

STMICROELECTRONICS NV

Form 6-K

April 29, 2014

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934

Report on Form 6-K dated April 29, 2014

Commission File Number: 1-13546

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STMicroelectronics N.V.  
(Name of Registrant)

WTC Schiphol Airport  
Schiphol Boulevard 265  
1118 BH Schiphol  
The Netherlands

(Address of Principal Executive Offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Q

Form 40-F  E

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes  E

No  Q

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Yes

No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

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Enclosure: A press release dated April 28, 2014, announcing STMicroelectronics' 2014 first quarter financial results.

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PR No. C2749C

STMicroelectronics  
Reports 2014 First Quarter Financial Results

- First quarter financial results in line with expectations; year-over-year operating income improvement of \$188 million before impairment and restructuring charges
- Strategic agreement for 28nm FD-SOI technology signed with a top-tier foundry
- Stable cash dividend of US\$0.10 per share for both the second and third quarters of 2014 to be proposed to the 2014 Annual General Meeting of Shareholders

Geneva, April 28, 2014 - STMicroelectronics (NYSE: STM), a global semiconductor leader serving customers across the spectrum of electronics applications, reported financial results for the first quarter ended March 29, 2014.

First quarter net revenues totaled \$1.83 billion, gross margin was 32.8%, and net loss was \$0.03 per share.

“First quarter revenue and gross margin results were well aligned with our guidance,” commented ST President and CEO Carlo Bozotti. “The combination of a positive macro-economic environment and our leading-edge product portfolio helped to drive higher year-over-year revenues in Microcontrollers, Automotive, Industrial and Power, as well as in the Distribution channel. Our general-purpose microcontroller business enjoyed the fourth consecutive quarter of record revenues and today, ST is the second largest player worldwide in microcontrollers, including both general-purpose and secure.\*

“During the first quarter, ST posted an operating profit before impairment and restructuring charges of \$8 million, improving by \$188 million year-over-year, driven by the exit from ST-Ericsson as well as operating expenses well in line with our financial model. Additionally, our strong and growing product momentum in our Sense & Power and Automotive segment translated into an operating margin improvement of 360 basis points in this segment compared to the year-ago quarter.

“In our Digital Convergence business, we made progress in building the pipeline to sustain its future turnaround; design-win momentum for our latest ARM-based client and server portfolio for HEVC and ultra-HD set-top-box continued during the quarter, as well as for our FD-SOI based IC solutions.”

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(\*) Source: IHS Technology Competitive Landscaping Tool, March 2014

## Summary Financial Highlights

U.S. GAAP (Million US\$)	Q1 2014	Q4 2013	Q1 2013(a)
Net Revenues	1,825	2,015	2,009
Gross Margin	32.8%	32.9%	31.3%
Operating Income (Loss), as reported	(4)	(11)	(281)
Net Income (Loss) attributable to parent company	(24)	(36)	(171)

(a) Net revenues include sales recorded by ST-Ericsson as consolidated by ST. ST-Ericsson was deconsolidated on September 1, 2013

Non-U.S. GAAP* (Million US\$)	Q1 2014	Q4 2013	Q1 2013
Operating Income (Loss) before impairment and restructuring charges	8	18	(180)
Operating Margin before impairment and restructuring charges	0.4%	0.9%	(8.9%)

## First Quarter Review

ST's first quarter revenues, excluding legacy ST-Ericsson products, grew 0.7% on a year-over-year basis and decreased 6.4% sequentially. First quarter total revenues, including legacy ST-Ericsson products, decreased year-over-year and sequentially by 9.2% and 9.4%, respectively.

Microcontroller, Memory, and Secure MCU (MMS) and Automotive (APG) led the product lines with year-over-year revenue growth of 15.6% and 15.5%, respectively.

On a year-over-year basis by region of shipment, Greater China & South Asia posted total revenue growth of 1.4% while EMEA and the Americas decreased by 4.4% and 8.6%, respectively. Japan & Korea revenues decreased 34.9% driven by a significant decrease in legacy ST-Ericsson products.

In the first quarter, ST and InvenSense settled all pending proceedings and have entered into a patent cross-license agreement. Under the terms of the settlement, InvenSense made a one-time \$15 million payment in the first quarter of 2014. ST will collect royalties under the terms of the patent cross license in the future. The expected royalties will not be material to ST's financial results.

First quarter gross profit was \$599 million and gross margin was 32.8%. Gross margin improved 150 basis points year-over-year, benefiting from the one-time licensing payment, manufacturing efficiencies and lower unsaturation charges partially offset by price pressure. Gross margin decreased 10 basis points sequentially due to usual price pressure and manufacturing inefficiencies partially offset by product mix and the one-time licensing payment.

Combined R&D and SG&A expenses decreased 25.4% to \$606 million compared to \$812 million in the year-ago quarter mainly due to the exit from ST-Ericsson and ongoing cost reduction activities and on a sequential basis decreased 7.8% benefiting from ongoing cost reduction initiatives and a lower number of days in the quarter. R&D expenses in the first quarter were \$378 million decreasing by 29.1% and 7.2% on a year-over-year and sequential basis, respectively. SG&A expenses totaled \$228 million in the first quarter, a reduction of 18.4% and 8.8% compared

to the year-ago and prior quarter, respectively.

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(\*)Operating income (loss) before impairment and restructuring charges and operating margin before impairment and restructuring charges are non-U.S. GAAP measures. Please refer to Attachment A for reconciliation to U.S. GAAP and additional information explaining why the Company believes these measures are important.

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First quarter other income & expenses, net, registered income of \$15 million mainly benefiting from the sale of assets totaling \$13 million and \$21 million of R&D grants. These R&D grants do not include the Nano2017 R&D grants, pending European Union approval now expected in the second quarter of 2014.

First quarter operating income and operating margin before impairment and restructuring charges improved to \$8 million and 0.4%, respectively, compared to a loss of \$180 million or negative 8.9% in the year-ago quarter principally due to the exit from ST-Ericsson and ongoing cost reduction activities. Impairment and restructuring charges were significantly reduced in the first quarter at \$12 million compared to \$101 million in the year-ago quarter and \$29 million in the prior quarter.

First quarter net loss attributable to parent company was \$24 million or \$(0.03) per share, compared to a net loss per share of \$(0.19) and \$(0.04) in the year-ago and prior quarter, respectively. On an adjusted basis, ST's non-U.S. GAAP net loss per share was \$(0.01) in the first quarter compared to a net loss per share of \$(0.13) and \$(0.01) in the year-ago and prior quarter, respectively.\*

For the first quarter of 2014, the effective average exchange rate for the Company was approximately \$1.35 to €1.00 compared to \$1.31 to €1.00 for the first quarter of 2013 and \$1.34 to €1.00 for the fourth quarter of 2013.

#### Quarterly Net Revenues Summary

Commencing January 1, 2014, the Company transferred the former Wireless Product Group (legacy ST-Ericsson products) into the Digital Convergence Group.

Net Revenues By Product Line and Segment (Million US\$)	Q1 2014	Q4 2013	Q1 2013
Analog & MEMS (AMS)	304	337	313
Automotive (APG)	445	449	385
Industrial & Power Discrete (IPD)	442	447	429
Sense & Power and Automotive Products (SP&A)	1,191	1,233	1,127
Digital Convergence Group (DCG) (a)	205	307	496
Imaging, Bi-CMOS ASIC and Silicon Photonics (IBP) (a)	77	112	72
Microcontroller, Memory & Secure MCU (MMS)	346	357	299
Embedded Processing Solutions (EPS)	628	776	867
Others	6	6	15
Total	1,825	2,015	2,009

(a) Reflecting the transfer of Wireless (legacy ST-Ericsson products) and the Image Signal Processor business unit from IBP to DCG as of January 1, 2014, the Company has reclassified prior-period revenues.

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 (\*) Adjusted net earnings per share is a non-U.S. GAAP measure. For additional information and reconciliation to U.S. GAAP, please refer to Attachment A.



Net Revenues By Market Channel (%)	Q1 2014	Q4 2013	Q1 2013
Total OEM	70%	73%	75%
Distribution	30%	27%	25%

## Quarterly Revenues and Operating Results by ST Product Segment

Operating Segment (Million US\$)	Q1 2014 Net Revenues	Q1 2014 Operating Income (Loss)	Q4 2013 Net Revenues	Q4 2013 Operating Income (Loss)	Q1 2013 Net Revenues	Q1 2013 Operating Income (Loss)
Sense & Power and Automotive Products (SP&A)	1,191	104	1,233	96	1,127	58
Embedded Processing Solutions (EPS) (a)	628	(80)	776	(66)	867	(210)
Others (b)(c)	6	(28)	6	(41)	15	(129)
<b>TOTAL</b>	<b>1,825</b>	<b>(4)</b>	<b>2,015</b>	<b>(11)</b>	<b>2,009</b>	<b>(281)</b>

(a) Embedded Processing Solutions includes the Wireless product line which includes a portion of sales and operating results of ST-Ericsson as consolidated in the Company's revenues and operating results until September 1, 2013, as well as other items affecting operating results related to the wireless business.

(b) Net revenues of "Others" includes revenues from sales of Subsystems, assembly services, and other revenues.

(c) Operating income (loss) of "Others" includes items such as unused capacity charges, impairment, restructuring charges and other related closure costs, phase out and start-up costs, and other unallocated expenses such as: strategic or special research and development programs, certain corporate-level operating expenses, patent claims and litigations, and other costs that are not allocated to product groups, as well as operating earnings of the Subsystems and Other Products Group. "Others" includes \$5 million, \$7 million, and \$24 million of unused capacity charges in the first quarter of 2014 and fourth and first quarters of 2013, respectively; and \$12 million, \$29 million, and \$101 million of impairment, restructuring charges, and other related closure costs in the first quarter of 2014 and fourth and first quarters of 2013, respectively.

Sense & Power and Automotive Products (SP&A) first quarter net revenues increased 5.7% compared to the year-ago quarter driven by APG and IPD. SP&A revenues decreased 3.5% sequentially. SP&A operating margin improved to 8.7% in the 2014 first quarter compared to 5.1% in year-ago quarter reflecting leverage on revenue growth, product innovation and manufacturing performance. SP&A operating margin in the prior quarter was 7.7%.

Embedded Processing Solutions (EPS) first quarter net revenues, including \$63 million from legacy ST-Ericsson products, decreased 27.6% on a year-over-year basis mainly due to the phasing out of legacy ST-Ericsson products and lower sales of set-top-box products, despite strong growth in microcontrollers. Revenues decreased 19.1% sequentially mainly due to the decrease in ST-Ericsson legacy products and lower sales of set-top-box and imaging products. EPS segment operating margin was negative 12.7% in the 2014 first quarter, compared to negative 24.2% and negative 8.5% in the year-ago and prior quarter, respectively.



“We have just signed a strategic agreement with a top-tier foundry for 28nm FD-SOI technology. This agreement expands the ecosystem, assures the industry of high-volume production of ST’s FD-SOI based IC solutions for faster, cooler, and simpler devices and strengthens the business and financial prospects of the Embedded Processing Solutions Segment,” said Jean-Marc Chery, Executive Vice President and General Manager, Embedded Processing Solutions.

### Cash Flow and Balance Sheet Highlights

Free cash flow was negative \$51 million in the first quarter compared to negative \$65 million in the year-ago quarter and positive \$91 million in the prior quarter.\*

Capital expenditure payments, net of proceeds from sales, were \$112 million during the first quarter of 2014 compared to \$111 million and \$133 million in the year-ago and prior quarter, respectively.

Inventory was \$1.33 billion at quarter end, substantially flat with the prior quarter. Inventory in the first quarter of 2014 was at 3.7 turns or 97 days.

In the first quarter, the Company paid cash dividends totaling \$85 million.

ST's net financial position was \$612 million at March 29, 2014 compared to \$741 million at December 31, 2013.\* ST's financial resources equaled \$1.75 billion and total debt was \$1.13 billion at March 29, 2014.

Total equity, including non-controlling interest, was \$5.68 billion at quarter end.

### Second Quarter 2014 Business Outlook

Mr. Bozotti stated, "In the second quarter, we expect overall revenues to increase sequentially by about 2% at the midpoint. As anticipated, ST-Ericsson's legacy products are winding down and revenues are expected to be less than half of the \$63 million recorded in the first quarter.

"We are encouraged by the signs of improvement in the macro-economic environment generally and by specific product dynamics expected in the next several quarters. In the second quarter, we see opportunities to continue to expand our customer base, driven by strength in microcontrollers, automotive and industrial, and power applications and by the initial recovery of the Embedded Processing Solutions segment.

"In addition, we see opportunities to further advance ST's leadership in key embedded processing solutions and technologies with the approval of the Nano2017 R&D program, now expected this quarter.

"Finally, based upon our financial position, performance and market outlook, the Supervisory Board is recommending to shareholders the approval of a \$0.10 per share cash dividend for the second and third quarters of this year, stable with prior periods and in line with our intention to continue to return value to shareholders."

Reflecting no one-time licensing revenues compared to the first quarter, the Company expects second quarter 2014 revenues to increase about 2% on a sequential basis, plus or minus 3.5 percentage points. As a result, gross margin in the second quarter is expected to be about 33.6%, plus or minus 2.0 percentage points.

This outlook is based on an assumed effective currency exchange rate of approximately \$1.36 = €1.00 for the 2014 second quarter and includes the impact of existing hedging contracts. The second quarter will close on June 28, 2014.

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(\*Free cash flow and net financial position are non-U.S. GAAP measures. For additional information and reconciliation to U.S. GAAP, please refer to Attachment A.



## Key Summary Financial Information

Reflecting the transfer of Wireless (legacy ST-Ericsson products) and the Image Signal Processor business unit from IBP to DCG as of January 1, 2014, the Company has reclassified prior period revenues.

Revenues (Million US\$)	Q1 2013	Q2 2013	Q3 2013	Q4 2013	FY 2013	Q1 2014
DCG	496	375	314	307	1,491	205
IBP	72	98	128	112	410	77

## Recent Corporate Developments

- On February 10, ST and InvenSense announced that they had settled all pending proceedings between them and have entered into a patent cross-license agreement. Under the terms of the settlement, InvenSense made a one-time \$15 million payment in the first quarter of 2014 but neither ST nor InvenSense has made any admission of liability. ST will collect royalties under the terms of the patent cross license in the future. The expected royalties will not be material to ST's financial results. Other terms between the parties are confidential.
- On April 9, the European Commission approved €34 million in aid for the TOURS 2015 research program led by ST; the aid, granted by France to ST for the development of new technologies in the Nanoelectronics sector, was in line with EU state-aid rules. In particular, the Commission considers that the project will help achieve EU scientific and environmental targets without unduly distorting competition.

## Q1 2014 – Product and Technology Highlights

During the quarter, ST made strong progress with important new-product introductions and significant design wins.

## Embedded Processing Solutions (EPS)

## Digital Convergence (DCG)

- Continued building global momentum in set-top boxes, collecting several design wins including HEVC HD, HEVC UHD, and DOCSIS 3.0 sockets across Cannes, Alicante, Liege, and all product families.
- Announced expansion of offering in set-top box, including new devices in the Liege family and cooperation with third-party partners to provide complete and seamless solutions for the worldwide broadcast markets.
  - Continued to see strong momentum for 28nm FD-SOI, collecting two additional design wins.
- Previewed groundbreaking next-generation computing architecture for the Digital Home that builds on current ARM-based SoCs while leveraging 64-bit ARM cores to support the increasing performance and memory requirements of future SoCs.

Imaging, Bi-CMOS, ASIC and Silicon Photonics (IBP)

- Won new silicon-photonics project and transceiver chipset for FibreChannel high-speed data-storage applications with a key customer.
  - Captured design win for analog switch for cell-phone-antenna chipset.
- Awarded a major socket for time-of-flight photonic sensor for an innovative camera system by a leading smart-phone manufacturer.
- Began shipping dedicated imaging-processing chip to a leading Asian smart-phone manufacturer for their flagship phone.

Microcontroller, Memory and Secure MCU (MMS)

- Ramped production of STM32 microcontrollers for three new Samsung smartwatches that were unveiled at MWC2014.
- Earned wins for lower-end ARM® Cortex®-M STM32F0 in several sensors, lighting applications, and gaming accessories.
  - Captured Flash-based Secure MCU win for a major smartcard health program in Europe.
  - Announced new platforms (STM32 Nucleo) and software (STM32Cube) to enhance the development ecosystem and make STM32s even easier to design with.
- Extended the industry's broadest portfolio of ARM Cortex-M microcontrollers with the introduction of STM32L0 ultra-low power series featuring ARM Cortex M0+ core.
- Awarded high-density standard-EEPROM socket for parameter storage in an NFC module from a worldwide key player.

Sense & Power and Automotive Products (SP&A)

Analog, MEMS and Sensors (AMS)

- Ramped production of touch-screen controllers for new Samsung smartphone that was launched in the first quarter of 2014. Touch-screen controller also gained momentum with additional big wins in tablets in Asia.
  - Captured 100% share in all pressure sensors with a leading consumer brand in Asia.
- Introduced 2x2mm pressure-sensor in unique package technology that protects the sensing element, making it ideal for wearable applications.
  - Increased penetration with multiple 6-axis sensor wins across Greater China region in leading manufacturers.
- Expanded presence of accelerometers in automotive-infotainment market with design awards from top players across the globe.
- Revealed 9-axis movement and position sensor that delivers enhanced performance with reduced power demand in a package almost 35% smaller than previous generations.
- Leveraged outstanding low-power performance of Bluetooth Low Energy and Spirit1 sub-gigahertz radios with multiple design wins and orders.
- Reconfirmed leadership in automotive-grade high-precision op amp with design-win at a leading Americas manufac