STMICROELECTRONICS NV
Form 6-K
November 13, 2015

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 November 13, 2015

Commission File Number: 1-13546

STMicroelectronics N.V.
(Name of Registrant)

WTC Schiphol Airport
Schiphol Boulevard 265
1118 BH Schiphol Airport
The Netherlands
(Address of Principal Executive Offices)

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 £

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 £ No Q

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes £ No Q

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes £ No Q

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

Enclosure: STMicroelectronics N.V.'s Third Quarter and Nine Months ended September 26, 2015:

- Operating and Financial Review and Prospects;
- Unaudited Interim Consolidated Statements of Income, Statements of Comprehensive Income, Balance Sheets, Statements of Cash Flow, and Statements of Equity and related Notes for the three months and nine months ended September 26, 2015; and
- Certifications pursuant to Sections 302 (Exhibits 12.1 and 12.2) and 906 (Exhibit 13.1) of the Sarbanes-Oxley Act of 2002, submitted to the Commission on a voluntary basis.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview

The following discussion should be read in conjunction with our Unaudited Interim Consolidated Statements of Income, Statements of Comprehensive Income, Balance Sheets, Statements of Cash Flows and Statements of Equity for the three months and nine months ended September 26, 2015 and Notes thereto included elsewhere in this Form 6-K, and our annual report on Form 20-F for the year ended December 31, 2014 as filed with the U.S. Securities and Exchange Commission (the “Commission” or the “SEC”) on March 3, 2015 (the “Form 20-F”). The following discussion contains statements of future expectations and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, or Section 21E of the Securities Exchange Act of 1934, each as amended, particularly in the sections “Business Overview” and “Liquidity and Capital Resources—Financial Outlook: Capital Investment”. Our actual results may differ significantly from those projected in the forward-looking statements. For a discussion of factors that might cause future actual results to differ materially from our recent results or those projected in the forward-looking statements in addition to the factors set forth below, see “Cautionary Note Regarding Forward-Looking Statements” and “Item 3. Key Information—Risk Factors” included in the Form 20-F. We assume no obligation to update the forward-looking statements or such risk factors.

Our Management’s Discussion and Analysis of Financial Position and Results of Operations (“MD&A”) is provided in addition to the accompanying unaudited interim consolidated financial statements (“Consolidated Financial Statements”) and Notes to assist readers in understanding our results of operations, financial condition and cash flows. Our MD&A is organized as follows:

- Critical Accounting Policies Using Significant Estimates.
- Business Overview, a discussion of our business and overall analysis of financial and other relevant highlights of the three months and nine months ended September 26, 2015 designed to provide context for the other sections of the MD&A, including our expectations for selected financial items for the fourth quarter of 2015.
- Other Developments in the third quarter of 2015.
- Results of Operations, containing a year-over-year and sequential analysis of our financial results for the three months and nine months ended September 26, 2015, as well as segment information.
- Legal Proceedings.
- Discussion of the impact of changes in exchange rates, interest rates and equity prices on our activity and financial results.
- Liquidity and Capital Resources, presenting an analysis of changes in our balance sheets and cash flows, and discussing our financial condition and potential sources of liquidity.
- Impact of Recently Issued U.S. Accounting Standards.
- Backlog and Customers, discussing the level of backlog and sales to our key customers.
- Disclosure Controls and Procedures.
- Cautionary Note Regarding Forward-Looking Statements.

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STMicroelectronics N.V. ("the Company") is a global leader in the semiconductor market serving customers across the spectrum of Sense & Power and Automotive products and Embedded Processing Solutions. From energy management and savings to trust and data security, from healthcare and wellness to smart consumer devices, in the home, car and office, at work and at play, ST is found everywhere microelectronics make a positive and innovative contribution to people's life. By getting more from technology to get more from life, ST stands for life.augmented.

Critical Accounting Policies Using Significant Estimates

There were no material changes in the first nine months of 2015 to the information provided under the heading "Critical Accounting Policies Using Significant Estimates" included in our annual report on Form 20-F.

Fiscal Year

Under Article 35 of our Articles of Association, our financial year extends from January 1 to December 31, which is the period end of each fiscal year. The first quarter of 2015 ended on March 28, 2015, the second quarter ended on June 27 and the third quarter ended on September 26. The fourth quarter will end on December 31, 2015. Based on our fiscal calendar, the distribution of our revenues and expenses by quarter may be unbalanced due to a different number of days in the various quarters of the fiscal year and can also differ from equivalent prior years' periods, as illustrated in the below table for the years 2014, 2015 and 2016.

	Q1	Q2	Q3	Q4
		Days		
2014	88	91	91	95
2015	87	91	91	96
2016	93	91	91	91

Business Overview

Our results of operations for each period were as follows:

	Three Months Ended			% Variation	
	September 26, 2015	June 27, 2015	September 27, 2014	Sequential	Year-Over-Year
	(Unaudited, in millions, except per share amounts)				
Net revenues	$1,764	$1,760	$1,886	0.3 %	(6.5)%
Gross profit	613	595	646	3.1 %	(5.1)%
Gross margin as percentage of net revenues	34.8 %	33.8 %	34.3 %	-	-
Operating income (loss)	91	12	37	-	-
Net income (loss) attributable to parent company	90	35	72	-	-
Earnings per share	$0.10	$0.04	$0.08	-	-

The total available market is defined as the "TAM", while the serviceable available market, the "SAM", is defined as the market for products sold by us (which consists of the TAM and excludes major devices such as Microprocessors (MPUs), DRAMs, optoelectronics devices, Flash Memories and the Wireless Application Specific Products such as

Baseband and Application Processor).

Based on published industry data by World Semiconductor Trade Statistics (WSTS), semiconductor industry revenues increased in the third quarter of 2015 on a sequential basis by approximately 2% for both the TAM and the SAM, to reach approximately $85 billion and $38 billion, respectively. On a year-over-year basis, both TAM and SAM decreased by approximately 3% and 2%, respectively.

Our third quarter 2015 revenues amounted to $1,764 million, a 0.3% sequential increase, within but in the low range of the released guidance for the quarter, mainly due to weaker than expected general market conditions and a manufacturing issue at a subcontractor which affected our sales in AMS. All product lines except AMS and IPD registered a sequential revenues increase, with our Microcontroller Group sales increasing 6.1%, the Automotive Group sales increasing 1.9% and the Digital Product group sales increasing $23 million. By segment, Sense & Power and Automotive Products (SP&A) revenues decreased by approximately 3.6% and Embedded Processing Solutions (EPS) increased by 7.8%.

On a year-over-year basis, net revenues decreased 6.5%, or 3.8% excluding negative currency effects and ST-Ericsson mobile legacy products that we are phasing out. Both SP&A and EPS revenues declined, by 8.3% and 3.2%, respectively, impacted by weaker market conditions, lower revenues in set-top-box and mobile legacy products and unfavorable currency effects.

Compared to the served market, our performance was below the SAM both on a sequential and year-over-year basis.

Our effective average exchange rate for the third quarter of 2015 was $1.16 for €1.00 compared to $1.17 for €1.00 in the second quarter of 2015 and $1.34 for €1.00 in the third quarter of 2014. For a more detailed discussion of our hedging arrangements and the impact of fluctuations in exchange rates, see “Impact of Changes in Exchange Rates” below.

Our third quarter 2015 gross margin was 34.8% of revenues, close to the mid-point of our released guidance and improving sequentially by 100 basis points, mostly reflecting higher manufacturing efficiencies, a more favorable product mix and favorable currency effects, net of hedging, partially offset by price pressure, resulting in declines in selling prices. On a year-over-year basis, our third quarter of 2015 gross margin increased by 50 basis points, mainly due to favorable currency effects, net of hedging, improved manufacturing efficiencies and lower unused capacity charges, partially offset by price pressure.

Our combined selling, general and administrative (SG&A) and research and development (R&D) costs amounted to $549 million, decreasing by about 8% compared to $599 million in the prior quarter mainly due to seasonality and favorable impact of currency exchange rates, net of hedging. Our operating expenses decreased by about 9% compared to $603 million in the prior-year quarter mainly due to favorable currency effects, net of hedging, and the savings from the EPS restructuring plan, partially offset by a labor cost increase.

Other income and expenses, net, amounted to $38 million, which was flat sequentially and increasing from $32 million in the year-ago quarter, mainly due to increased funding and lower start-up and phase-out costs.

Impairment, restructuring and other related closure costs for the third quarter of 2015 were $11 million compared to $21 million and $38 million in the prior and year-ago quarters respectively, and related principally to the impairment charges following our yearly impairment test.

In the third quarter of 2015, our operating income was $91 million, improving sequentially from $12 million, mainly due to an improved product mix, positive impact of seasonality, favorable currency effects, net of hedging, and improved manufacturing efficiencies, partially balanced by lower volumes and decreasing selling prices. Our operating income increased from the $37 million registered in the year-ago quarter.

Free cash flow was a positive $85 million in the third quarter of 2015, compared to a positive $53 million in the prior quarter and a positive $140 million in the year-ago quarter. In first nine months of 2015, we showed significant progress in terms of free cash flow: positive at $179 million and improving by $190 million compared to the first nine months of 2014.

While market conditions were mixed entering in the third quarter, we saw progressive deterioration as we moved through the quarter. Lower consumer spending in China is impacting the dynamics of the distribution channel in the region and the industry more globally, particularly in Automotive. As a result we adjusted down our manufacturing plan for the fourth quarter. In the fourth quarter of 2015 we expect revenues to decrease by about 6% on a sequential basis, plus or minus 3.5 percentage points and gross margin is expected to be about 33.5%, plus or minus 2.0 percentage points. The mid-point of the gross margin outlook incorporates an estimated 2 percentage points from fab under-loading offset, in part, by underlying improvement in our gross margin, including favorable currency effects. With respect to our Digital Product Group, we are making progress in narrowing the options and we have the objective to announce a final decision in early 2016.

This outlook is based on an assumed effective currency exchange rate of approximately $1.13= €1.00 for the 2015 fourth quarter and includes the impact of existing hedging contracts. The fourth quarter will close on December 31, 2015.

These are forward-looking statements that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially; in particular, refer to those known risks and uncertainties described in “Cautionary Note Regarding Forward-Looking Statements” and Item 3. “Key Information—Risk Factors” in our Form 20-F as may be updated from time to time in our SEC filings.

Other Developments in the Third Quarter of 2015

On July 9, we announced, together with the French Institute of Materials, Microelectronics and Nanosciences in Provence, the official launch of a new joint research laboratory, The Radiation Effects and Electrical Reliability (REER) Joint Laboratory, to develop the next generations of high-reliability, ultra-miniaturized electronic components. The REER Joint Laboratory is a multi-site research establishment that will bring together teams from the IM2NP Institute, based in Marseille and Toulon, and specialist engineers from the ST facility in Crolles, near Grenoble.

On August 20, we published our IFRS 2015 Semi Annual Accounts for the six-month period ended June 27, 2015 on our website and filed them with the AFM (Autoriteit Financiële Markten), the Netherlands Authority for the Financial Markets.

Results of Operations

Segment Information

We operate in two business areas: Semiconductors and Subsystems.

In the Semiconductors business area, we design, develop, manufacture and market a broad range of products, including discrete and standard commodity components, application-specific integrated circuits (“ASICs”), full-custom devices and semi-custom devices and application-specific standard products (“ASSPs”) for analog, digital and mixed-signal applications. In addition, we further participate in the manufacturing value chain of Smartcard products, which includes the production and sale of both silicon chips and Smartcards.

Our segments are as follows:

- Sense & Power and Automotive Products (SP&A), including the following product lines:
  - Automotive (APG);
  - Industrial & Power Discrete (IPD);
  - Analog & MEMS (AMS); and
  - Other SP&A;
- Embedded Processing Solutions (EPS), comprised of the following product lines:
  - Digital Product Group (DPG);
  - Microcontrollers, Memory & Secure MCU (MMS); and
  - Other EPS.

Effective in the first quarter of 2015, the former Digital Convergence Group (DCG) and Imaging, BI-CMOS and Silicon Photonics (IBP) groups, both belonging to EPS, were combined under a single organization, called Digital Product Group (DPG). DPG focuses on three main areas: ASSPs addressing home gateway and set-top box, as well as digital ASICs for consumer applications; mixed process and digital ASICs, including silicon photonics, addressing communication infrastructure; and differentiated imaging products.

We believe that the amended 2015 revenues presentation is consistent with that of 2014 and we use these comparatives when managing our company.

In the Subsystems business area, we design, develop, manufacture and market subsystems and modules for the telecommunications, automotive and industrial markets including mobile phone accessories, battery chargers, ISDN power supplies and in-vehicle equipment for electronic toll payment. Based on its immateriality to our business as a whole, the Subsystems business area does not meet the requirements for a reportable segment as defined in the guidance on disclosures about segments of an enterprise and related information. All the financial values related to Subsystems including net revenues and related costs, are reported in the segment "Others".

For the computation of the segments' internal financial measurements, we use certain internal rules of allocation for the costs not directly chargeable to the segments, including cost of sales, selling, general and administrative ("SG&A") expenses and a part of research and development ("R&D") expenses. In compliance with our internal policies, certain cost items are not charged to the segments, including impairment, restructuring charges and other related closure costs, phase-out and start-up costs of certain manufacturing facilities, certain one-time corporate items, strategic and special R&D programs or other corporate-sponsored initiatives, including certain corporate-level operating expenses and certain other miscellaneous charges. As of the first quarter of 2015, our internal policy regarding unallocated costs was amended to allocate unused capacity charges to our product lines. Prior periods have been revised accordingly. In addition, depreciation and amortization expense is part of the manufacturing costs allocated to the product segments and is not identified as part of the inventory variation; therefore, it cannot be isolated in the costs of goods sold. Finally, R&D grants are allocated to our product lines proportionally to the incurred R&D expenses on the sponsored projects.

Wafer costs are transferred to the product groups' profit and loss based on actual cost. From time to time, on specific technologies, wafer costs are transferred to product groups based on market price to promote the utilization of the fabs.

Third Quarter 2015 vs. Second Quarter 2015 and Third Quarter 2014

The following table sets forth certain financial data from our unaudited Consolidated Statements of Income:

	Three Months Ended (unaudited)					
	September 26, 2015		June 27, 2015		September 27, 2014	
	$ million	% of net revenues	$ million	% of net revenues	$ million	% of net revenues
Net sales	$1,755	99.5 %	$1,754	99.7 %	$1,870	99.2 %
Other revenues	9	0.5	6	0.3	16	0.8
Net revenues	1,764	100.0	1,760	100.0	1,886	100.0
Cost of sales	(1,151)	(65.2)	(1,165)	(66.2		