STMicroelectronics N.V.

Consolidated Statements of Income

(in million of U.S. dollars, except per share data ($))

	Twelve Months Ended	
	(Unaudited)	(Audited)
	December 31, 2004	December 31, 2003
Net sales	8,756	7,234
Other revenues	4	4
NET REVENUES	**8,760**	**7,238**
Cost of sales	-5,532	-4,672
GROSS PROFIT	**3,228**	**2,566**
Selling, general and administrative	-947	-785
Research and development	-1,532	-1,238
Other income and expenses, net	10	-4
Impairment, restructuring charges and other related closure costs	-76	-205
Total Operating Expenses	-2,545	-2,232
OPERATING INCOME	**683**	**334**
Interest expense, net	-3	-52
Loss on equity investments	-4	-1
Loss on extinguishment of convertible debt	-4	-39
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**672**	**242**
Income tax benefit (expense)	-68	14
INCOME BEFORE MINORITY INTERESTS	**604**	**256**
Minority interests	-3	-3
NET INCOME	**601**	**253**
EARNINGS PER SHARE (BASIC)	**0.67**	**0.29**
EARNINGS PER SHARE (DILUTED)	**0.65**	**0.27**
NUMBER OF WEIGHTED AVERAGE SHARES USED IN CALCULATING DILUTED EARNINGS PER SHARE	**935.1**	**937.1**

STMicroelectronics N.V.

Consolidated Statements of Income

(in million of U.S. dollars, except per share data ($))

	Three Months Ended	
	(Unaudited)	(Unaudited)
	December 31, 2004	December 31, 2003
Net sales	2,326	2,112
Other revenues	2	1
NET REVENUES	**2,328**	**2,113**
Cost of sales	-1,476	-1,353
GROSS PROFIT	**852**	**760**
Selling, general and administrative	-245	-228
Research and development	-402	-354
Other income and expenses, net	23	-13
Impairment, restructuring charges and other related closure costs	-18	-12
Total Operating Expenses	-642	-607
OPERATING INCOME	**210**	**153**
Interest income (expense), net	5	-7
Loss on equity investments	-2	0
Loss on extinguishment of convertible debt	0	-2
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**213**	**144**
Income tax expense	-26	0
INCOME BEFORE MINORITY INTERESTS	**187**	**144**
Minority interests	0	0
NET INCOME	**187**	**144**
EARNINGS PER SHARE (BASIC)	**0.21**	**0.16**
EARNINGS PER SHARE (DILUTED)	**0.20**	**0.16**
NUMBER OF WEIGHTED AVERAGE SHARES USED IN CALCULATING DILUTED EARNINGS PER SHARE	**935.1**	**939.1**

STMicroelectronics N.V.

CONSOLIDATED BALANCE SHEETS

As at In million of U.S. dollars	December 31, 2004 (Unaudited)	September 25, 2004 (Unaudited)	December 31, 2003 (Audited)
ASSETS			
Current assets:			
Cash and cash equivalents	1,950	601	2,998
Marketable securities	0	1,030	0
Trade accounts receivable	1,408	1,523	1,272
Inventories	1,344	1,196	1,129
Deferred tax assets	140	141	106
Other receivables and assets	785	616	616
Total current assets	**5,627**	**5,107**	**6,121**
Goodwill	264	260	267
Other intangible assets, net	291	306	325
Property, plant and equipment, net	7,442	7,011	6,620
Long-term deferred tax assets	59	59	45
Investments and other non-current assets	117	108	99
	8,173	**7,744**	**7,356**
Total assets	**13,800**	**12,851**	**13,477**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Bank overdrafts	58	8	45
Current portion of long-term debt	133	111	106
Trade accounts payable	1,352	1,432	1,044
Other payables and accrued liabilities	776	701	693
Deferred tax liabilities	17	24	10
Accrued income tax	176	187	179
Total current liabilities	**2,512**	**2,463**	**2,077**
Long-term debt	1,767	1,710	2,944
Reserve for pension and termination indemnities	285	259	236
Long-term deferred tax liabilities	63	58	37
Other non-current liabilities	15	15	38
	2,130	**2,042**	**3,255**
Total liabilities	**4,642**	**4,505**	**5,332**
Commitment and contingencies			
Minority interests	**48**	**48**	**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, 905,308,997 shares issued, 891,908,997 shares outstanding)	1,150	1,149	1,146
Capital surplus	1,924	1,919	1,905
Accumulated result	5,268	5,081	4,774
Accumulated other comprehensive income	1,116	497	623
Treasury stock	-348	-348	-348
Shareholders' equity	**9,110**	**8,298**	**8,100**
Total liabilities and shareholders' equity	**13,800**	**12,851**	**13,477**

STMicroelectronics N.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In million of U.S. dollars	Twelve Months Ended December 31, 2004 (Unaudited)	December 31, 2003 (Audited)
Cash flows from operating activities:		
Net income	601	253
Items to reconcile net income and cash from operating activities		
Depreciation and amortization	1,837	1,608
Amortization of discount on convertible debt	28	68
Loss on extinguishment of convertible debt	4	39
Gain on the sale of marketable securities	0	-4
Other non-cash items	5	-53
Minority interest in net income of subsidiaries	3	3
Deferred income tax	-6	-131
Loss on equity investments	4	1
Impairment, restructuring charges and other related closure costs, net of cash payments	8	197
Changes in assets and liabilities:		
Trade receivables	-119	-109
Inventories	-144	-75
Trade payables	128	-8
Other assets and liabilities, net	-7	131
Net cash from operating activities	**2,342**	**1,920**
Cash flows from investing activities:		
Payment for purchases of tangible assets	-2,050	-1,221
Proceeds from the sale of marketable securities	0	4
Investment in intangible and financial assets	-81	-34
Payment for acquisitions, net of cash received	-3	-188
Net cash used in investing activities	**-2,134**	**-1,439**
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	91	1,398
Repayment of long-term debt	-1,288	-1,432
Increase in short-term facilities	10	25
Capital increase	23	22
Dividends paid	-107	-71
Other financing activities	0	-1
Net cash used in financing activities	**-1,271**	**-59**
Effect of changes in exchange rates	15	14
Net cash increase (decrease)	**-1,048**	**436**
Cash and cash equivalents at beginning of the period	2,998	2,562
Cash and cash equivalents at end of the period	1,950	2,998