

STMicroelectronics N.V.
Consolidated Statements of Income
(in million of U.S. dollars, except per share data (\$))

	Three Months Ended	
	(Unaudited)	(Unaudited)
	March 27, <u>2004</u>	March 29, <u>2003</u>
Net sales	2,028	1,617
Other revenues	1	1
NET REVENUES	2,029	1,618
Cost of sales	-1,311	-1,052
GROSS PROFIT	718	566
Selling, general and administrative	-230	-174
Research and development	-363	-283
Other income and expenses, net	-12	15
Impairment, restructuring charges and other related closure costs	-33	0
Total Operating Expenses	-638	-442
OPERATING INCOME	80	124
Interest expense, net	-4	-18
Loss on extinguishment of convertible debt	0	-8
INCOME BEFORE INCOME TAXES	76	98
AND MINORITY INTERESTS	76	98
Income tax benefit (expense)	1	-18
INCOME BEFORE MINORITY INTERESTS	77	80
Minority interests	0	-1
NET INCOME	77	79
EARNINGS PER SHARE (BASIC)	0.09	0.09
EARNINGS PER SHARE (DILUTED)	0.08	0.09
NUMBER OF WEIGHTED AVERAGE		
SHARES USED IN CALCULATING		
DILUTED EARNINGS PER SHARE	938.7	891.1

STMicroelectronics N.V.
CONSOLIDATED BALANCE SHEETS

In million of U.S. dollars	As at	
	March 27, 2004	December 31, 2003
	(unaudited)	(audited)
Assets		
Current assets :		
Cash and cash equivalents	2,103	2,998
Marketable securities	1,030	0
Trade accounts receivable	1,398	1,272
Inventories	1,071	1,129
Deferred tax assets	104	106
Other receivables and assets	605	616
Total current assets	6,311	6,121
Goodwill	260	267
Other intangible assets, net	312	325
Property, plant and equipment, net	6,447	6,620
Long-term deferred tax assets	43	45
Investments and other non-current assets	104	99
	7,166	7,356
Total assets	13,477	13,477
Liabilities and shareholders' equity		
Current liabilities:		
Bank overdrafts	4	45
Current portion of long-term debt	443	106
Trade accounts payable	1,230	1,044
Other payables and accrued liabilities	686	693
Deferred tax liabilities	8	10
Accrued income tax	160	179
Total current liabilities	2,531	2,077
Long-term debt	2,555	2,944
Reserve for pension and termination indemnities	236	236
Long-term deferred tax liabilities	35	37
Other non-current liabilities	38	38
	2,864	3,255
Total liabilities	5,395	5,332
Commitment and contingencies		
Minority interests	45	45
Common stock (preferred stock:540,000,000 shares authorized, not issued; common stock:Euro 1.04 nominal value, 1,200,000,000 shares authorized, 904,734,285 shares issued, 891,334,285 shares outstanding)	1,150	1,146
Capital surplus	1,915	1,905
Accumulated result	4,851	4,774
Accumulated other comprehensive (loss) income	469	623
Treasury stock	(348)	(348)
Shareholders' equity	8,037	8,100
Total liabilities and shareholders' equity	13,477	13,477

The accompanying notes are an integral part of these Unaudited Interim Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

In million of U.S. dollars	Three Months Ended	
	March 27, 2004 (Unaudited)	March 29, 2003 (Unaudited)
Cash flows from operating activities:		
Net income	77	79
Items to reconcile net income and cash from operating activities		
Depreciation and amortization	421	370
Amortization of discount on convertible debt	11	22
Loss on extinguishment of convertible debt	0	8
Other non-cash items	-3	-4
Minority interest in net income of subsidiaries	0	1
Deferred income tax	-3	-9
Impairment, restructuring charges and other related closure costs, net of cash payments	23	0
Changes in assets and liabilities:		
Trade receivables	-125	50
Inventories	44	-35
Trade payables	169	-9
Other assets and liabilities, net	-62	-50
Net cash from operating activities	552	423
Cash flows from investing activities:		
Payment for purchases of tangible assets	-321	-256
Payment for purchase of marketable securities	-1,030	-1,100
Investment in intangible and financial assets	-13	-13
Payment for acquisitions, net of cash received	-3	0
Net cash used in investing activities	-1,367	-1,369
Cash flows from financing activities:		
Repayment of long-term debt	-50	-364
Increase (decrease) in short-term facilities	-41	7
Capital increase	14	0
Other financing activities	0	-1
Net cash from (used in) financing activities	-77	-358
Effect of changes in exchange rates	-3	1
Net cash decrease	-895	-1,303
Cash and cash equivalents at beginning of the period	2,998	2,562
Cash and cash equivalents at end of the period	2,103	1,259