

# 1998 Third Quarter Report

## CONSOLIDATED STATEMENTS OF INCOME STMicroelectronics N.V.

(In millions of US dollars, except per share data (\$))

	Three Months Ended		Nine Months Ended	
	Oct. 3, 1998	Sep. 27, 1997	Oct. 3, 1998	Sep. 27, 1997
Net sales	1,028.2	981.0	3,086.9	2,885.4
Other revenues	11.2	19.1	28.2	29.3
<b>NET REVENUES</b>	<b>1,039.4</b>	<b>1,000.1</b>	<b>3,115.1</b>	<b>2,914.7</b>
Cost of sales	(643.7)	(608.2)	(1,924.4)	(1,787.9)
<b>GROSS PROFIT</b>	<b>395.7</b>	<b>391.9</b>	<b>1,190.7</b>	<b>1,126.8</b>
Selling, general & administrative	(120.1)	(111.2)	(366.2)	(327.6)
Research & development	(168.0)	(151.5)	(510.6)	(445.2)
Other income and expenses	21.4	(5.5)	54.7	(1.0)
Total Operating Expenses	(266.7)	(268.2)	(822.1)	(773.8)
<b>OPERATING INCOME</b>	<b>129.0</b>	<b>123.7</b>	<b>368.6</b>	<b>353.0</b>
Net interest income (expense)	5.2	(0.5)	4.1	(1.8)
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	<b>134.2</b>	<b>123.2</b>	<b>372.7</b>	<b>351.2</b>
Income tax expense	(32.5)	(26.5)	(82.7)	(73.4)
<b>INCOME BEFORE MINORITY INTERESTS</b>	<b>101.7</b>	<b>96.7</b>	<b>290.0</b>	<b>277.8</b>
Minority interests	(0.1)	0.9	(0.6)	2.5
<b>NET INCOME</b>	<b>101.6</b>	<b>97.6</b>	<b>289.4</b>	<b>280.3</b>
<b>EARNINGS PER SHARE (BASIC)</b>	<b>0.71</b>	<b>0.70</b>	<b>2.06</b>	<b>2.02</b>
<b>* EARNINGS PER SHARE (DILUTED)</b>	<b>0.70</b>	<b>0.70</b>	<b>2.04</b>	<b>2.01</b>
<b>* NUMBER OF WEIGHTED AVERAGE SHARES USED IN CALCULATING DILUTED EARNINGS PER SHARE</b>	<b>147.3</b>	<b>140.0</b>	<b>143.0</b>	<b>139.8</b>

\* Diluted earnings per share and the number of weighted average shares outstanding used in this calculation reflect the impact of the \$375.4 million aggregate initial principal amount of zero coupon convertible Liquid Yield Option Notes ("LYONs" TM) issued on June 5, 1998.

## CONSOLIDATED BALANCE SHEETS

STMicroelectronics N.V.

(In millions of US dollars, except per share data (\$))

	October 3, 1998	December 31, 1997
<b>ASSETS</b>		

<b>Current assets:</b>		
Cash and cash equivalents	1,041.2	702.2
Trade accounts and notes receivable	793.3	644.0
Inventories	715.1	593.5
Other receivables and assets	639.0	413.9
<b>Total current assets</b>	<b>3,188.6</b>	<b>2,353.6</b>
Intangible assets, net	35.6	26.4
Property, plant and equipment, net	3,407.8	3,046.8
Investments and other non-current assets	33.9	18.9
	<b>3,477.3</b>	<b>3,092.1</b>
<b>Total assets</b>	<b>6,665.9</b>	<b>5,445.7</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Bank overdrafts	166.2	366.0
Current portion of long-term debt	56.2	58.6
Trade accounts and notes payable	710.0	592.3
Other payables and accrued liabilities	417.1	320.4
Accrued and deferred income tax	348.3	295.2
<b>Total current liabilities</b>	<b>1,697.8</b>	<b>1,632.5</b>
Long-term debt	788.1	356.4
Reserves for pension and termination indemnities	111.8	95.0
Other non-current liabilities	37.5	38.6
	937.4	490.0
<b>Total liabilities</b>	<b>2,635.2</b>	<b>2,122.5</b>
<b>Minority interests</b>	<b>16.3</b>	<b>15.8</b>
Capital Stock	1,094.6	1,074.0
Capital surplus	1,119.7	930.9
Accumulated result	1,905.6	1,616.3
Translation adjustment	(105.5)	(313.8)
<b>Shareholders' equity</b>	<b>4,014.4</b>	<b>3,307.4</b>
<b>Total liabilities and shareholders' equity</b>	<b>6,665.9</b>	<b>5,445.7</b>

**SELECTED CONSOLIDATED FINANCIAL DATA**  
(In millions of US dollars)

<b>Consolidated Balance Sheet Data (End of period)</b>	<b>Oct. 3, 1998</b>	<b>Dec. 31, 1997</b>
Cash, cash equivalents and marketable securities	1,041.2	702.2
Working capital	672.0	443.5
Total assets	6,665.9	5,445.7
Short-term debt (including current		

portion of long-term debt)	222.4	424.6
Long-term debt (excluding current portion)	788.1	356.4
Shareholders' equity	4,014.4	3,307.4
<b>Consolidated Operating Data (Nine months ended)</b>	<b>Oct. 3, 1998</b>	<b>Sep. 27, 1997</b>
Payment for purchases of tangible assets	662.8	667.5
Net cash from operating activities	642.6	774.3
Net operating cash flow	(44.0)	77.5
Depreciation and amortization	514.3	448.3