter, representing a \$103 million sequential improvement.

### Outlook

ST-Ericsson expects net sales to be approximately flat sequentially for the fourth quarter 2012.

### Highlights – products, technology and wins announced in the third quarter 2012

#### Customers

- Lenovo LePhone S899t smartphone – designed for China Mobile – is powered by the ST-Ericsson Nova™ A9500 application processor. This is the first smartphone from Lenovo which is built on ST-Ericsson dual-core high-performance application processor. In addition to the Nova A9500, ST-Ericsson CG2900 and CW1100 connectivity solutions were also selected by Lenovo enabling GPS, Bluetooth, FM and Wi-Fi features.
- ANT Wireless, a division of Dynastream Innovations Inc., announced the newest addition to its ANT family of silicon solutions: the ST-Ericsson CG2905 GNSS/Bluetooth/FM single chip device which embeds support of ANT.
- ST-Ericsson continues to expand cooperation with Chinese manufacturers on NovaThor U8500 and its upgraded version the NovaThor U8520.

#### Products

- During the quarter both the NovaThor L8540 LTE ModAp platform and the FD-SOI (Fully Depleted Silicon On Insulator) variant of this product were taped out and sample wafer fabrication started. Samples of both products are expected to be available during Q4.

#### Recent corporate developments

- The company has announced the appointment of Peter Oaklander as senior vice-president for Sales & Marketing, reporting to president and CEO Didier Lamouche.



Oaklander joins ST-Ericsson from Intersil, where he held positions as senior vice president for global sales and of head of the power management business; prior to that, he spent two decades in key sales and product positions with Analog Devices, focusing primarily on Asian and US markets. This appointment follows from a mutual decision between the company and Pascal Langlois, ST-Ericsson’s current head of sales, who will leave the company during the fourth quarter.

Didier Lamouche commented: “We are re-aligning our sales efforts to take into account the changed customer dynamics and our stronger focus going forward on Asia and the US, with Europe remaining an important region for our business. With his extensive experience on those markets and the semiconductor industry, I am fully confident that Peter will bring a strong contribution to our objective to continue to enlarge our customer base and grow our business. Personally and also on behalf of the whole senior management team, I want to thank Pascal Langlois for his contribution since the inception of our company, where he has been instrumental in building the sales team and broadening our customer base.”

**Financial results appendix (unaudited)**

**2011 financial results by quarter \***

<b>\$ million</b>	<b>Q4 2011</b>	<b>Q3 2011</b>	<b>Q2 2011</b>	<b>Q1 2011</b>
<b>Pro-forma Income Statement *</b>				
NET SALES	409	412	385	444
OPERATING INCOME/(LOSS) ADJUSTED <sup>1)</sup> for:	(207)	(194)	(181)	(149)
– amortization of acquisition-related intangibles	(25)	(25)	(25)	(25)
– restructuring charges	(9)	(5)	(15)	(4)
OPERATING INCOME / (LOSS) as reported *	(241)	(224)	(222)	(178)
<b>Pro-forma NET INCOME / (LOSS) *</b>	<b>(231)</b>	<b>(211)</b>	<b>(221)</b>	<b>(178)</b>

\*: No impairment test on Goodwill and Intangible Assets has been run in the interim period. Consequently the Income Statement and certain of its metrics, like Operating Income/(Loss) and Net Income/(Loss) are non-GAAP measures

**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.



Press Release  
October 23, 2012

#### Notes to editors

ST-Ericsson invites journalists, analysts and investors to a conference call scheduled on October 24, 2012 at 5:00 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-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.*