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STMicroelectronics Reports 2022 Third Quarter Financial Results

- Q3 net revenues \$4.32 billion; gross margin 47.6%; operating margin 29.4%; net income \$1.10 billion
- YTD net revenues \$11.70 billion; gross margin 47.3%; operating margin 26.9%; net income \$2.71 billion
- Business outlook at the mid-point: Q4 net revenues of \$4.40 billion and gross margin of 47.3%

Geneva, October 27, 2022 - STMicroelectronics (NYSE: STM), a global semiconductor leader serving customers across the spectrum of electronics applications, reported U.S. GAAP financial results for the third quarter ended October 1, 2022. This press release also contains non-U.S. GAAP measures (see Appendix for additional information).

ST reported third quarter net revenues of \$4.32 billion, gross margin of 47.6%, operating margin of 29.4%, and net income of \$1.10 billion or \$1.16 diluted earnings per share.

Jean-Marc Chery, STMicroelectronics President & CEO, commented:

- “Q3 net revenues of \$4.32 billion and gross margin of 47.6% came in above the mid-point of our business outlook range, driven by continued strong demand for our product portfolio.
- “On a year-over-year basis, Q3 net revenues increased 35.2%, operating margin increased to 29.4% from 18.9%, and net income more than doubled to \$1.10 billion.
- “First nine months net revenues increased 27.2% to \$11.70 billion, driven by growth in all product groups and sub-groups. Operating margin was 26.9% and net income was \$2.71 billion.
- “ST’s fourth quarter outlook, at the mid-point, is for net revenues of \$4.40 billion, increasing year-over-year by 23.7% and sequentially by 1.8%; gross margin is expected to be about 47.3%.
- “The midpoint of this outlook translates into full year 2022 net revenues of about \$16.10 billion, representing a 26.2% year-over-year growth and gross margin of about 47.3%, in line with the plan we outlined in July.”

Quarterly Financial Summary (U.S. GAAP)

(US\$ m, except per share data)	Q3 2022	Q2 2022	Q3 2021	Q/Q	Y/Y
Net Revenues	\$4,321	\$3,837	\$3,197	12.6%	35.2%
Gross Profit	\$2,059	\$1,819	\$1,330	13.2%	54.7%
Gross Margin	47.6%	47.4%	41.6%	20 bps	600 bps
Operating Income	\$1,272	\$1,004	\$605	26.7%	110.1%
Operating Margin	29.4%	26.2%	18.9%	320 bps	1,050 bps
Net Income ^(a)	\$1,099	\$867	\$474	26.8%	131.8%
Diluted Earnings Per Share ^(b)	\$1.16	\$0.92	\$0.51	26.1%	127.5%

(a) Following a change in U.S. GAAP reporting guidance effective January 1, 2022, Q3 and Q2 2022 net income does not include phantom interests associated with convertible bonds. Prior period has not been restated.

(b) Q3 and Q2 2022 diluted earnings per share includes the full dilutive effect of our outstanding convertible debt, upon adoption on January 1, 2022 of the new U.S. GAAP reporting guidance. Prior period has not been restated.

Third Quarter 2022 Summary Review

Effective July 1, 2022, the Low Power RF business unit was transferred from AMS (Analog sub-group) to MDG (Microcontrollers and Memories sub-group). Prior periods have been adjusted accordingly.

Net Revenues By Product Group (US\$ m)	Q3 2022	Q2 2022	Q3 2021	Q/Q	Y/Y
Automotive and Discrete Group (ADG)	1,563	1,454	1,005	7.5%	55.5%
Analog, MEMS and Sensors Group (AMS)	1,380	1,115	1,258	23.7%	9.7%
Microcontrollers and Digital ICs Group (MDG)	1,374	1,263	930	8.8%	47.7%
Others	4	5	4	-	-
Total Net Revenues	4,321	3,837	3,197	12.6%	35.2%

Net revenues totaled \$4.32 billion, a year-over-year increase of 35.2%. On a year-over-year basis, the Company recorded higher net sales in all product groups and sub-groups. Year-over-year net sales to OEMs and Distribution increased 34.1% and 37.4%, respectively. On a sequential basis, net revenues increased 12.6%, 210 basis points better than the mid-point of the Company's guidance. All product groups and sub-groups reported increases in net revenues on a sequential basis.

Gross profit totaled \$2.06 billion, a year-over-year increase of 54.7%. **Gross margin** of 47.6%, 60 basis points above the mid-point of the Company's guidance, increased 600 basis points year-over-year, principally due to favorable pricing and improved product mix, partially offset by the inflation of manufacturing input costs.

Operating income increased 110.1% to \$1.27 billion, compared to \$605 million in the year-ago quarter. The Company's **operating margin** increased 1,050 basis points on a year-over-year basis to 29.4% of net revenues, compared to 18.9% in the 2021 third quarter.

By **product group**, compared with the year-ago quarter:

Automotive and Discrete Group (ADG):

- Revenue increased in both Automotive and in Power Discrete.
- Operating profit increased by 273.8% to \$404.1 million. Operating margin was 25.9% compared to 10.8%.

Analog, MEMS and Sensors Group (AMS):

- Revenue increased in Analog, in MEMS and in Imaging.
- Operating profit increased by 23.1% to \$375.7 million. Operating margin was 27.2% compared to 24.3%.

Microcontrollers and Digital ICs Group (MDG):

- Revenue increased in both Microcontrollers and in RF Communications.
- Operating profit increased by 130.3% to \$503.8 million. Operating margin was 36.7% compared to 23.5%.

Net income increased to \$1.10 billion and **diluted earnings per share** to \$1.16 compared to \$474 million and \$0.51, respectively, in the year-ago quarter.

Cash Flow and Balance Sheet Highlights

(US\$ m)	Q3 2022	Q2 2022	Q3 2021	Trailing 12 Months		
				Q3 2022	Q3 2021	TTM Change
Net cash from operating activities	1,651	1,056	895	4,533	3,101	46.2%
Free cash flow (non-U.S. GAAP)	676	230	420	1,302	1,318	-1.2%

Capital expenditure payments, net of proceeds from sales, were \$955 million in the third quarter and \$2.61 billion for the year-to-date period. In the year-ago quarter, capital expenditures, net, were \$437 million.

Inventory at the end of the third quarter was \$2.38 billion, compared to \$1.97 billion in the year-ago quarter. Days sales of inventory at quarter-end and in the year-ago quarter were 96 days.

Free cash flow (non-U.S. GAAP) was \$676 million in the third quarter, compared to \$420 million in the year-ago quarter.

In the third quarter, the Company paid cash dividends to its stockholders totaling \$55 million and executed a \$86 million share buy-back as part of its current share repurchase program.

ST's net financial position (non-U.S. GAAP) was \$1.46 billion at October 1, 2022 compared to \$924 million at July 2, 2022 and reflected total liquidity of \$4.09 billion and total financial debt of \$2.63 billion.

Business Outlook

The Company's guidance, at the mid-point, for the 2022 fourth quarter is:

- Net revenues are expected to be \$4.40 billion, an increase of 1.8% sequentially, plus or minus 350 basis points;
- Gross margin of 47.3%, plus or minus 200 basis points;
- This outlook is based on an assumed effective currency exchange rate of approximately \$1.03 = €1.00 for the 2022 fourth quarter and includes the impact of existing hedging contracts; and
- The fourth quarter will close on December 31, 2022.

Conference Call and Webcast Information

STMicroelectronics will conduct a conference call with analysts, investors and reporters to discuss its third quarter 2022 financial results and current business outlook today at 9:30 a.m. Central European Time (CET) / 3:30 a.m. U.S. Eastern Time (ET). A live webcast (listen-only mode) of the conference call will be accessible at ST's website, <http://investors.st.com>, and will be available for replay until November 11, 2022.

Use of Supplemental Non-U.S. GAAP Financial Information

This press release contains supplemental non-U.S. GAAP financial information.

Readers are cautioned that these measures are unaudited and not prepared in accordance with U.S. GAAP and should not be considered as a substitute for U.S. GAAP financial measures. In addition, such non-U.S. GAAP financial measures may not be comparable to similarly titled information from other companies. To compensate for these limitations, the supplemental non-U.S. GAAP financial information should not be read in isolation, but only in conjunction with the Company's consolidated financial statements prepared in accordance with U.S. GAAP.

See the Appendix of this press release for a reconciliation of the Company's non-U.S. GAAP financial measures to their corresponding U.S. GAAP financial measures.

Forward-looking Information

Some of the statements contained in this release that are not historical facts are 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) that are based on management's current views and assumptions, and are conditioned upon and also involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those anticipated by such statements, due to, among other factors:

- *changes in global trade policies, including the adoption and expansion of tariffs and trade barriers, that could affect the macro-economic environment and adversely impact the demand for our products;*
- *uncertain macro-economic and industry trends (such as inflation and fluctuations in supply chains), which may impact production capacity and end-market demand for our products;*
- *customer demand that differs from projections;*
- *the ability to design, manufacture and sell innovative products in a rapidly changing technological environment;*
- *changes in economic, social, public health, labor, political, or infrastructure conditions in the locations where we, our customers, or our suppliers operate, including as a result of macroeconomic or regional events, military conflicts, (including the military conflict between Russia and the Ukraine), social unrest, labor actions, or terrorist activities;*
- *unanticipated events or circumstances, which may impact our ability to execute our plans and/or meet the objectives of our R&D and manufacturing programs, which benefit from public funding;*
- *legal, political and economic uncertainty surrounding Brexit may be a continued source of instability in international markets and currency exchange rate volatility and may adversely affect business activity, political stability and economic conditions and while we do not have material operations in the U.K. and have not experienced any material impact from Brexit on our underlying business to date, we cannot predict its future implications;*
- *financial difficulties with any of our major distributors or significant curtailment of purchases by key customers;*
- *the loading, product mix, and manufacturing performance of our production facilities and/or our required volume to fulfill capacity reserved with suppliers or third party manufacturing providers;*
- *availability and costs of equipment, raw materials, utilities, third-party manufacturing services and technology, or other supplies required by our operations (including increasing costs resulting from inflation);*
- *the functionalities and performance of our IT systems, which are subject to cybersecurity threats and which support our critical operational activities including manufacturing, finance and sales, and any breaches of our IT systems or those of our customers or suppliers;*
- *theft, loss, or misuse of personal data about our employees, customers, or other third parties, and breaches of global and local privacy legislation, including the EU's General Data Protection Regulation ("GDPR");*
- *the impact of intellectual property claims by our competitors or other third parties, and our ability to obtain required licenses on reasonable terms and conditions;*
- *changes in our overall tax position as a result of changes in tax rules, new or revised legislation, the outcome of tax audits or changes in international tax treaties which may impact our results of operations as well as our ability to accurately estimate tax credits, benefits, deductions and provisions and to realize deferred tax assets;*

- variations in the foreign exchange markets and, more particularly, the U.S. dollar exchange rate as compared to the Euro and the other major currencies we use for our operations;
- the outcome of ongoing litigation as well as the impact of any new litigation to which we may become a defendant;
- product liability or warranty claims, claims based on epidemic or delivery failure, or other claims relating to our products, or recalls by our customers for products containing our parts;
- natural events such as severe weather, earthquakes, tsunamis, volcano eruptions or other acts of nature, the effects of climate change, health risks and epidemics such as the COVID-19 pandemic in locations where we, our customers or our suppliers operate;
- increased regulation and initiatives in our industry, including those concerning climate change and sustainability matters and our commitment to be carbon neutral by 2027;
- potential loss of key employees and potential inability to recruit and retain qualified employees as a result of the COVID-19 pandemic, remote-working arrangements and the corresponding limitation on social and professional interaction;
- the duration and the severity of the global outbreak of COVID-19 may continue to negatively impact the global economy in a significant manner for an extended period of time, and could also materially adversely affect our business and operating results;
- industry changes resulting from vertical and horizontal consolidation among our suppliers, competitors, and customers; and
- the ability to successfully ramp up new programs that could be impacted by factors beyond our control, including the availability of critical third party components and performance of subcontractors in line with our expectations.

Such forward-looking statements are subject to various risks and uncertainties, which may cause actual results and performance of our business to differ materially and adversely from the forward-looking statements. Certain forward-looking statements can be identified by the use of forward looking terminology, such as “believes,” “expects,” “may,” “are expected to,” “should,” “would be,” “seeks” or “anticipates” or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions.

Some of these risks are set forth and are discussed in more detail in “Item 3. Key Information — Risk Factors” included in our Annual Report on Form 20-F for the year ended December 31, 2021 as filed with the SEC on February 24, 2022. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this press release as anticipated, believed, or expected. We do not intend, and do not assume any obligation, to update any industry information or forward-looking statements set forth in this release to reflect subsequent events or circumstances.

Unfavorable changes in the above or other risks or uncertainties listed under “Item 3. Key Information — Risk Factors” from time to time in our Securities and Exchange Commission filings, could have a material adverse effect on our business and/or financial condition.

About STMicroelectronics

At ST, we are 48,000 creators and makers of semiconductor technologies mastering the semiconductor supply chain with state-of-the-art manufacturing facilities. An integrated device manufacturer, we work with more than 200,000 customers and thousands of partners to design and build products, solutions, and ecosystems that address their challenges and opportunities, and the need to support a more sustainable world. Our technologies enable smarter mobility, more efficient power and energy management, and the wide-scale deployment of the Internet of Things and connectivity. ST is committed to becoming carbon neutral by 2027. Further information can be found at www.st.com.

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STMicroelectronics N.V.

CONSOLIDATED STATEMENTS OF INCOME

(In millions of U.S. dollars, except per share data (\$))

Three months ended
October 1, October 2,

	2022	2021
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Net sales	4,305	3,192
Other revenues	16	5
NET REVENUES	4,321	3,197
Cost of sales	<u>(2,262)</u>	<u>(1,867)</u>
GROSS PROFIT	2,059	1,330
Selling, general and administrative	(352)	(324)
Research and development	(463)	(433)
Other income and expenses, net	28	33
Impairment, restructuring charges and other related closure costs	-	(1)
Total operating expenses	<u>(787)</u>	<u>(725)</u>
OPERATING INCOME	1,272	605
Interest income (expense), net	16	(8)
Other components of pension benefit costs	(2)	(3)
Loss on financial instruments, net	-	(45)
INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTEREST	1,286	549
Income tax expense	<u>(185)</u>	<u>(73)</u>
NET INCOME	1,101	476
Net income attributable to noncontrolling interest	(2)	(2)
NET INCOME ATTRIBUTABLE TO PARENT COMPANY STOCKHOLDERS	1,099	474
EARNINGS PER SHARE (BASIC) ATTRIBUTABLE TO PARENT COMPANY STOCKHOLDERS	1.21	0.52
EARNINGS PER SHARE (DILUTED) ATTRIBUTABLE TO PARENT COMPANY STOCKHOLDERS	1.16	0.51
NUMBER OF WEIGHTED AVERAGE SHARES USED IN CALCULATING DILUTED EPS	945.5	922.8

STMicroelectronics N.V.
CONSOLIDATED STATEMENTS OF INCOME
(In millions of U.S. dollars, except per share data (\$))

Nine months ended	
October 1, 2022	October 2, 2021
<u>(Unaudited)</u>	<u>(Unaudited)</u>

Net sales	11,675	9,187
Other revenues	29	18
NET REVENUES	11,704	9,205
Cost of sales	(6,171)	(5,488)
GROSS PROFIT	5,533	3,717
Selling, general and administrative	(1,076)	(972)
Research and development	(1,429)	(1,321)
Other income and expenses, net	125	109
Impairment, restructuring charges and other related closure costs	-	1
Total operating expenses	(2,380)	(2,183)
OPERATING INCOME	3,153	1,534
Interest income (expense), net	24	(24)
Other components of pension benefit costs	(7)	(8)
Loss on financial instruments, net	-	(43)
INCOME BEFORE INCOME TAXES AND NONCONTROLLING INTEREST	3,170	1,459
Income tax expense	(454)	(204)
NET INCOME	2,716	1,255
Net income attributable to noncontrolling interest	(3)	(4)
NET INCOME ATTRIBUTABLE TO PARENT COMPANY STOCKHOLDERS	2,713	1,251
EARNINGS PER SHARE (BASIC) ATTRIBUTABLE TO PARENT COMPANY STOCKHOLDERS	2.99	1.38
EARNINGS PER SHARE (DILUTED) ATTRIBUTABLE TO PARENT COMPANY STOCKHOLDERS	2.87	1.35
NUMBER OF WEIGHTED AVERAGE SHARES USED IN CALCULATING DILUTED EPS	946.9	927.2

STMicroelectronics N.V.			
CONSOLIDATED BALANCE SHEETS			
As at	October 1,	July 2,	December
In millions of U.S. dollars	2022	2022	31,
	(Unaudited)	(Unaudited)	2021
			(Audited)
ASSETS			
Current assets:			
Cash and cash equivalents	2,812	3,028	3,225
Short-term deposits	780	186	291
Marketable securities	496	229	-
Trade accounts receivable, net	2,227	2,074	1,759

Inventories	2,381	2,307	1,972
Other current assets	618	633	581
Total current assets	9,314	8,457	7,828
Goodwill	282	294	313
Other intangible assets, net	438	452	438
Property, plant and equipment, net	7,093	6,793	5,660
Non-current deferred tax assets	526	565	652
Long-term investments	10	10	10
Other non-current assets	615	705	639
	8,964	8,819	7,712
Total assets	18,278	17,276	15,540
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Short-term debt	155	134	143
Trade accounts payable	1,867	1,998	1,582
Other payables and accrued liabilities	1,361	1,217	1,101
Dividends payable to stockholders	114	169	55
Accrued income tax	339	194	68
Total current liabilities	3,836	3,712	2,949
Long-term debt	2,476	2,385	2,396
Post-employment benefit obligations	401	419	442
Long-term deferred tax liabilities	43	46	64
Other long-term liabilities	544	492	416
	3,464	3,342	3,318
Total liabilities	7,300	7,054	6,267
Commitment and contingencies			
Equity			
Parent company stockholders' equity			
Common stock (preferred stock: 540,000,000 shares authorized, not issued; common stock: Euro 1.04 nominal value, 1,200,000,000 shares authorized, 911,281,920 shares issued, 906,291,612 shares outstanding)	1,157	1,157	1,157
Additional Paid-in Capital	2,568	2,520	2,533
Retained earnings	7,470	6,421	5,223
Accumulated other comprehensive income	(93)	208	496
Treasury stock	(185)	(149)	(200)
Total parent company stockholders' equity	10,917	10,157	9,209
Noncontrolling interest	61	65	64
	10,978	10,222	9,273
Total equity	10,978	10,222	9,273
Total liabilities and equity	18,278	17,276	15,540

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SELECTED CASH FLOW DATA			
Cash Flow Data (in US\$ millions)	Q3 2022	Q2 2022	Q3 2021
Net Cash from operating activities	1,651	1,056	895
Net Cash used in investing activities	(1,851)	(676)	(325)
Net Cash used in financing activities	(5)	(177)	(1,205)
Net Cash increase (decrease)	(216)	200	(637)
Selected Cash Flow Data (in US\$ millions)	Q3 2022	Q2 2022	Q3 2021

Depreciation & amortization	312	290	264
Net payment for Capital expenditures	(955)	(809)	(437)
Dividends paid to stockholders	(55)	(54)	(55)
Change in inventories, net	(126)	(205)	(13)

Appendix
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Supplemental Financial Information

Effective July 1, 2022, the Low Power RF business unit was transferred from AMS (Analog sub-group) to MDG (Microcontrollers and Memories sub-group). Prior periods have been adjusted accordingly.

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Net Revenues By Market Channel (%)					
Total OEM	67%	65%	66%	67%	68%
Distribution	33%	35%	34%	33%	32%
€/€ Effective Rate	1.08	1.12	1.15	1.17	1.19
Product Group Data (US\$ m)					
Automotive & Discrete Group (ADG)					
- Net Revenues	1,563	1,454	1,256	1,226	1,005
- Operating Income	404	359	235	216	108
Analog, MEMS & Sensors Group (AMS)					
- Net Revenues	1,380	1,115	1,077	1,251	1,258
- Operating Income	376	269	246	337	305
Microcontrollers & Digital ICs Group (MDG)					
- Net Revenues	1,374	1,263	1,208	1,071	930
- Operating Income	504	425	407	316	219
Others ^(a)					
- Net Revenues	4	5	5	8	4
- Operating Income (Loss)	(12)	(49)	(11)	16	(27)
Total					
- Net Revenues	4,321	3,837	3,546	3,556	3,197
- Operating Income	1,272	1,004	877	885	605

^(a) Net revenues of Others include revenues from sales assembly services and other revenues. Operating income (loss) of Others includes items such as unused capacity charges, including reduced manufacturing activity due to COVID-19 and incidents leading to power outage, impairment, restructuring charges and other related closure costs, management reorganization costs, phase out and start-up costs of certain manufacturing facilities, and other unallocated income (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 other products. Others includes:

(US\$ m)	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Unused Capacity Charges	-	13	9	-	14
Impairment & Restructuring Charges	-	-	-	4	1

(Appendix – continued)
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Supplemental Non-U.S. GAAP Financial Information
U. S. GAAP – Non-U.S. GAAP Reconciliation

The supplemental non-U.S. GAAP information presented in this press release is unaudited and subject to inherent limitations. Such non-U.S. GAAP information is not based on any comprehensive set of accounting rules or principles and should not be considered as a substitute for U.S. GAAP measurements. Also, our supplemental non-U.S. GAAP financial information may not be comparable to similarly titled non-U.S. GAAP measures used by other companies. Further, specific limitations for individual non-U.S. GAAP measures, and the reasons for presenting non-U.S. GAAP financial information, are set forth in the paragraphs below. To compensate for these limitations, the supplemental non-U.S. GAAP financial information should not be read in isolation, but only in conjunction with our consolidated financial statements prepared in accordance with U.S. GAAP.

The Company believes that these non-U.S. GAAP financial measures provide useful information for investors and management because they offer, when read in conjunction with the Company's U.S. GAAP financials, (i) the ability to make more meaningful period-to-period comparisons of the Company's on-going operating results, (ii) the ability to better identify trends in the Company's business and perform related trend analysis, and (iii) to facilitate a comparison of the Company's results of operations against investor and analyst financial models and valuations, which may exclude these items.

Net Financial Position (non-U.S. GAAP measure)

Net Financial Position, a non-U.S. GAAP measure, represents the difference between our total liquidity and our total financial debt. Our total liquidity includes cash and cash equivalents, restricted cash, if any, short-term deposits, and marketable securities, and our total financial debt includes short-term debt and long-term debt, as reported in our Consolidated Balance Sheets.

We believe our Net Financial Position provides useful information for investors and management because it gives evidence of our global position either in terms of net indebtedness or net cash by measuring our capital resources based on cash and cash equivalents, restricted cash, if any, short-term deposits and marketable securities and the total level of our financial debt. Our definition of Net Financial Position may differ from definitions used by other companies, and therefore, comparability may be limited.

(US\$ m)	Oct 1 2022	Jul 2 2022	Apr 2 2022	Dec 31 2021	Oct 2 2021
Cash and cash equivalents	2,812	3,028	2,828	3,225	3,112
Short term deposits	780	186	427	291	350
Marketable securities	496	229	139	-	-
Total liquidity	4,088	3,443	3,394	3,516	3,462
Short-term debt	(155)	(134)	(140)	(143)	(205)
Long-term debt ^(a)	(2,476)	(2,385)	(2,414)	(2,396)	(2,459)
Total financial debt	(2,631)	(2,519)	(2,554)	(2,539)	(2,664)
Net Financial Position ^(b)	1,457	924	840	977	798

^(a) Long-term debt contains standard conditions but does not impose minimum financial ratios. Also, committed credit facilities for \$1.2 billion equivalent, are currently undrawn.

^(b) Q3, Q2 and Q1 2022 net financial position includes a \$107 million increase in long-term debt following the adoption on January 1, 2022 of the new U.S. GAAP reporting guidance related to convertible debt. Prior periods have not been restated.

(Appendix – continued)
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Free Cash Flow (non-U.S. GAAP measure)

Free Cash Flow, which is a non-U.S. GAAP measure, is defined as (i) net cash from operating activities plus (ii) net cash used in investing activities, excluding payment for purchases of (and proceeds from matured) marketable securities and net investment in (and proceeds from) short-term deposits, which are considered as temporary financial investments. This definition ultimately results in net cash from operating activities plus payment for purchase (and proceeds from sale) of tangible, intangible and financial assets and net cash paid for business acquisitions.

We believe Free Cash Flow provides useful information for investors and management because it measures our capacity to generate cash from our operating and investing activities to sustain our operations. Free Cash Flow does not represent total cash flow since it does not include the cash flows generated by, or used in, financing activities.

Free Cash Flow reconciles with the total cash flow and the net cash increase (decrease) by including the payment for purchases of (and proceeds from matured) marketable securities and net investment in (and proceeds from) short-term deposits, the net cash from (used in) financing activities and the effect of changes in exchange rates. Our definition of Free Cash Flow may differ from definitions used by other companies.

(US\$ m)	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Net cash from operating activities	1,651	1,056	945	881	895
Net cash used in investing activities	(1,851)	(676)	(1,140)	(508)	(325)
Payment for purchase of (and proceeds from matured) marketable securities and net investment in (and proceeds from) short-term deposits	876	(150)	277	(59)	(150)
Free Cash Flow	676	230	82	314	420