STMICROELECTRONICS NV
Form 6-K
May 12, 2016

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 May 12, 2016

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 First Quarter Ended April 2, 2016:

- 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 ended April 2, 2016; 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 ended April 2, 2016 and Notes thereto included elsewhere in this Form 6-K, and our annual report on Form 20-F for the year ended December 31, 2015 as filed with the U.S. Securities and Exchange Commission (the "Commission" or the "SEC") on March 16, 2016 (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 ended April 2, 2016 designed to provide context for the other sections of the MD&A, including our expectations for selected financial items for the second quarter of 2016.
- Other Developments in the first quarter of 2016.
- Results of Operations, containing a year-over-year and sequential analysis of our financial results for the three months ended April 2, 2016, 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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ST is a global semiconductor leader delivering intelligent and energy-efficient products and solutions that power the electronics at the heart of everyday life. ST's products are found everywhere today, and together with our customers, we are enabling smarter driving and smarter factories, cities and homes, along with the next generation of mobile and Internet of Things devices. 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 three months of 2016 to the information provided under the heading "Critical Accounting Policies Using Significant Estimates" included in our Form 20-F.

Fiscal Year

Under Article 35 of our Articles of Association, our fiscal year extends from January 1 to December 31. The first quarter of 2016 ended on April 2, 2016. The second quarter will end on July 2, the third quarter will end on October 1 and the fourth quarter will end on December 31, 2016. 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 2015 and 2016.

	Q1	Q2	Q3	Q4
	Days			
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	
	April 2, 2016	December 31, 2015	March 28, 2015	Sequential	Year-Over-Year
	(In millions, except per share amounts)				
Net revenues	$1,613	$1,668	$1,705	(3.3)%	(5.4)%
Gross profit	538	559	566	(3.7)	(4.9)
Gross margin as percentage of net revenues	33.4%	33.5%	33.2%	-10bps	+20bps
Operating income (loss)	(33)	25	(19)	-	-
Net income (loss) attributable to parent company	(41)	2	(22)	-	-
Earnings per share	$(0.05)	$0.00	$(0.03)	-	-

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), Dynamic random-access memories (DRAMs), optoelectronics devices, Flash Memories and the Wireless

Application Specific market products such as Baseband and Application Processor).

Based on the data published by World Semiconductor Trade Statistics (WSTS), semiconductor industry revenues decreased in the first quarter of 2016 both on a sequential and year-over-year basis by approximately 6% for the TAM and 1% for the SAM, to reach approximately $78 billion and $36 billion, respectively.

First quarter 2016 revenues amounted to $1,613 million, a 3.3% sequential decrease, slightly below the midpoint of our guidance and reflecting seasonal factors overall as well as adjustment of demand in the industry. Automotive and Discrete Group (ADG) revenues, our largest product group, increased 5.4% on a sequential basis driven by strong demand in automotive products, especially in Europe, the increase was partially offset by difficult market conditions and seasonality related to discrete products. Analog and MEMS Group (AMG) revenues were substantially flat on a sequential basis while Microcontrollers and Digital ICs Group (MDG), moving from a strong base of comparison in the prior quarter, decreased 13.4%.

On a year-over-year basis, first quarter net revenues decreased by 5.4%, or 3.3% excluding negative currency effects and certain businesses undergoing a phase-out including mobile legacy products, camera modules and set-top box. This mainly reflected weaker market conditions. However, certain product families saw an increase in revenues. Automotive and microcontroller revenues, excluding negative currency effects, both increased over 4%.

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

Our effective average exchange rate for the first quarter of 2016 was $1.10 for €1.00 compared to $1.11 for €1.00 in the fourth quarter of 2015 and $1.23 for €1.00 in the first quarter of 2015. 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 first quarter 2016 gross margin was above the mid-point of our guidance at 33.4% of revenues, including a negative impact of about 60 basis points from unused capacity charges. Gross margin decreased sequentially by 10 basis points, mainly due to price pressure and lower manufacturing efficiency, partially offset by the positive impact of lower unused capacity charges, favorable product mix and favorable currency effects, net of hedging. Year-over-year, our first quarter 2016 gross margin improved by 20 basis points, benefitting from favorable currency effects, net of hedging, lower unused capacity charges and improved manufacturing efficiencies, partially offset by price pressure.

Our aggregated selling, general and administrative (SG&A) and research and development (R&D) costs amounted to $571 million, decreasing by approximately 2.1% compared to $583 million in the prior quarter, mainly due to a shorter quarter and favorable currency effects, net of hedging. On a year-over-year basis, operating expenses decreased by about 3.4% compared to $591 million in the prior-year quarter, mainly due to favorable currency effects, net of hedging, and savings from the EPS plan completed in 2015, partially offset by a longer calendar.

Other income and expenses, net, amounted to $28 million, decreasing compared to both $53 million in the previous quarter, which was favorably impacted by higher level of R&D grants and gain from sale of assets, and $35 million in the year-ago quarter, which recorded higher level of R&D grants.

Impairment and restructuring charges in the first quarter 2016 were $28 million, compared to $4 million and $29 million in the prior and year-ago quarters, respectively, and related principally to the initial phase of the set-top box restructuring plan.

In the first quarter of 2016, our operating loss was $33 million, deteriorating from an income of $25 million in the fourth quarter of 2015 and from a loss of $19 million in the year-ago quarter. Excluding restructuring and impairment charges, the first quarter of 2016 operating loss was $5 million, compared to an income of $29 million in the previous quarter and an income of $10 million in the year-ago period. Sequentially, the deterioration in our operating result before impairment and restructuring charges was mainly due to lower revenues and lower other income, partially offset by more favorable currency exchange rates, net of hedging. Compared to the year-ago period, the deterioration in our operating result before impairment and restructuring charges was mainly due to lower revenues, partially offset by favorable currency exchange rates, net of hedging, improved product mix and improved manufacturing efficiencies.

Our net cash from operating activities was positive at $141 million and net cash used in investing activities was $110 million, allowing us to generate a positive free cash flow (non U.S GAAP measure) of $31 million for the first quarter of 2016. In the period, our net cash variation, including the net cash used in financial activities which includes the dividend, was negative $74 million.

Following a few quarters of market softness, during the first quarter of 2016 we started to see signs of a recovery in the industry, with bookings improving across all regions and particularly in automotive and industrial. Based on this, we anticipate, for the second quarter of 2016, a sequential increase in net revenues by about 5.5% plus or minus 3.5 percentage points and the gross margin to be about 34.0% plus or minus 2.0 percentage points, including a 60 basis points impact of unused capacity charges.

This outlook is based on an assumed effective currency exchange rate of approximately \$1.12 = €1.00 for the 2016 second quarter and includes the impact of existing hedging contracts. The second quarter will close on July 2, 2016.

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.

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Other Developments in the first quarter of 2016

On April 1, we announced the main resolutions to be submitted for adoption at the Company's Annual General Meeting of Shareholders which will be held in Amsterdam, the Netherlands, on May 25, 2016. The main resolutions, proposed by the Supervisory Board, include:

- The adoption of the Company's Statutory Annual Accounts for the year ended December 31, 2015, prepared in accordance with International Financial Reporting Standards (IFRS) and filed with the Netherlands Authority for the Financial Markets (AFM) on April 1, 2016;

- The distribution of a cash dividend of $0.24 per outstanding share of the Company's common stock, to be distributed in quarterly installments of $0.06 in each of the second, third and fourth quarters of 2016 and first quarter of 2017;

- The appointment of Mr. Salvatore Manzi as a member of the Supervisory Board, for a three-year term expiring at the 2019 Annual General Meeting of Shareholders, in replacement of Mr. Alessandro Ovi whose mandate will expire as of the 2016 Annual General Meeting of Shareholders; and

- The reappointment of Ms. Janet Davidson as a member of the Supervisory Board for a three-year term, expiring at the 2019 Annual General Meeting of Shareholders.

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 include the production and sale of both silicon chips and Smartcards.

During the first quarter of 2016, our internal organization changed to align with our strategic focus on Smart Driving and on Internet of Things applications. Comparative numbers were restated accordingly.

Our reportable segments are as follows:

- Automotive and Discrete Group (ADG), comprised of all automotive dedicated ICs, both digital and analog, and discrete products.

- Analog and MEMS Group (AMG), comprised of low-power analog ICs, both general purpose and high-end, smart power products for industrial and power conversion, and micro-machinery activity.

- Microcontrollers and Digital ICs Group (MDG), comprised of general purpose and secure microcontrollers, E2PROM memories, and digital ICs outside of automotive.

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 U.S. GAAP guidance. All the financial values related to Subsystems, including net revenues and related costs, are reported in “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 expenses and a part of research and development expenses. In compliance with our internal policies, certain costs are not allocated to the segments, including impairment, restructuring charges and other related closure costs, unused capacity charges, phase-out and start-up costs of certain manufacturing facilities, certain one-time corporate items, strategic and special research and development programs or other corporate-sponsored initiatives, including certain corporate-level operating expenses and certain other miscellaneous charges. In addition, depreciation and amortization expense is part of the manufacturing costs allocated to the segments and is neither identified as part of the inventory variation nor as part of the unused capacity charges; therefore, it cannot be isolated in the costs of goods sold. Finally, R&D grants are allocated to our segments proportionally to the incurred R&D expenses on the sponsored projects.

Wafer costs are allocated to the segments based on actual cost. From time to time, with respect to specific technologies, wafer costs are allocated to segments based on market price to promote the utilization of the fabs.

First Quarter 2016 vs. Fourth Quarter 2015 and First Quarter 2015

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

	Three Months Ended					
	April 2, 2016		December 31, 2015		March 28, 2015	
	$ million	% of net revenues	$ million	% of net revenues	$ million	% of net revenues
Net sales	$1,605	99.5 %	$1,664	99.8 %	$1,693	99.3 %
Other revenues	8	0.5	4	0.2	12	0.7
Net revenues	1,613	100.0	1,668	100.0	1,705	100.0
Cost of sales	(1,075)	(66.6)	(1,109)	(66.5)	(1,139)	(66.8)
Gross profit	538	33.4	559	33.5	566	33.2
Selling, general and administrative	(229)	(14.2)	(231)	(13.9)	(222)	(13.0)
Research and development	(342)	(21.2)	(352)	(21.1)	(369)	(21.7)
Other income and expenses, net	28	1.7	53	3.2	35	2.1
Impairment, restructuring charges and other related closure costs	(28)	(1.7)	(4)	(0.2)	(29)	(1.7)
Operating income (loss)	(33)	(2.0)	25	1.5	(19)	(1.1)
Interest expense, net	(5)	(0.4)	(6)	(0.3)	(5)	(0.3)
Income (loss) on equity-method investments	-	-	1	0.0	4	0.2
Income (loss) before income taxes and noncontrolling interest	(38)	(2.4)	20	1.2	(20)	(1.2)
Income tax expense	(2)	(0.1)	(17)	(1.0)	(1)	(0.1)
Net income (loss)	(40)	(2.5)	3	0.2	(21)	(1.3)
Net loss (income) attributable to noncontrolling interest	(1)	-	(1)	(0.1)	(1)	-
Net income (loss) attributable to parent company	$(41)	(2.5)%	$2	0.1 %	$(22)	(1.3)%

Net revenues

	Three Months Ended			% Variation	
	April 2, 2016	December 31, 2015	March 28, 2015	Sequential	Year-Over-Year
		(In millions)			
Net sales	$1,605	$1,664	1,693	(3.6)%	(5.2)%
Other revenues	8	4	12	116.7	(37.6)
Net revenues	$1,613	$1,668	$1,705	(3.3)%	(5.4)%

Our first quarter 2016 net revenues decreased sequentially by 3.3%, slightly below the 3% midpoint of our guidance. The sequential decrease resulted from a decrease in volume of approximately 6%, partially offset by an increase of approximately 3% in average selling prices, which was entirely due to an improved product mix, partially offset by pure pricing effect.

On a year-over-year basis, our net revenues decreased by 5.4% as a result of an approximate 7% decrease in volume, partially offset by a 2% increase in average selling prices, which was entirely due to an improved product mix. Excluding the impact of negative currency effects and certain businesses undergoing a phase-out including mobile legacy products, camera modules and set-top box, our revenues decreased by 3.3%.

No customer exceeded 10% of our total net revenues in the first quarter of 2016 or in the prior and year-ago quarters.

Net revenues by product group

	Three Months Ended			% Variation	
	April 2, 2016	December 31, 2015	March 28, 2015	Sequential	Year-Over-Year
	(In millions)				
Automotive and Discrete Group (ADG)	$671	$637	$674	5.4 %	(0.5)%
Analog and MEMS Group (AMG)	369	370	445	(0.2)	(17.0)
Microcontrollers and Digital ICs Group (MDG)	532	614	530	(13.4)	0.3
Others	41	47	56	(13.3)	(28.1)
Total consolidated net revenues	$1,613	$1,668	$1,705	(3.3)%	(5.4)%

Sequentially, ADG revenues increased 5.4%, driven by strong demand, especially in Europe, in automotive products, partially offset by difficult market conditions and seasonality related to discrete products. AMG revenues were substantially flat while MDG revenues decreased 13.4%, due to the anticipated lower demand of microcontrollers after a strong prior quarter and due to the phase out of certain legacy products.

On a year-over-year basis, both ADG and MDG revenues remained substantially flat, while AMG registered a decrease of 17.0%, mainly due to weaker market conditions. Within ADG and MDG, automotive and microcontroller revenues, excluding negative currency effects, both increased over 4%.

In the first quarter of 2016, “Others” includes revenues from our Imaging Product Division ($34 million), the sales of Subsystems ($5 million) and sales of materials and other products not allocated to segments.

Net Revenues by Market Channel (1)

	Three Months Ended		
	April 2, 2016	December 31, 2015	March 28, 2015
OEM	67 %	67 %	70 %
Distribution	33	33	30
Total	100 %	100 %	100 %

(1) Original Equipment Manufacturers (“OEM”) are the end-customers to which we provide direct marketing application engineering support, while Distribution customers refers to the distributors and representatives that we engage to distribute our products around the world.

By market channel, our revenues in Distribution amounted to 33% of our total revenues, stable sequentially and increasing compared to the prior year quarter.

Net Revenues by Location of Shipment (1)

	Three Months Ended			% Variation	
	April 2, 2016	December 31,	March 28, 2015	Sequential	Year-Over-Year

		2015			
		(In millions)			
EMEA	$464	$440	$451	5.4 %	3.0 %
Americas	246	274	267	(10.2)	(8.0)
Asia Pacific(2)	903	954	987	(5.3)	(8.6)
Total	$1,613	$1,668	$1,705	(3.3)%	(5.4)%

(1) Net revenues by location of shipment are classified by location of customer invoiced or reclassified by shipment destination in line with customer demand. For example, products ordered by U.S.-based companies to be invoiced to Asia Pacific affiliates are classified as Asia Pacific revenues. Furthermore, the comparison among the different periods may be affected by shifts in shipment from one location to another, as requested by our customers.

(2) As of the first quarter of 2016, we have three regional sales organizations: EMEA; Americas; and Asia Pacific. Asia Pacific was created from the merger of the Japan & Korea and Greater China-South Asia regional sales organizations.

On a sequential and year-over-year basis, Americas and Asia Pacific experienced revenues decreases, while EMEA experienced revenues increases.

Gross profit

	Three Months Ended			Variation	
	April 2, 2016	December 31, 2015	March 28, 2015	Sequential	Year-Over-Year
	(Unaudited, in millions)				
Cost of sales	$(1,075)	$(1,109)	$(1,139)	3.1%	5.7%
Gross profit	$538	$559	$566	(3.7)%	(4.9)%
Gross margin (as percentage of net revenues)	33.4%	33.5%	33.2%	-10bps	+20bps

In the first quarter of 2016, gross margin was 33.4%, including a negative impact of about 60 basis points from unused capacity charges. Sequentially, gross margin decreased by approximately 10 basis points, mainly due to price pressure and lower manufacturing efficiency, almost entirely offset by a favorable product mix, lower unused capacity charges ($10 million in the first quarter of 2016 compared to $30 million in the fourth quarter of 2015) and favorable currency effects, net of hedging.

On a year-over-year basis, gross margin improved by approximately 20 basis points, benefitting from favorable currency effects, net of hedging, lower unused capacity charges and an improved product mix, more than offsetting the sale price reduction. Unused capacity charges amounted to $19 million in the year-ago quarter.

Operating expenses

	Three Months Ended			Variation	
	April 2, 2016	December 31, 2015	March 28, 2015	Sequential	Year-Over-Year
	(In millions)				
Selling, general and administrative expenses	$(229)	$(231)	$(222)	1.1%	(3.2)%
Research and development expenses	(342)	(352)	(369)	2.8	7.3
Total operating expenses	$(571)	$(583)	$(591)	2.1%	3.4%
As percentage of net revenues	(35.4)%	(35.0)%	(34.6)%	-40bps	-80bps

First quarter 2016 operating expenses decreased sequentially mainly due to the shorter quarter (93 days compared to 96 days in the fourth quarter of 2015) and favorable currency effects, net of hedging. On a year-over-year basis, our operating expenses decreased mainly due to favorable currency effects, net of hedging, and the impact of EPS savings initiatives, partially offset by a longer quarter and salary increases. As a percentage of revenues, our operating expenses amounted to 35.4%, increasing both sequentially and year-over-year mainly due to lower revenues.

First quarter 2016 R&D expenses were net of research tax credits, which amounted to $26 million compared to $28 million and $27 million in the prior and year-ago quarter, respectively.

Other income and expenses, net

	Three Months Ended		
	April 2, 2016	December 31, 2015	March 28, 2015

	(In millions)		
Research and development funding	$25	$41	$36
Phase-out and start-up costs	(2)	(2)	(1)
Exchange gain (loss), net	2	2	(3)
Patent costs, net of reversal of unused provisions	(1)	3	-
Gain on sale of businesses and non-current assets	1	10	-
Other, net	3	(1)	3
Other income and expenses, net	$28	$53	$35
As percentage of net revenues	1.7 %	3.2 %	2.1 %

In the first quarter of 2016, we recognized other income, net of $28 million, decreasing sequentially and year-over-year mainly due to lower income from R&D funding and lower gain from sale of non-current assets.

Impairment, restructuring charges and other related closure costs

	Three Months Ended		
	April 2, 2016	December 31, 2015	March 28, 2015
	(In millions)		
Impairment, restructuring charges and other related closure costs	$(28)	$(4)	$(29)

Following our January 27 announcement of the set-top box restructuring plan with annualized savings upon completion estimated at $170 million and a total restructuring cost estimated at $170 million, in the first quarter of 2016, we recorded $28 million of impairment, restructuring charges and other related closure costs, consisting of: (i) $26 million of restructuring charges related to the set-top box restructuring plan; (ii) $1 million of impairment charges of certain long-lived assets; and (iii) $1 million of other restructuring charges related to former restructuring plans. See Note 7 Impairment, Restructuring Charges and Other Related Closure Costs.

In the fourth quarter of 2015, we recorded $4 million of impairment, restructuring charges and other related closure costs, consisting of: (i) $3 million of intangibles impairment and (ii) $1 million charges for the former EPS restructuring plan.

In the first quarter of 2015, we recorded $29 million of impairment, restructuring charges and other related closure costs, primarily consisting of: (i) $18 million of restructuring charges related to the former EPS restructuring plan; (ii) $11 million of restructuring charges related to the manufacturing consolidation plans.

Operating income (loss)

	Three Months Ended		
	April 2, 2016	December 31, 2015	March 28, 2015
	(In millions)		
Operating income (loss)	$(33)	$25	$(19)
In percentage of net revenues	(2.0)%	1.5%	(1.1)%

The first quarter of 2016 registered an operating loss of $33 million, compared to an operating income of $25 million in the prior quarter and an operating loss of $19 million in the year-ago quarter. Sequentially, the deterioration in our operating results was mainly due to lower revenues, lower other income and higher impairment and restructuring charges, partially offset by lower operating expenses. Compared to the year-ago period, the deterioration in our operating results was mainly due to lower revenues, only partially offset by lower level of R&D expenses.

Operating income (loss) by product group

	Three Months Ended					
	April 2, 2016		December 31, 2015		March 28, 2015	
	$ million	% of net revenues	$ million	% of net revenues	$ million	% of net revenues
Automotive and Discrete Group (ADG)	$39	5.7%	$44	6.9%	$36	5.4%
	2	0.5	8	2.1	37	8.4

Analog and MEMS Group (AMG)						
Microcontrollers and Digital ICs Group (MDG)	(3)	(0.6)	36	5.9	(28)	(5.4)
Others(1)	(71)	-	(63)	-	(64)	-
Total operating income (loss)	$(33)	(2.0)%	$25	1.5%	$(19)	(1.1)%

(1) Operating result of "Others" includes items not allocated to the segments such as impairment, restructuring charges and other related closure costs, unused capacity charges, strategic or special research and development programs and other minor unallocated expenses such as: certain corporate-level operating expenses, patent claims and litigation, and other costs that are not allocated to the segments, as well as operating earnings of the Imaging Product Division, Subsystems and other products.

Sequentially, operating results deteriorated in all product groups. ADG's operating result declined impacted by a combination of improved results in automotive which were more than offset by a reduced result in discrete, negatively impacted by lower revenues and lower manufacturing efficiency. AMG posted an operating profit of $2 million with MEMS recording a loss, due to the still suboptimal level of revenues, and Analog recording a positive operating margin. MDG's operating result in the first quarter of 2016 was slightly below break-even, with the results in Microcontrollers and Memories not fully offsetting the loss in Digital, primarily due to set-top box products.

On a year-over-year basis, ADG remained substantially stable while AMG deteriorated, the latter impacted by reduction in revenues in both MEMS and Analog. MDG's operating result, despite still recording a loss, substantially improved by $25 million due to the reduced loss in Digital and improved profit in Microcontrollers.

Reconciliation to consolidated operating income (loss)

	Three Months Ended		
	April 2, 2016	December 31, 2015	March 28, 2015
	(In millions)		
Total operating income of product segments	$38	$88	$45
Impairment, restructuring charges and other related closure costs	(28)	(4)	(29)
Manufacturing results	(15)	(36)	(18)
Operating results of other businesses	(24)	(22)	(19)
Strategic and other research and development programs and other non-allocated provisions	(4)	(1)	2
Total operating loss Others	(71)	(63)	(64)
Total consolidated operating income (loss)	$(33)	$25	$(19)

Interest expense, net

	Three Months Ended		
	April 2, 2016	December 31, 2015	March 28, 2015
	(In millions)		
Interest expense, net	$(5)	$(6)	$(5)

In the first quarter of 2016, we recorded a net interest expense of $5 million, substantially flat both sequentially and on a year-over-year basis. Interest expense recorded in the first quarter of 2016 included a $6 million charge on the senior unsecured convertible bonds issued in July 2014, of which $5 million was a non-cash interest expense resulting from the accretion of the discount on the liability component.

Income (loss) on equity-method investments

	Three Months Ended		
	April 2, 2016	December 31, 2015	March 28, 2015
	(In millions)		
Income (loss) on equity-method investments	-	$1	$4

In the fourth quarter of 2015, we recorded income of $1 million on equity-method investments, mainly with respect to our investment in ST-Ericsson SA. In the first quarter of 2015, we recorded an income of $4 million as result of the sale of our participation in 3Sun to Enel Green Power.

Income tax expense

	Three Months Ended		
	April 2, 2016	December 31, 2015	March 28, 2015
	(In millions)		
Income tax expense	$(2)	$(17)	$(1)

During the first quarter of 2016, we registered an income tax expense of $2 million, reflecting the discrete effective tax rate estimated in each of our jurisdictions, applied to the first quarter consolidated result before taxes, as opposed to an estimated effective tax rate due to significant uncertainty in estimating the effective tax rate. In addition, our income tax included the estimated impact of provisions related to potential tax positions which have been considered uncertain.

Net income (loss) attributable to parent company

	Three Months Ended		
	April 2, 2016	December 31, 2015	March 28, 2015
	(In millions)		
Net income (loss) attributable to parent company	$(41)	$2	$(22)
As percentage of net revenues	(2.5)%	0.1%	(1.3)%

For the first quarter of 2016, we reported a net loss attributable to parent company of $41 million, compared to a $2 million income in the prior quarter and a $22 million loss in the year-ago quarter.

Earnings per share for the first quarter of 2016 was $(0.05) compared to $0.00 in the prior quarter and $(0.03) in the year-ago quarter.

In the first quarter of 2016, the impact per share after tax of impairment, restructuring charges and one-time charges, a non U.S. GAAP measure, was estimated to be approximately $(0.03) per share, compared to approximately $(0.00) per share in the prior quarter and $(0.04) per share in the year-ago quarter.

Legal Proceedings

For a discussion of legal proceedings, see Note 24 Contingencies, Claims and Legal Proceedings to our Interim Consolidated Financial Statements.

Impact of Changes in Exchange Rates

Our results of operations and financial condition can be significantly affected by material changes in the exchange rates between the U.S. dollar and other currencies, particularly the Euro.

As a market practice, the reference currency for the semiconductor industry is the U.S. dollar and the market prices of semiconductor products are mainly denominated in U.S. dollars. However, revenues for some of our products (primarily certain of our products sold in Europe) are quoted in currencies other than the U.S. dollar and as such are directly affected by fluctuations in the value of the U.S. dollar. As a result of currency variations, the appreciation of the Euro compared to the U.S. dollar could increase our level of revenues when reported in U.S. dollars or the depreciation of the Euro compared to the U.S. dollar could decrease our level of revenues when reported in U.S. dollars. Over time the prices in the industry tend to align to the equivalent amount in U.S. dollars, except that there is a lag between the changes in the currency rate and the adjustment in the price paid in local currency, which is proportional to the amplitude of the currency swing, and such adjustment could be only partial. Furthermore, certain significant costs incurred by us, such as manufacturing costs, SG&A expenses, and R&D expenses, are largely incurred in the currency of the jurisdictions in which our operations are located. Given that most of our operations are located in the Euro zone and other non-U.S. dollar currency areas, including Singapore, our costs tend to increase when translated into U.S. dollars when the dollar weakens or to decrease when the U.S. dollar strengthens.

In summary, as our reporting currency is the U.S. dollar, exchange rate fluctuations affect our results of operations: in particular, if the U.S. dollar weakens, our results are negatively impacted since we receive only a limited part of our revenues, and more importantly, we incur a significant part of our costs, in currencies other than the U.S. dollar. On the other hand, our results are favorably impacted when the dollar strengthens. The impact on our accounts could therefore be material, in the case of a material variation of the U.S. dollar exchange rate.

Our principal strategy to reduce the risks associated with exchange rate fluctuations has been to balance as much as possible the proportion of sales to our customers denominated in U.S. dollars with the amount of materials, purchases and services from our suppliers denominated in U.S. dollars, thereby reducing the potential exchange rate impact of certain variable costs relative to revenues. Moreover, in order to further reduce the exposure to U.S. dollar exchange fluctuations, we have hedged certain line items on our Interim Consolidated Statements of Income, in particular with respect to a portion of the costs of goods sold, most of the R&D expenses and certain SG&A expenses, located in the Euro zone, which we account for as cash flow hedging contracts. We use two different types of hedging contracts: forward and options (including collars).

Our Interim Consolidated Statements of Income for the three months ended April 2, 2016 included income and expense items translated at the average U.S. dollar exchange rate for the period, plus the impact of the hedging contracts expiring during the period. Our effective exchange rate was $1.10 for €1.00 in the first quarter of 2016 compared to $1.11 for €1.00 in the fourth quarter of 2015 and $1.23 for €1.00 in the first quarter of 2015. These effective exchange rates reflect the actual exchange rates combined with the impact of cash flow hedging contracts that matured in the period.

The time horizon of our cash flow hedging for manufacturing costs and operating expenses may run up to 24 months, for a limited percentage of our exposure to the Euro, depending on currency market circumstances. As of April 2, 2016, the outstanding hedged amounts were €649 million to cover manufacturing costs and €474 million to cover operating expenses, at an average exchange rate of about $1.14 for €1.00 and $1.13 for €1.00 respectively (considering the collars at upper strike), maturing over the period from April 5, 2016 to August 8, 2017. As of April 2, 2016, measured with respect to the exchange rate at period closing of about $1.14 to €1.00, these outstanding hedging contracts and certain expiring contracts covering manufacturing expenses capitalized in inventory resulted in a deferred profit of approximately $29 million before tax, recorded in “Accumulated other comprehensive income (loss)” in the Consolidated Statements of Equity, compared to a deferred loss of approximately $21 million before tax at December 31, 2015.

We also hedge certain manufacturing costs denominated in Singapore dollars (SGD); as of April 2, 2016, the outstanding hedged amounts were SGD 114 million at an average exchange rate of about SGD 1.40 to $1.00 maturing over the period from April 7, 2016 to January 5, 2017. As of April 2, 2016, these outstanding hedging contracts and certain expiring contracts covering manufacturing expenses capitalized in inventory resulted in a deferred profit of approximately $3 million before tax, recorded in "Accumulated other comprehensive income (loss)" in the Consolidated Statements of Equity, compared to a deferred loss of approximately $2 million before tax at December 31, 2015.

Our cash flow hedging policy is not intended to cover our full exposure and is based on hedging a portion of our exposure in the next four quarters and a declining percentage of our exposure in each quarter thereafter. In the first quarter of 2016, as a result of our cash flow hedging, we recorded a net loss of $12 million, consisting of a loss of about $1 million to selling, general and administrative expenses, $2 million to research and development and a loss of about $9 million to costs of goods sold, while in the comparable quarter in 2015, we recorded a net loss of $56 million.

In addition to our cash flow hedging, in order to mitigate potential exchange rate risks on our commercial transactions, we purchase and enter into forward foreign currency exchange contracts and currency options to cover foreign currency exposure in payables or receivables at our affiliates, which we account for as fair value instruments. We may in the future purchase or sell similar types of instruments. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk" in our Form 20-F. Furthermore, we may not predict in a timely fashion the amount of future transactions in the volatile industry environment. No assurance may be given that our hedging activities will sufficiently protect us against declines in the value of the U.S. dollar. Consequently, our results of operations have been and may continue to be impacted by fluctuations in exchange rates. The net effect of our consolidated foreign exchange exposure resulted in a net gain of $2 million recorded in "Other income and expenses, net" in our Interim Consolidated Statements of Income for the first quarter of 2016.

The assets and liabilities of subsidiaries are, for consolidation purposes, translated into U.S. dollars at the period-end exchange rate. Income and expenses, as well as cash flows, are translated at the average exchange rate for the period. The balance sheet impact, as well as the income statement and cash flow impact, of such translations have been, and may be expected to be, significant from period to period since a large part of our assets and liabilities and activities are accounted for in Euros as they are located in jurisdictions where the Euro is the functional currency. Adjustments resulting from the translation are recorded directly in equity, and are shown as "Accumulated other comprehensive income (loss)" in the Consolidated Statements of Equity. At April 2, 2016, our outstanding indebtedness was denominated mainly in U.S. dollars and in Euros.

For a more detailed discussion, see Item 3. "Key Information — Risk Factors — Risks Related to Our Operations" in our Form 20-F, which may be updated from time to time in our public filings.

Impact of Changes in Interest Rates

Interest rates may fluctuate upon changes in financial market conditions and material changes can affect our results of operations and financial condition, since these changes can impact the total interest income received on our cash and cash equivalents and marketable securities, as well as the total interest expense paid on our financial debt.

Our interest income (expense), net, as reported in our Interim Consolidated Statements of Income, is the balance between interest income received from our cash and cash equivalents and marketable securities investments and interest expense paid on our financial liabilities (including the sale without recourse of receivables), non-cash interest expense on the Senior Convertible Bonds and bank fees (including fees on committed credit lines). Our interest income is dependent upon fluctuations in interest rates, mainly in U.S. dollars and Euros, since we invest primarily on a short-term basis; any increase or decrease in the market interest rates would mean a proportional increase or decrease in our interest income. Our interest expenses are also dependent upon fluctuations in interest rates, since our financial liabilities include European Investment Bank Floating Rate Loans at Libor and Euribor plus variable spreads.

At April 2, 2016, our total financial resources, including cash and cash equivalents and marketable securities, generated an average interest income rate of 0.91%. At the same date, the average interest rate on our outstanding debt was 2.10%, while the average rate of the cash interests on our total debt at redemption value was 0.76%.

Impact of Changes in Equity Prices

As of April 2, 2016, we did not hold any significant equity participations, which could be subject to a material impact in changes in equity prices. However, we hold equity participations whose carrying value could be reduced due to further losses or impairment charges of our equity-method investments. See Note 18 to our Consolidated Financial Statements.

Liquidity and Capital Resources

Treasury activities are regulated by our policies, which define procedures, objectives and controls. The policies focus on the management of our financial risk in terms of exposure to currency rates and interest rates. Most treasury activities are centralized, with any local treasury activities subject to oversight from our head treasury office. The majority of our cash and cash equivalents are held in U.S. dollars and Euros and are placed with financial institutions rated at least a single A long-term rating, meaning at least A3 from Moody's Investors Service ("Moody's") and A- from Standard & Poor's ("S&P") or Fitch Ratings ("Fitch"), or better. Marginal amounts are held in other currencies. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk" in our Form 20-F, which may be updated from time to time in our public filings.

Cash flow

We maintain a significant cash position and a low debt-to-equity ratio, which provide us with adequate financial flexibility. As in the past, our cash management policy is to finance our investment needs mainly with net cash generated from operating activities.

During the first three months of 2016, our net cash decreased by $74 million, due to the net cash used in financing and investing activities exceeding the net cash from operating activities.

The components of our cash flow for the comparable periods are set forth below:

	Three Months Ended	
	April 2, 2016	March 28, 2015
	(In millions)	
Net cash from operating activities	$141	$149
Net cash used in investing activities	(110)	(108)
Net cash used in financing activities	(107)	(102)
Effect of changes in exchange rates	2	(7)
Net cash decrease	$(74)	$(68)

Net cash from operating activities. Net cash from operating activities is the sum of (i) net income (loss) adjusted for non-cash items and (ii) changes in net working capital. The net cash from operating activities for the first three months of 2016 was $141 million, slightly decreasing compared to $149 million in the prior-year period due to a higher net loss.

Net cash used in investing activities. Investing activities used $110 million of cash in the first quarter of 2016, basically flat when compared to the $108 million in the prior-year period. Payments for the purchase of tangible assets, net of proceeds, totaled $100 million, compared to $89 million registered in the prior year period.

Net cash used in financing activities. Net cash used in financing activities was $107 million for the first three months of 2016, substantially similar compared to the $102 million used for the first three months of 2015 and consisted of a $19 million repayment of long-term debt and $88 million of dividends paid to stockholders.

Free Cash Flow (non U.S. GAAP measure).

We also present Free Cash Flow, which is a non U.S. GAAP measure, defined as (i) net cash from operating activities plus (ii) net cash used in investing activities, excluding payment for purchases (and proceeds from the sale) of marketable securities, which are considered as temporary financial investments. The result of this definition is ultimately net cash from operating activities plus payment for purchase and proceeds from sale of tangible, intangible and financial assets and proceeds received in the sale of businesses. We believe Free Cash Flow, a non U.S. GAAP measure, 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 is not a U.S. GAAP measure and 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 (and proceeds from the sale) of marketable securities and net cash variation from joint ventures deconsolidation, the net cash from (used in) financing activities and the effect of changes in exchange rates. In addition, our definition of Free Cash Flow may differ from definitions used by other companies. Free Cash Flow is determined as follows from our Consolidated Statements of Cash Flows:

	Three Months Ended	
	April 2, 2016	March 28, 2015
	(In millions)	
Net cash from operating activities	$141	$149
Net cash used in investing activities	(110)	(108)
Excluding:		
Payment for purchase and proceeds from sale of marketable securities, change in short term deposits, restricted cash, net and net variation for JV deconsolidation	-	-
Payment for purchase and proceeds from sale of tangible and intangible assets (1)	(110)	(108)
Free Cash Flow (non U.S. GAAP measure)	$31	$41

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(1) Reflects the total of the following line items reconciled with our Consolidated Statements of Cash Flows relating to the investing activities: Payment for purchase of tangible assets, Proceeds from sale of tangible assets, Payment for purchase of intangible assets, Payment for purchase of financial assets, Proceeds from sale of financial assets, Proceeds received in sale of businesses.

Free Cash Flow was positive $31 million for the first three months of 2016, compared to positive $41 million for the first three months of 2015.

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

Our Net Financial Position represents the balance between our total financial resources and our total financial debt. Our total financial resources include cash and cash equivalents, marketable securities, short-term deposits and restricted cash, and our total financial debt includes bank overdrafts, short-term debt and long-term debt, as represented in our Consolidated Balance Sheets. Net Financial Position is not a U.S. GAAP measure but we believe it provides useful information for investors 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 and marketable securities and the total level of our financial indebtedness. Our Net Financial Position for each period has been determined as follows from our Consolidated Balance Sheets:

	April 2, 2016	As at December 31, 2015	March 28, 2015
		(In millions)	
Cash and cash equivalents	$1,697	$1,771	$1,949
Marketable securities	343	335	338
Total financial resources	2,040	2,106	2,287
Short-term debt	(173)	(191)	(200)
Long-term debt	(1,428)	(1,421)	(1,575)

Total financial debt	(1,601)	(1,612)	(1,775)
Net Financial Position	$439	$494	$512

Our Net Financial Position as of April 2, 2016 was a net cash position of $439 million, decreasing compared to the net financial position of $494 million at December 31, 2015, following the dividend payment.

Cash and cash equivalents amounted to $1,697 million as at April 2, 2016, as a result of our cash flow evolution as presented above.

Marketable securities amounted to $343 million as at April 2, 2016. The sequential increase of $8 million is entirely due to the positive change of value of the U.S. Treasury Bonds available for sale.

Financial debt was $1,601 million as at April 2, 2016, composed of: (i) $173 million of current portion of long-term debt and (ii) $1,428 million long-term debt. The breakdown of our total financial debt included: (i) $679 million in European Investment Bank loans (the "EIB Loans"), (ii) $910 million in the Senior Bonds, (iii) $11 million in loans from other funding programs, and (iv) $1 million of capital leases.

The EIB Loans are comprised of four long-term amortizing credit facilities as part of our R&D funding programs. The first, for R&D in France, drawn for a total amount of $341 million, was fully amortized in the first quarter of 2016. The second, for R&D projects in Italy, was drawn for a total amount of $380 million, of which $54 million remained outstanding as of April 2, 2016. The third, a €350 million multi-currency loan to support our industrial and R&D programs, was drawn mainly in U.S. dollars for an amount of $321 million and only partially in Euros for an amount of €100 million, of which the equivalent of $272 million remained outstanding as of April 2, 2016. The fourth, a €350 million multi-currency loan supporting our R&D programs, was drawn in U.S. dollars for an amount of $471 million, of which $353 million is outstanding as of April 2, 2016. At April 2, 2016, the amounts available under our back-up and uncommitted credit facilities were unutilized.

The Senior Bonds were issued on July 3, 2014, for a principal amount of $1,000 million (Tranche A for $600 million and Tranche B for $400 million), due 2019 and 2021, respectively, for net proceeds of approximately $994 million. Tranche A bonds were issued as zero-coupon bonds while Tranche B bonds bear a 1% per annum nominal interest, payable semi-annually. The conversion price at issuance was approximately $12 on each tranche. The Senior Bonds are convertible by the bondholders if certain conditions are satisfied on a net-share settlement basis, except if an alternative settlement is elected by us. We can also redeem the Senior Bonds prior to their maturity in certain circumstances. Upon initial recognition, the proceeds were allocated between debt and equity by determining the fair value of the liability component using an income approach. The liability component will accrete to par value until maturity based on the effective interest rate (Tranche A: 2.40% and Tranche B: 3.22%, including 1% p.a. nominal interest). In the computation of diluted EPS, the Senior Bonds will be dilutive only for the portion of net-share settlement underlying the conversion premium when the conversion option is in the money.

Our long-term debt contains standard conditions, but does not impose minimum financial ratios.

Our current ratings with the three major rating agencies that report on us on a solicited basis, are as follows: S&P: "BBB-" with stable outlook; Fitch: "BBB-" with stable outlook; Moody's: "Ba1" with stable outlook.

As of April 2, 2016, debt payments at redemption value by period were as follows:

	Payments Due by Period						
	Total	2016	2017	2018	2019	2020	Thereafter
	(In millions)						
Long-term debt (including current portion)	$ 1,691	$ 173	$ 116	$ 115	$ 714	$ 114	$ 459

Financial Outlook: Capital Investment

Our policy is to modulate our capital spending according to the evolution of the semiconductor market. Based on market recovery forecast and ongoing strategic initiatives, our capital expenditure is estimated in the $600 million to

$670 million range for 2016, to be adjusted based on demand thereafter. The most important of our 2016 capital expenditure projects are expected to be : (a) for our front end facilities: (i) in our 300 mm fab in Crolles, R&D, technology evolution and, depending on demand, new specialized capacity to support the production ramp up of new technologies; (ii) mix evolution, and a few selected programs of capacity growth and infrastructure preparation, mainly in the area of mixed signal and discrete processes; (iii) qualification and ramp-up of technologies in 200 mm in Singapore, Agrate and expansion of the 200 mm fab in Catania; and (iv) quality, safety, maintenance, and productivity and cost savings investments in both 150 mm and 200 mm front end fabs; (b) for our back end facilities: (i) capacity growth on certain package families, to sustain market demand and secure service to strategic customers; (ii) modernization and rationalization of package lines targeting cost savings benefits; and (iii) specific investments in the areas of factory automation, quality, environment and energy savings; and (c) an overall capacity adjustment in final testing and wafers probing (EWS) to meet increased demand and a changed product mix.

We will continue to monitor our level of capital spending by taking into consideration factors such as trends in the semiconductor industry and capacity utilization. We expect to need significant financial resources in the coming years for capital expenditures and for our investments in manufacturing and R&D. We plan to fund our capital requirements from cash provided by operating activities, available funds and support from third parties, and may have recourse to borrowings under available credit lines and, to the extent necessary or attractive based on market conditions prevailing at the time, the issuance of debt, convertible bonds or additional equity securities. A substantial deterioration of our economic results, and consequently our profitability, could generate a deterioration of the cash generated by our operating activities. Therefore, there can be no assurance that, in future periods, we will generate the same level of cash as in prior years to fund our capital expenditure plans for expanding/upgrading our production facilities, our working capital requirements, our R&D and manufacturing costs.

In support of our R&D activities, we signed the Nano2017 program with the French government, which was approved by the European Union in the second quarter of 2014 and, in our role as Coordinator and Project Leader of Nano2017, we have been allocated an overall funding budget of about €400 million for the period 2013-2017, subject to the conclusion of agreements every year with the public authorities and linked to the achievement of technical parameters and objectives. Based on the activity of each sponsored project, from the beginning of the program to the end of the first quarter of 2016, we have recognized grants for a cumulated amount of €292 million. The Nano2017 contract contains certain covenants which, in the event they are not fulfilled, may affect our ability to access such funding.

As a result of our exit from the ST-Ericsson joint venture, our exposure is limited to covering 50% of ST-Ericsson's needs to complete the wind-down, which are estimated to be negligible, based on our current visibility of the ST-Ericsson liquidation balance.

We believe that we have the financial resources needed to meet our currently projected business requirements for the next twelve months, including capital expenditures for our manufacturing activities, working capital requirements, approved dividend payments and the repayment of our debts in line with their maturity dates.

Contractual Obligations, Commercial Commitments and Contingencies

Our contractual obligations, commercial commitments and contingencies are mainly comprised of: operating leases for land, buildings, plants and equipment; purchase commitments for equipment, outsourced foundry wafers and for software licenses; long-term debt obligations; pension obligations and other long-term liabilities.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements at April 2, 2016.

Impact of Recently Issued U.S. Accounting Standards

See Note 5 Recent Accounting Announcements to our Consolidated Financial Statements.

Backlog and Customers

During the first quarter of 2016, our booking plus net frames orders increased compared to the fourth quarter of 2015, mainly in automotive and industrial. We entered the second quarter 2016 with a backlog higher than the level we had when entering in the first quarter 2016. Backlog (including frame orders) is subject to possible cancellation, push back and lower ratio of frame orders being translated into firm orders and, thus, it is not necessarily indicative of the amount of billings or growth to be registered in subsequent periods.

In the first quarter of 2016, no customer accounted for more than 10% of our total net revenues. There is no guarantee that any customer will continue to generate revenues for us at the same levels as in prior periods. If we were to lose one or more of our key customers, or if they were to significantly reduce their bookings, not confirm planned delivery dates on frame orders in a significant manner or fail to meet their payment obligations, our operating results and financial condition could be adversely affected.

Disclosure Controls and Procedures

Evaluation

Our management, including the CEO and CFO, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures ("Disclosure Controls") as of the end of the period covered by this report. Disclosure Controls are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Exchange Act, such as this periodic report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure Controls are also designed to reasonably assure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Our quarterly evaluation of Disclosure Controls includes an evaluation of some components of our internal control over financial reporting, and internal control over financial reporting is also separately evaluated on an annual basis.

The evaluation of our Disclosure Controls included a review of the controls' objectives and design, our implementation of the controls and their effect on the information generated for use in this periodic report. In the course of the controls evaluation, we reviewed identified data errors, control problems or acts of fraud and sought to confirm that appropriate corrective actions, including process improvements, were being undertaken. This type of evaluation is performed at least on a quarterly basis so that the conclusions of management, including the CEO and CFO, concerning the effectiveness of the Disclosure Controls can be reported in our periodic reports on Form 6-K and Form 20-F. The components of our Disclosure Controls are also evaluated on an ongoing basis by our Internal Audit Department, which reports directly to our Audit Committee. The overall goals of these various evaluation activities are to monitor our Disclosure Controls, and to modify them as necessary. Our intent is to maintain the Disclosure Controls as dynamic systems that change as conditions warrant.

Based upon the controls evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this periodic report, our Disclosure Controls were effective.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls

No system of internal control over financial reporting, including one determined to be effective, may prevent or detect all misstatements. It can provide only reasonable assurance regarding financial statement preparation and presentation. Also, projections of the results of any evaluation of the effectiveness of internal control over financial reporting into future periods are subject to inherent risk that the relevant controls may become inadequate due to changes in circumstances or that the degree of compliance with the underlying policies or procedures may deteriorate.

Other Reviews

We have sent this report to our Audit Committee, which had an opportunity to raise questions with our management and independent auditors before we submitted it to the Securities and Exchange Commission.

Cautionary Note Regarding Forward-Looking Statements

Some of the statements contained in this Form 6-K that are not historical facts, particularly in "Business Overview" and in "Liquidity and Capital Resources—Financial Outlook: Capital Investment", 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:

- Uncertain macro-economic and industry trends;
- Customer demand and acceptance for the products which we design, manufacture and sell;
- Unanticipated events or circumstances, which may either impact our ability to execute the planned reductions in our net operating expenses and / or meet the objectives of our R&D Programs, which benefit from public funding;
- 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;
- The functionalities and performance of our IT systems, 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;
- 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 impact of intellectual property ("IP") claims by our competitors or other third parties, and our ability to obtain required licenses on reasonable terms and conditions;
- The ability to successfully restructure underperforming business lines and associated restructuring charges and cost savings that differ in amount or timing from our estimates;
- Changes in our overall tax position as a result of changes in tax laws, 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;
- 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 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, health risks and epidemics in locations where we, our customers or our suppliers operate;
- Changes in economic, social, labor, political, or infrastructure conditions in the locations where we, our customers, or our suppliers operate, including as a result of macro-economic or regional events, military conflict, social unrest, labor actions, or terrorist activities; and
- Availability and costs of raw materials, utilities, third-party manufacturing services, or other supplies required by our operations.

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 variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. Some of these risk factors are set forth and are discussed in more detail in "Item 3. Key Information — Risk Factors" in our Form 20-F. 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 our Form 20-F 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 Form 6-K to reflect subsequent events or circumstances.

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

STMICROELECTRONICS N.V.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

STMicroelectronics N.V.
CONSOLIDATED STATEMENTS OF INCOME

In million of U.S. dollars except per share amounts	Three months ended (Unaudited) April 02, 2016	March 28, 2015
Net sales	1,605	1,693
Other revenues	8	12
Net revenues	1,613	1,705
Cost of sales	(1,075)	(1,139)
Gross profit	538	566
Selling, general and administrative	(229)	(222)
Research and development	(342)	(369)
Other income and expenses, net	28	35
Impairment, restructuring charges and other related closure costs	(28)	(29)
Operating loss	(33)	(19)
Interest expense, net	(5)	(5)
Income (loss) on equity-method investments	-	4
Loss before income taxes and noncontrolling interest	(38)	(20)
Income tax expense	(2)	(1)
Net loss	(40)	(21)
Net loss (income) attributable to noncontrolling interest	(1)	(1)
Net loss attributable to parent company	(41)	(22)
Earnings per share (Basic) attributable to parent company stockholders	(0.05)	(0.03)
Earnings per share (Diluted) attributable to parent company stockholders	(0.05)	(0.03)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

STMicroelectronics N.V.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In million of U.S. dollars	Three months ended (Unaudited) April 02, 2016	March 28, 2015
Net loss	(40)	(21)
Other comprehensive income (loss), net of tax :		
Currency translation adjustments arising during the period	89	(204)
Less : reclassification adjustment for gains on disposal of equity investment	-	(10)
Foreign currency translation adjustments	89	(214)
Unrealized gains (losses) arising during the period	7	4
Unrealized gains (losses) on securities	7	4
Unrealized gains (losses) arising during the period	43	(128)
Less : reclassification adjustment for (income) losses included in net loss	12	56
Unrealized gains (losses) on derivatives	55	(72)
Net gains (losses) arising during the period	2	1
Defined benefit pension plans	2	1
Other comprehensive income (loss), net of tax	153	(281)
Comprehensive income (loss)	113	(302)
Less : comprehensive income (loss) attributable to noncontrolling interest	2	1
Comprehensive income (loss) attributable to the company's stockholders	111	(303)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

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STMicroelectronics N.V.

CONSOLIDATED BALANCE SHEETS

In million of U.S. dollars	As at April 02, 2016 (Unaudited)	As at December 31, 2015 (Audited)
Assets		
Current assets :		
Cash and cash equivalents	1,697	1,771
Restricted cash	-	4
Marketable securities	343	335
Trade accounts receivable, net	891	820
Inventories	1,302	1,251
Deferred tax assets	99	91
Assets held for sale	-	1
Other current assets	468	407
Total current assets	4,800	4,680
Goodwill	79	76
Other intangible assets, net	162	166
Property, plant and equipment, net	2,333	2,321
Non-current deferred tax assets	458	436
Long-term investments	57	57
Other non-current assets	492	459
	3,581	3,515
Total assets	8,381	8,195
Liabilities and equity		
Current liabilities:		
Short-term debt	173	191
Trade accounts payable	666	525
Other payables and accrued liabilities	692	703
Dividends payable to stockholders	10	97
Deferred tax liabilities	4	2
Accrued income tax	52	42
Total current liabilities	1,597	1,560
Long-term debt	1,428	1,421
Post-employment benefit obligations	367	351
Long-term deferred tax liabilities	11	12
Other long-term liabilities	161	158
	1,967	1,942
Total liabilities	3,564	3,502
Commitment and contingencies		
Equity		
Parent company stockholders’ equity		

Common stock (preferred stock: 540,000,000 shares authorized, not issued; common stock: Euro 1.04 par value, 1,200,000,000 shares authorized, 910,970,920 shares issued, 878,593,740 shares outstanding)	1,157	1,157
Capital surplus	2,790	2,779
Retained earnings	483	525
Accumulated other comprehensive income	612	460
Treasury stock	(288)	(289)
Total parent company stockholders' equity	4,754	4,632
Noncontrolling interest	63	61
Total equity	4,817	4,693
Total liabilities and equity	8,381	8,195

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

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STMicroelectronics N.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In million of U.S. dollars	Three Months Ended (Unaudited) April 02, 2016	(Unaudited) March 28, 2015
Cash flows from operating activities:		
Net loss	(40)	(21)
Items to reconcile net loss and cash flows from operating activities:		
Depreciation and amortization	184	175
Interests and amortization of issuance costs on convertible bonds	5	5
Non-cash stock-based compensation	11	8
Other non-cash items	(28)	(31)
Deferred income tax	(17)	(11)
Loss (income) on equity-method investments	-	(4)
Impairment, restructuring charges and other related closure costs, net of cash payments	15	16
Changes in assets and liabilities:		
Trade receivables, net	(65)	(66)
Inventories	(22)	18
Trade payables	96	96
Other assets and liabilities, net	2	(36)
Net cash from operating activities	141	149
Cash flows from investing activities:		
Payment for purchase of tangible assets	(101)	(89)
Proceeds from sale of tangible assets	1	-
Payment for purchase of intangible assets	(10)	(6)
Payment for disposal of equity investment	-	(13)
Net cash used in investing activities	(110)	(108)
Cash flows from financing activities:		
Repayment of long-term debt	(19)	(20)
Dividends paid to stockholders	(88)	(82)
Net cash used in financing activities	(107)	(102)
Effect of changes in exchange rates	2	(7)
Net cash decrease	(74)	(68)
Cash and cash equivalents at beginning of the period	1,771	2,017
Cash and cash equivalents at end of the period	1,697	1,949

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

STMicroelectronics N.V.
CONSOLIDATED STATEMENTS OF EQUITY

In million of U.S. dollars, except per share amounts

	Common Stock	Capital Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity
Balance as of December 31, 2014 (Audited)	1,157	2,741	(334)	817	613	61	5,055
Stock-based compensation expense		38	45	(45)			38
Comprehensive income (loss):							
Net income				104		6	110
Other comprehensive income (loss), net of tax					(153)		(153)
Comprehensive income (loss)							(43)
Dividends to noncontrolling interest						(6)	(6)
Dividends, $0.40 per share				(351)			(351)
Balance as of December 31, 2015 (Audited)	1,157	2,779	(289)	525	460	61	4,693
Stock-based compensation expense		11	1	(1)			11
Comprehensive income (loss):							
Net income (loss)				(41)		1	(40)
Other comprehensive income (loss), net of tax					152	1	153
Comprehensive income (loss)							113
Balance as of April 02, 2016 (Unaudited)	1,157	2,790	(288)	483	612	63	4,817

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

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STMicroelectronics N.V.

Notes to Interim Consolidated Financial Statements (Unaudited)

1. The Company

STMicroelectronics N.V. (the "Company") is registered in The Netherlands with its corporate legal seat in Amsterdam, the Netherlands, and its corporate headquarters located in Geneva, Switzerland.

The Company is a global independent semiconductor company that designs, develops, manufactures and markets 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, the Company participates in the manufacturing value chain of smartcard products, which includes the production and sale of both silicon chips and smartcards.

2. Fiscal Year

The Company's fiscal year ends on December 31. Interim periods are established for accounting purposes on a thirteen-week basis.

The Company's first quarter ended on April 2, 2016, its second quarter will end on July 2, its third quarter will end on October 1 and its fourth quarter will end on December 31.

3. Basis of Presentation

The accompanying Unaudited Interim Consolidated Financial Statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), consistent in all material respects with those applied for the year ended December 31, 2015. The interim financial information is unaudited but reflects all normal adjustments which are, in the opinion of management, necessary to provide a fair statement of results for the periods presented. The results of operations for the interim period are not necessarily indicative of the results to be expected for the entire year.

All balances and values in the current and prior periods are in millions of U.S. dollars, except shares and per-share amounts.

The accompanying Unaudited Interim Consolidated Financial Statements do not include certain footnotes and financial presentation normally required on an annual basis under U.S. GAAP. Therefore, these interim financial statements should be read in conjunction with the Consolidated Financial Statements in the Company's Annual Report on Form 20-F for the year ended December 31, 2015, as filed with the U.S. Securities and Exchange Commission (the "SEC") on March 16, 2016.

4. Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions. The primary areas that require significant estimates and judgments by management include, but are not limited to:

- sales returns and allowances,
- inventory obsolescence reserves and normal manufacturing capacity thresholds to determine costs capitalized in inventory,
- recognition and measurement of loss contingencies,

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- valuation at fair value of assets acquired, exchanged or sold, including intangibles, goodwill, investments and tangible assets,
- annual and trigger-based impairment review of goodwill and intangible assets, as well as an assessment, in each reporting period, of events, which could trigger interim impairment testing on long-lived assets,
- assessment of other-than-temporary impairment charges on financial assets, including equity-method investments,
- recognition and measurement of restructuring charges and other related exit costs,
- assumptions used in assessing the number of awards expected to vest on stock-based compensation plans,
- assumptions used in calculating pension obligations and other long-term employee benefits, and
- determination of the income tax expenses estimated on the basis of the projected tax amount for the full year, including deferred income tax assets, valuation allowance and provisions for uncertain tax positions and claims.

The Company bases the estimates and assumptions on historical experience and on various other factors such as market trends, market information used by market participants and the latest available business plans that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. While the Company regularly evaluates its estimates and assumptions, the actual results experienced by the Company could differ materially and adversely from those estimates. To the extent there are material differences between the estimates and the actual results, future results of operations, cash flows and financial position could be significantly affected.

5. Recent Accounting Pronouncements

Accounting pronouncements effective in 2016

Amended accounting guidance effective in 2016 had no material impact on the Company's financial position, results of operations and disclosures.

Accounting pronouncements that are not yet effective and have not been adopted by the Company

In May 2014, the FASB issued the converged guidance on revenue from contracts with customers, updated in 2016 with finalized amendments addressing implementation issues. The new guidance sets forth a single revenue accounting model, which calls for more professional judgment and includes expanded disclosures. Revenue recognition depicts the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled for these goods and services. Revenue is recognized when (or as) control of the goods and services is transferred to the customer. Even if the revenue recognition guidance is not a five-step model, the following steps can be identified in order to apply the new revenue accounting model: (i) identification of the contracts with customers; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to performance obligations; and (v) revenue recognition for each performance obligation. The new guidance will be effective for the Company's first interim period within the annual reporting period beginning on January 1, 2018, with early adoption permitted as at January 1, 2017. The areas in which the new revenue recognition may create significant changes are: (i) changes in the timing of revenue recognition; (ii) inclusion of variable consideration in the transaction price; and (iii) allocation of the transaction price based on relative standalone selling prices. The Company will adopt the new guidance when effective and is currently assessing its impact on existing contracts, transactions and business practices.

In November 2015, the FASB modified the balance sheet classification of deferred taxes, as part of its initiatives to reduce complexity in accounting standards. The new guidance requires that deferred tax assets and liabilities be classified as non-current elements in a classified balance sheet. Current guidance requires an entity to separate deferred income tax assets and liabilities into current and non-current amounts. The new guidance does not change current practice for offsetting and presenting as a single amount deferred tax assets and liabilities of a tax-paying component of an entity. The simplified presentation guidance is effective for public companies for financial statements issued for annual and interim periods beginning after December 15, 2016, with early application permitted as of the beginning of an interim or annual reporting period, either prospectively or retrospectively. The Company will adopt the new guidance when effective and will change the presentation of deferred tax assets and liabilities accordingly.

In January 2016, the FASB issued new guidance on the recognition and measurement of financial instruments. Changes to current practice primarily affect the accounting for investments in equity securities, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the FASB clarified guidance relating to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. All equity investments in unconsolidated entities other than those accounted for using the equity method of accounting will generally be measured at fair value through earnings (the available-for-sale classification disappears for these financial assets). For equity investments without readily determinable fair values, the cost method is also eliminated. Additionally, when the fair value option has been elected for financial liabilities, changes in fair value due to instrument-specific credit risk will be recognized separately in other comprehensive income. The new guidance is effective for public companies for fiscal years beginning December 15, 2017, including interim periods within those years. The Company will adopt the new guidance when effective and is currently assessing its impact on existing financial instruments.

In February 2016, the FASB issued new guidance on lease accounting. As a lessee, an entity will need to recognize almost all leases on the balance sheet as a right-of-use asset and a lease liability. Additionally, when applying the new guidance, lessees will have to identify leases embedded in a contract. For income statement purposes, the new guidance is still based on a dual model, requiring leases to be classified as either operating or finance leases. Classification criteria are largely similar to current lease accounting guidance, except that the new guidance does not contain explicit bright lines. Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition guidance. Existing sale-leaseback guidance has been replaced with a new model applicable to both lessees and lessors. The new guidance is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those years. The Company will adopt the new guidance when effective and is currently assessing its impact on its consolidated financial statements.

In March 2016, the FASB issued new guidance on employee share-based payment accounting. The guidance includes multiple provisions intended to simplify accounting, which impacts income tax accounting, earnings per share, estimates relating to forfeitures and the statement of cash flows. The new guidance is effective for public companies for fiscal years beginning after December 15, 2016, including interim periods within those years. The Company will adopt the new guidance when effective and is currently assessing its impact on its consolidated financial statements.

6. Other Income and Expenses, Net

Other income and expenses, net consisted of the following:

	April 2, 2016	March 28, 2015
Research and development funding	25	36
Phase-out and start-up costs	(2)	(1)
Exchange gain (loss), net	2	(3)
Patent costs, net of reversal of unused provisions	(1)	-
Gain on sale of long-lived assets, net	1	-
Other, net	3	3
Total	28	35

The Company receives significant public funding from governmental agencies in several jurisdictions. Public funding for research and development is recognized ratably as the related costs are incurred once the agreement with the respective governmental agency has been signed and all applicable conditions have been met.

Start-up costs represent costs incurred in the start-up and testing of the Company's new manufacturing facilities, before reaching the earlier of a minimum level of production or six months after the fabrication line's quality certification. Phase-out costs are costs incurred during the closing stage of a Company's manufacturing facility.

Exchange gains and losses, net represent the portion of exchange rate changes on transactions denominated in currencies other than an entity's functional currency and the changes in fair value of trading derivative instruments which are not designated as hedge and which have a cash flow effect related to operating transactions, as described in Note 25.

Patent costs include legal and attorney fees and payment for claims, patent pre-litigation consultancy and legal fees.

7. Impairment, Restructuring Charges and Other Related Closure Costs

Impairment, restructuring charges and other related closure costs incurred in the first quarter of 2016 are summarized as follows:

	Three months ended on April 2, 2016			
	Impairment	Restructuring charges	Other related closure costs	Total impairment, restructuring charges and other related closure costs
Set-top Box restructuring plan	-	(20)	(6)	(26)
EPS restructuring plan	-	(1)	-	(1)
Long-lived asset impairment charge	(1)	-	-	(1)
Total	(1)	(21)	(6)	(28)

Impairment, restructuring charges and other related closure costs incurred in the first quarter of 2015 are summarized as follows:

	Three months ended on March 28, 2015			
	Impairment	Restructuring charges	Other related closure costs	Total impairment, restructuring charges and other related closure costs
Manufacturing consolidation plan	-	(1)	(10)	(11)
EPS restructuring plan	-	(15)	(3)	(18)
Total	-	(16)	(13)	(29)

Impairment charges

No significant impairment charges were incurred in the first quarters of 2016 and 2015.

Restructuring charges and other related closure costs

Provisions for restructuring charges and other related closure costs as at April 2, 2016 are summarized as follows:

	$600-650 million net opex plan	EPS restructuring plan	Set-top Box restructuring plan	Other restructuring initiatives	Total
Provision as at December 31, 2015	6	18	-	10	34
Charges incurred in 2016	-	1	26	-	27
Liability settlement	-	-	-	(3)	(3)
Amounts paid	(1)	(7)	(5)	-	(13)
Currency translation effect	-	1	-	-	1
Provision as at April 2, 2016	5	13	21	7	46

- EPS restructuring plan

In 2014, the Company committed to a plan affecting around 450 employees worldwide. The Company recorded in the first quarter of 2016 $1 million of restructuring charges for this plan.

- Set-top Box restructuring plan

In 2016, the Company announced its decision to cease the development of new platforms and standard products for set-top-box and home gateway products. This decision implied a global workforce review that may affect approximately 1,400 employees worldwide, which includes about 430 in France through a voluntary departure plan, about 670 in Asia and about 120 in the United States of America. The Company recorded in the first quarter of 2016 $26 million of restructuring charges for this plan, of which $6 million related to contracts that will continue with no future economic benefits to the Company and $20 million related to employee ongoing termination benefits, primarily for involuntary terminations in the United States and Asia.

Total impairment, restructuring charges and other related closure costs

The $600-650 million net opex plan resulted in a total pre-tax charge of $114 million. The plan was substantially completed in 2014.

The EPS restructuring plan resulted in a total pre-tax charge of $67 million. The plan was substantially completed in 2015.

The Set-top Box restructuring plan is expected to result in pre-tax charges of approximately $170 million. In certain locations, the restructuring actions may last until 2018.

The total actual costs that the Company will incur may differ from these estimates based on the timing required to complete the restructuring plan, the number of employees involved, the final agreed termination benefits and the costs associated with the transfer of equipment, products and processes.

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8. Interest expense, Net

Interest expense, net consisted of the following:

	Three months ended	
	April 2, 2016	March 28, 2015
Income	5	4
Expense	(10)	(9)
Total	(5)	(5)

Interest income is related to the cash and cash equivalents held by the Company. Interest expense recorded in the first quarter of 2016 included a $6 million charge on the senior unsecured convertible bonds issued in July 2014, of which $5 million was a non-cash interest expense resulting from the accretion of the discount on the liability component. Net interest includes also charges related to the sale of trade and other receivables.

9. Income Taxes

Income tax expense is as follows:

	Three months ended	
	April 2, 2016	March 28, 2015
Income tax expense	(2)	(1)

In the first quarters of 2016 and 2015, income tax has been estimated adopting a discrete effective tax method as opposed to an estimated effective tax rate due to significant uncertainty in estimating the effective tax rate. Income tax also included the estimated impact of provisions related to potential tax positions which have been considered uncertain.

At each reporting date, the Company assesses all material open income tax positions in all tax jurisdictions to determine any uncertain tax position. The Company uses a two-step process for the evaluation of uncertain tax positions. The first step consists in determining whether a benefit may be recognized; the assessment is based on a sustainability threshold. If the sustainability is lower than 50%, a full provision should be accounted for. In case of a sustainability threshold in step one higher than 50%, the Company must perform a second step in order to measure the amount of recognizable tax benefit, net of any liability for tax uncertainties. The measurement methodology in step two is based on a “cumulative probability” approach, resulting in the recognition of the largest amount that is greater than 50% likely of being realized upon settlement with the taxing authority. All unrecognized tax benefits affect the effective tax rate, if recognized.

10. Earnings per share

Basic net earnings per share ("EPS") is computed based on net income (loss) attributable to parent company stockholders using the weighted-average number of common shares outstanding during the reported period; the number of outstanding shares does not include treasury shares. Diluted EPS is computed using the weighted-average number of common shares and dilutive potential common shares outstanding during the period, such as stock issuable pursuant to the exercise of stock options outstanding, unvested shares granted and the conversion of convertible debt.

	Three months ended	
	April 2, 2016	March 28, 2015
Basic EPS		
Net loss attributable to parent company	(41)	(22)
Weighted average shares outstanding	878,561,830	873,974,924
Basic EPS	(0.05)	(0.03)
Diluted EPS	(0.05)	(0.03)

For the three months ended April 2, 2016 and March 28, 2015, there was no dilutive effect of 5,337,209 and 5,000,935 dilutive potential shares, respectively, relating to Company's stock awards plans.

There was no dilutive effect of the convertible bonds issued on July 3, 2014 since the conversion is out-of-the-money. Terms and conditions are described in Note 20.

11. Accumulated Other Comprehensive Income ("AOCI")

The table below details the changes in AOCI attributable to the company's stockholders by component, net of tax, for the quarter ended April 2, 2016:

	Gains (Losses) on Cash Flow Hedges	Gains (Losses) on Available-For-Sale Securities	Defined Benefit Pension Plan Items	Foreign Currency Translation Adjustments ("CTA")	Total
December 31, 2015	(23)	2	(160)	601	420
Cumulative tax impact	-	-	40	-	40
December 31, 2015, net of tax	(23)	2	(120)	601	460
OCI before reclassifications	43	8	-	88	139
Amounts reclassified from AOCI	12	-	2	-	14
OCI for the quarter ended April 2, 2016	55	8	2	88	153
Cumulative tax impact	-	(1)	-	-	(1)
OCI for the quarter ended April 2, 2016, net of tax	55	7	2	88	152
April 2, 2016	32	10	(158)	689	573
Cumulative tax impact	-	(1)	40	-	39
April 2, 2016, net of tax	32	9	(118)	689	612

Items reclassified out of Accumulated Other Comprehensive Income for the period ended April 2, 2016 are listed in the table below:

Details about AOCI components	Amounts reclassified from AOCI	Affected line item in the statement where net income (loss) is presented
Gains (losses) on cash flow hedges		
Foreign exchange derivative contracts	(9)	Cost of sales
Foreign exchange derivative contracts	(1)	Selling, general and administrative
Foreign exchange derivative contracts	(2)	Research and development
	-	Income tax expense
	(12)	Net of tax
Defined benefit pension plan items		
Amortization of actuarial gains (losses)	(1)	Research and development (1)
Amortization of actuarial gains (losses)	(1)	Selling, general and administrative (1)
	-	Income tax benefit (expense)
	(2)	Net of tax
Total reclassifications for the period attributable to the Company's stockholders	(14)	Net of tax

(1) These items are included in the computation of net periodic pension cost, as described in Note 21.

12. Marketable Securities

Changes in the value of marketable securities, as reported in current assets on the consolidated balance sheets as at April 2, 2016 and December 31, 2015 are detailed in the table below:

	December 31, 2015	Purchase	Sale / Settlement	Change in fair value included in OCI* for available-for-sale marketable securities	Change in fair value recognized in earnings	Foreign exchange result through OCI*	April 2, 2016
U.S. Treasury Bonds	335	-	-	8	-	-	343
Total	335	-	-	8	-	-	343

*Other Comprehensive Income

As at April 2, 2016, the Company held $343 million in U.S. Treasury bonds. The bonds had an average rating of Aaa/AA+/AAA from Moody’s, S&P and Fitch, respectively, with a weighted average maturity of 4.0 years. The debt securities were reported as current assets on the line “Marketable Securities” on the consolidated balance sheet as at April 2, 2016, since they represented investments of funds available for current operations. The bonds were classified as available-for-sale and recorded at fair value as at April 2, 2016. This fair value measurement corresponds to a Level 1 fair value hierarchy measurement.

13. Trade Accounts Receivable, Net

Trade accounts receivable, net consisted of the following:

	As at April 2, 2016	As at December 31, 2015
Trade accounts receivable	899	827
Allowance for doubtful accounts	(8)	(7)
Total	891	820

The Company enters into factoring transactions to accelerate the realization in cash of some trade accounts receivable. As at April 2, 2016, $48 million of trade accounts receivable were sold without recourse ($48 million as at December 31, 2015). Such factoring transactions totaled $48 million for the first quarter of 2016 ($49 million for the first quarter of 2015).

14. Inventories

Inventories are stated at the lower of cost or market value. Cost is based on the weighted average cost by adjusting standard cost to approximate actual manufacturing costs on a quarterly basis; the cost is therefore dependent on the Company's manufacturing performance. In the case of underutilization of manufacturing facilities, the costs associated with the excess capacity are not included in the valuation of inventories but charged directly to cost of sales.

Reserve for obsolescence is estimated for excess uncommitted inventories based on the previous quarter's sales, backlog of orders and production plans.

Inventories, net of reserve consisted of the following:

	As at April 2, 2016	As at December 31, 2015
Raw materials	79	74
Work-in-process	855	804
Finished products	368	373
Total	1,302	1,251

15. Goodwill

Goodwill allocated to reportable segments and changes in the carrying amount of goodwill were as follows:

	Automotive and Discrete Group (ADG)	Microcontrollers and Digital ICs Group (MDG)	Analog and MEMS Group (AMG)	Others	Total
December 31, 2015	-	74	2	-	76
Foreign currency translation	-	3	-	-	3
April 2, 2016	-	77	2	-	79

As described in Note 27, during the first quarter of fiscal year 2016 the organization was changed to align with the Company's strategic focus on Smart Driving and on Internet of Things applications and this resulted in a change in the Company's reportable segments. Goodwill was allocated to the new reportable segments following the allocation of the reporting units for which it was related. The Company also completed an assessment of any potential goodwill impairment immediately prior to the reallocation and determined that no impairment existed.

16. Other intangible assets

Other intangible assets consisted of the following:

April 2, 2016	Gross Cost	Accumulated Amortization	Net Cost
Technologies & licences	599	(520)	79
Contractual customer relationships	4	(4)	-
Purchased & internally developed software	398	(332)	66
Construction in progress	17	-	17
Other intangible assets	65	(65)	-
Total	1,083	(921)	162

December 31, 2015	Gross Cost	Accumulated Amortization	Net Cost
Technologies & licences	593	(511)	82
Contractual customer relationships	4	(4)	-
Purchased & internally developed software	387	(321)	66
Construction in progress	18	-	18
Other intangible assets	65	(65)	-
Total	1,067	(901)	166

The line “Construction in progress” in the table above is related to internally developed software under construction and software not ready for use.

Amortization expense was $15 million and $14 million for the first quarters 2016 and 2015, respectively.

The estimated amortization expense of the existing intangible assets for each period is expected to be as follows:

Year	
Remainder of 2016	46
2017	48
2018	32
2019	19
2020	9
Thereafter	8
Total	162

17. Property, plant and equipment

Property, plant and equipment consisted of the following:

April 2, 2016	Gross Cost	Accumulated Depreciation	Net Cost
Land	77	-	77
Buildings	835	(420)	415
Facilities & leasehold improvements	2,851	(2,584)	267
Machinery and equipment	13,287	(11,818)	1,469
Computer and R&D equipment	388	(348)	40
Other tangible assets	108	(102)	6
Construction in progress	59	-	59
Total	17,605	(15,272)	2,333

December 31, 2015	Gross Cost	Accumulated Depreciation	Net Cost
Land	75	-	75
Buildings	806	(399)	407
Facilities & leasehold improvements	2,746	(2,482)	264
Machinery and equipment	12,885	(11,408)	1,477
Computer and R&D equipment	377	(339)	38
Other tangible assets	104	(99)	5
Construction in progress	55	-	55
Total	17,048	(14,727)	2,321

The line “Construction in progress” in the table above includes property, plant and equipment under construction and equipment under qualification before operating.

Facilities & leasehold improvements, machinery and equipment and other tangible assets include assets acquired under capital lease. The net cost of assets under capital lease was less than $1 million both at April 2, 2016 and December 31, 2015.

The depreciation charge, which includes amortization for capital leases, was $169 million and $161 million for the first quarters of 2016 and 2015, respectively.

18. Long-Term Investments

Long-Term Investments consisted of the following:

	April 2, 2016	December 31, 2015
Equity-method investments	44	44
Cost-method investments	13	13
Total	57	57

Equity-method investments