STMICROELECTRONICS NV
Form 6-K
August 05, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

Report on Form 6-K dated August 5, 2015

Commission File Number: 1-13546

STMicroelectronics N.V.
(Name of Registrant)

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

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Q Form 40-F £

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes £ No Q

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

Yes £ No Q

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

Yes £ No Q

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

Enclosure: STMicroelectronics N.V.'s Second Quarter and First Half 2015:

- Operating and Financial Review and Prospects;
- Unaudited Interim Consolidated Statements of Income, Statements of Comprehensive Income, Balance Sheets, Statements of Cash Flow, and Statements of Equity and related Notes for the three months and six months ended June 27, 2015; and
- Certifications pursuant to Sections 302 (Exhibits 12.1 and 12.2) and 906 (Exhibit 13.1) of the Sarbanes-Oxley Act of 2002, submitted to the Commission on a voluntary basis.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview

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

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

- Critical Accounting Policies using Significant Estimates.
- Business Overview, a discussion of our business and overall analysis of financial and other relevant highlights of the three months and six months ended June 27, 2015 designed to provide context for the other sections of the MD&A, including our expectations for selected financial items for the third quarter of 2015.
- Other Developments in the second quarter 2015.
- Results of Operations, containing a year-over-year and sequential analysis of our financial results for the three months and six months ended June 27, 2015, as well as segment information.
- Legal Proceedings.
- Discussion of the impact of changes in exchange rates, interest rates and equity prices on our activity and financial results.
- Liquidity and Capital Resources, presenting an analysis of changes in our balance sheets and cash flows, and discussing our financial condition and potential sources of liquidity.
- Impact of Recently Issued U.S. Accounting Standards.
- Backlog and Customers, discussing the level of backlog and sales to our key customers.
- Disclosure Controls and Procedures.
- Cautionary Note Regarding Forward-Looking Statements.

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

Critical Accounting Policies Using Significant Estimates

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

Fiscal Year

Under Article 35 of our Articles of Association, our financial year extends from January 1 to December 31, which is the period end of each fiscal year. The first quarter of 2015 ended on March 28, 2015 and the second quarter ended on June 27. The third quarter will end on September 26 and the fourth quarter will end on December 31, 2015. Based on our fiscal calendar, the distribution of our revenues and expenses by quarter may be unbalanced due to a different number of days in the various quarters of the fiscal year and can also differ from equivalent prior years’ periods. There were 91 days in the second quarter of 2015, 87 days in the first quarter of 2015 and 91 days in the second quarter of 2014.

Business Overview

Our results of operations for each period were as follows:

	Three Months Ended			% Variation	
	June 27, 2015	March 28, 2015	June 28, 2014	Sequential	Year-Over-Year
	(Unaudited, in millions, except per share amounts)				
Net revenues	$1,760	$1,705	$1,864	3.2 %	(5.6)%
Gross profit	595	566	634	5.1	(6.3)
Gross margin as percentage of net revenues.	33.8 %	33.2 %	34.0 %	-	-
Operating income (loss)	12	(19)	98	-	-
Net income (loss) attributable to parent company	35	(22)	38	-	-
Earnings per share	$0.04	$(0.03)	$0.04	-	-

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

Based on the published industry data by World Semiconductor Trade Statistics (WSTS), semiconductor industry revenues increased in the second quarter of 2015 on a sequential basis by approximately 1% for the TAM and 2% for the SAM, to reach approximately $84 billion and $38 billion, respectively. On a year-over-year basis, the TAM increased by approximately 2%, while the SAM remained substantially flat.

Second quarter 2015 revenues amounted to $1,760 million, a 3.2% sequential increase, inside the released guidance of the quarter. All product lines except DPG registered a sequential revenues increase. Sense & Power and Automotive Products (SP&A) revenues increased by approximately 3.6% and Embedded Processing Solutions (EPS) by 2.4%, mainly driven by AMS and MMS, respectively.

On a year-over-year basis, net revenues decreased 5.6% with most groups contributing to the decrease. Excluding negative currency effects and mobile legacy products, net revenues decreased 1.1% year-over-year with growth in AMS and MMS, and APG substantially flat. SP&A revenue was lower by 3.6% as growth in AMS was offset by IPD, reflecting market conditions, and APG, reflecting currency effects. EPS segment revenues decreased by approximately 9.3% mainly due to the phase out of the legacy ST-Ericsson products and the Imaging Camera module as well as the weak performance of the legacy Set Top Box products.

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

Our effective average exchange rate for the second quarter of 2015 was $1.17 for €1.00 compared to $1.23 for €1.00 in the first quarter of 2015 and $1.36 for €1.00 in the second quarter of 2014. For a more detailed discussion of our hedging arrangements and the impact of fluctuations in exchange rates, see “Impact of Changes in Exchange Rates” below.

Our second quarter 2015 gross margin was 33.8% of revenues, in line with the mid-point of our quarter guidance, improving sequentially by 60 basis points, mostly reflecting favorable currency effects, net of hedging, lower unused capacity charges and favorable product mix, partially offset by sale price declines and lower manufacturing efficiencies. On a year-over-year comparison, our second quarter 2015 gross margin decreased by 20 basis points, mainly due to lower selling prices, partially offset by favorable currency effects, net of hedging, and improved manufacturing efficiencies. The Q2 2014 gross margin also included a catch-up of Nano2017 industrialization funding related to previous periods.

Our combined selling, general and administrative (SG&A) and research and development (R&D) costs amounted to $599 million, increasing by about 1% compared to $591 million in the prior quarter mainly due to calendar effect and one-time R&D expenses, partially offset by a favorable impact of currency exchange rates, net of hedging. Our operating expenses decreased by about 4% compared to $626 million in the prior-year quarter mainly due to favorable currency effects, net of hedging, and the initial savings from the EPS restructuring plan, partially offset by labor cost increase.

Other income and expenses, net, amounted to $37 million, slightly increasing sequentially and decreasing from $110 million in the year-ago quarter mainly due to the Nano2017 R&D grants prior periods’ catch-up recognized in the second quarter of 2014.

Impairment, restructuring and other related closure costs for the second quarter of 2015 were $21 million compared to $29 million and $20 million in the prior and year-ago quarters respectively, principally related to the EPS cost savings program, announced in October 2014, which we will complete in July 2015.

In the second quarter of 2015, our operating income was $12 million, sequentially improving from a loss of $19 million mainly due to higher revenues and higher gross profit. Our operating income decreased from the $98 million registered in the year-ago quarter, the latter being favorably impacted by $116 million of Nano2017 grants catch-up. Excluding the impact of the catch-up, our operating profit improved by $30 million on a year-over-year basis, mainly due to the favorable impact of currency exchange rates, net of hedging, higher volumes and improved manufacturing efficiencies, partially offset by a decrease in selling prices and by an unfavorable product mix.

Free cash flow was positive $53 million in the second quarter of 2015, compared to a positive $41 million in the prior quarter and a negative $99 million in the year-ago quarter. In first half of 2015, we showed significant progress in terms of free cash flow: positive at $94 million and improving $245 million compared to the first half of 2014.

Based upon our visibility and mixed market conditions, including weaker demand in components for PC applications and the economic environment in China, in the third quarter we anticipate revenues to grow sequentially by about 2.5%, plus or minus 3.5 percentage points. Gross margin in the third quarter is expected to be about 35%, plus or minus 2.0 percentage points. We remain committed to our priorities to accelerate revenue growth and improve operating margins, and we continue to explore options for our Digital Product Group.

This outlook is based on an assumed effective currency exchange rate of approximately $1.16 = €1.00 for the 2015 third quarter and includes the impact of existing hedging contracts. The third quarter will close on September 26, 2015.

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

Other Developments in the Second Quarter of 2015

On May 27, 2015 all of the proposed resolutions were adopted at our Annual General Meeting of Shareholders, held in Amsterdam. The main resolutions, approved by the shareholders, were:

- The adoption of our statutory Annual Accounts for the year ended December 31, 2014, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union;

- The distribution of a cash dividend of US$0.40 per outstanding share of the common stock, to be distributed in quarterly installments of US$0.10 in each of the second, third and fourth quarters of 2015 and first quarter of 2016 to shareholders of record in the month of each quarterly payment;

- The appointment of Mr. Nicolas Dufourcq as a new member of the Supervisory Board, for a three-year term expiring at the 2018 AGM, in replacement of Mr. Jean d'Arthuys whose mandate terminated as of the 2015 AGM;

- The reappointment of Ms. Martine Verluyten as a member of the Supervisory Board, for a three-year term expiring at the 2018 AGM; and

- The appointment of Ernst & Young Accountants LLP as the external auditor for the 2016-2019 financial years, as required by the new Dutch law which currently imposes an eight-year audit firm rotation period.

On June 3, 2015 we announced the publication of our 2014 Sustainability Report.

Results of Operations

Segment Information

We operate in two business areas: Semiconductors and Subsystems.

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

In 2015, our segments are as follows:

- Sense & Power and Automotive Products (SP&A), including the following product lines:
  - Automotive (APG);
  - Industrial & Power Discrete (IPD);
  - Analog & MEMS (AMS); and
  - Other SP&A;
- Embedded Processing Solutions (EPS), comprised of the following product lines:

- o Digital Product Group (DPG);
- o Microcontrollers, Memory & Secure MCU (MMS); and
- o Other EPS.

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

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

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

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

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

Second Quarter 2015 vs. First Quarter 2015 and Second Quarter 2014

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

	Three Months Ended (unaudited)					
	June 27, 2015		March 28, 2015		June 28, 2014	
	$ million	% of net revenues	$ million	% of net revenues	$ million	% of net revenues
Net sales	$1,754	99.7 %	$1,693	99.3 %	$1,858	99.7 %
Other revenues	6	0.3	12	0.7	6	0.3
Net revenues	1,760	100	1,705	100.0	1,864	100
Cost of sales	(1,165)	(66.2)	(1,139)	(66.8)	(1,230)	(66.0)
Gross profit	595	33.8	566	33.2	634	34
Selling, general and administrative	(226)	(12.9)	(222)	(13.0)	(237)	(12.7)
Research and development	(373)	(21.2)	(369)	(21.7)	(389)	(20.9)
Other income and expenses, net	37	2.1	35	2.1	110	5.9
Impairment, restructuring charges and other related closure costs	(21)	(1.1)	(29)	(1.7)	(20)	(1.1)
Operating income (loss)	12	0.7	(19)	(1.1)	98	5.2
Interest expense, net	(6	(0.3)	(5)	(0.3)	(3)	(0.1)
Income (loss) on equity method investments	(1)	(0.1)	4	0.2	(52)	(2.8)
Income (loss) before income taxes and noncontrolling interest	5	0.3	(20)	(1.2)	43	2.3
Income tax benefit (expense)	31	1.7	(1)	(0.1)	(7)	(0.4)
Net income (loss)	36	2.0	(21)	(1.3)	36	1.9
Net loss (income) attributable to noncontrolling interest	(1)	-	(1)	-	2	0.1
Net income (loss) attributable to parent company	$35	2.0 %	$(22)	(1.3)%	$38	2.0 %

Net revenues

	Three Months Ended			% Variation	
	June 27, 2015	March 28, 2015	June 28, 2014	Sequential	Year Over Year
	(Unaudited, in millions)				
Net sales	$1,754	$1,693	$1,858	3.6 %	(5.6)%
Other revenues	6	12	6	(52.8)	(3.3)
Net revenues	$1,760	$1,705	$1,864	3.2 %	(5.6)%

Our second quarter 2015 net revenues increased sequentially by 3.2%, just below the mid-point of the released guidance of the quarter (+3.5%; +/- 350 bps). The sequential increase resulted from an approximate 10% increase in volume, partially offset by about 7% decrease in average selling prices.

On a year-over-year basis, our net revenues decreased by 5.6% as a result of an approximate 16% decrease in average selling prices, partially offset by a 10% higher volume. The reduction in average selling prices resulted from both a pricing effect, down by approximately 8%, and a less favorable product mix of about 8%. Excluding negative currency effects and mobile legacy products, net revenues decreased year-over-year by 1.1% with AMS and MMS registering growth and with APG substantially flat.

Net revenues by product line and product segment

	Three Months Ended			% Variation	
	June 27, 2015	March 28, 2015	June 28, 2014	Sequential	Year-Over-Year
	(Unaudited, in millions)				
Automotive (APG)	$438	$434	$463	1.0 %	(5.4)%
Industrial & Power Discrete (IPD)	448	430	475	4.2	(5.7)
Analog & MEMS (AMS)	273	255	264	7.0	3.4
Sense & Power and Automotive Products (SP&A)	1,159	1,119	1,202	3.6	(3.6)
Digital Product Group (DPG)	207	207	260	(0.1)	(20.1)
Microcontrollers, Memory & Secure MCU (MMS)	388	374	396	3.8	(2.0)
Other EPS	-	-	1	-	(100.0)
Embedded Processing Solutions (EPS)	595	581	657	2.4	(9.3)
Others	6	5	5	1.9	(1.8)
Total consolidated net revenues	$1,760	$1,705	$1,864	3.2 %	(5.6)%

Sequentially, both SP&A and EPS increased their revenues, by 3.6% and 2.4%, respectively, with all product lines except DPG contributing to the growth. Within SP&A, AMS registered the best performance with a 7.0% increase, driven by MEMS and microfluidic products. IPD revenues progressed by 4.2%, mainly driven by Discrete and Power Transistor products, while APG revenues increased by 1.0%, driven by Power PC Microcontroller products, infotainment and advanced safety systems. Within EPS, the revenues increased mainly due to General Purpose Microcontrollers in MMS.

On a year-over-year basis, revenues in both SP&A and EPS declined by 3.6% and 9.3%, respectively, with all product lines except AMS contributing to the decrease. Within the SP&A segment, APG and IPD revenues decreased by 5.4% and 5.7%, respectively, while AMS increased by 3.4%. Within EPS, DPG, including legacy ST-Ericsson products, registered a decline in revenues of 20.1%, while MMS decreased by 2.0%. Excluding legacy ST-Ericsson products, EPS segment revenues decreased by 7.6%.

In the second quarter of 2015, "Others" includes revenues from the sales of Subsystems ($2 million) and sales of materials and other products not allocated to product segments.

Net Revenues by Market Channel (1)

	Three Months Ended		
	June 27, 2015	March 28, 2015	June 28, 2014
	(Unaudited, in %)		
OEM	67 %	70 %	69 %
Distribution	33	30	31
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 as a percentage of total net revenues amounted to 33%, increasing both sequentially and year-over-year.

Net Revenues by Location of Shipment (1)

	Three Months Ended			% Variation	
	June 27, 2015	March 28, 2015	June 28, 2014	Sequential	Year-Over-Year
	(Unaudited, in millions)				
EMEA	$464	$451	$508	2.9 %	(8.6)%
Americas	280	267	276	4.6	1.2
Greater China-South Asia	786	773	820	1.6	(4.1)
Japan-Korea	230	214	260	7.5	(11.7)
Total	$1,760	$1,705	$1,864	3.2 %	(5.6)%

(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 Greater China-South Asia affiliates are classified as Greater China-South Asia 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.

Sequentially, all regions grew revenues. On a year-over-year basis all regions except the Americas registered a decrease in revenues.

Gross profit

	Three Months Ended			Variation	
	June 27, 2015	March 28, 2015	June 28, 2014	Sequential	Year Over Year
	(Unaudited, in millions)				
Cost of sales	$(1,165)	$(1,139)	$(1,230)	(2.2)%	5.2 %
Gross profit	595	566	634	5.1 %	(6.3)%
Gross margin (as percentage of net revenues)	33.8 %	33.2 %	34.0 %	+60bps	-20bps

In the second quarter of 2015, gross margin was 33.8%, at the mid-point of our outlook range and increasing sequentially by approximately 60 basis points. The sequential increase was mostly due to favorable currency effects, still significantly impacted by $35 million loss on the existing hedging contracts, lower unused capacity charges and favorable product mix, partially offset by a decline in sale prices and lower manufacturing efficiencies. In the second quarter of 2015, unused capacity charges were $9 million, compared to $19 million in the previous quarter, impacting gross margin by about 50 basis points.

On a year-over-year basis, our margin decreased by approximately 20 basis points, mainly due to price pressure, and the catch-up from previous periods of the Nano217 industrialization funding in the year-ago quarter of approximately 90 basis points, partially offset by favorable currency effects, net of hedging, and manufacturing efficiencies. Unused capacity charges amounted to $5 million in the year-ago quarter.

Operating expenses

	Three Months Ended			Variation	
	June 27, 2015	March 28, 2015	June 28, 2014	Sequential	Year Over Year

(Unaudited, in millions)					
Selling, general and administrative expenses	$(226)	$(222)	$(237)	(2.3)%	4.60%
Research and development expenses	$(373)	$(369)	$(389)	(0.9)%	4.30%
As percentage of net revenues	(34.1)%	(34.6)%	(33.6)%	+50bps	-50bps

Second quarter 2015 operating expenses slightly increased sequentially, mainly due to a longer quarter and one-time R&D expenses and despite the favorable currency effects, net of $23 million loss on the existing hedging contracts.

On a year-over-year basis, our operating expenses decreased mainly due to favorable currency effects, net of hedging and the initial impact of EPS saving initiatives, partially offset by salary and variable incentive increases. As a percentage of revenues, our operating expenses amounted to 34.1%, decreasing sequentially due to higher revenues and increasing year-over-year due to lower revenues.

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Second quarter 2015 R&D expenses were net of research tax credits, which amounted to $29 million compared to $27 million in the prior quarter and $33 million in the year-ago quarter.

Other income and expenses, net

	Three Months Ended		
	June 27, 2015	March 28, 2015	June 28, 2014
	(Unaudited, in millions)		
Research and development funding	$35	$36	$130
Phase-out and start-up costs	(1)	(1)	(3)
Exchange gain (loss), net	2	(3)	2
Patent costs	-	-	(16)
Gain on sale of businesses and non current assets	1	-	1
Other, net	-	3	(4)
Other income and expenses, net	$37	$35	$110
As percentage of net revenues	2.1%	2.1%	5.9%

In the second quarter of 2015, we recognized other income, net of $37 million, slightly increasing sequentially.

On a year-over-year basis, we registered a decrease mainly due to R&D funding catch-up related to prior periods, following the Nano2017 R&D program, recognized in the second quarter of 2014 once approved by the European Union.

Impairment, restructuring charges and other related closure costs

	Three Months Ended		
	June 27, 2015	March 28, 2015	June 28, 2014
	(Unaudited, in millions)		
Impairment, restructuring charges and other related closure costs	$(21)	$(29)	$(20)

In the second quarter of 2015, we recorded $21 million of restructuring charges, consisting of: (i) $20 million related to the EPS restructuring plan and (ii) $1 million related to the closure of LongGang following the discontinuation of its manufacturing activities, as part of the manufacturing consolidation plan. See Note 7 Impairment, Restructuring Charges and Other Related Closure Costs.

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 EPS restructuring plan; (ii) $11 million of restructuring charges related to the manufacturing consolidation plans.

In the second quarter of 2014, we recorded $20 million of impairment, restructuring charges and other related closure costs, consisting of: (i) $15 million restructuring charges related to our “600 net opex plan” and (ii) $5 million restructuring charges related to the manufacturing consolidation plans.

Operating income (loss)

Three Months Ended

	June 27, 2015	March 28, 2015	June 28, 2014
	(Unaudited, in millions)		
Operating income (loss)	$12	$(19)	$98
In percentage of net revenues	0.7%	(1.1)%	5.2%

The second quarter of 2015 registered operating income of $12 million compared to an operating loss of $19 million in the prior quarter and operating income of $98 million in the year-ago quarter. Sequentially, the improvement in our operating results was mainly due to higher revenues and higher gross profit. Compared to the year-ago period, the decrease in our operating results was mainly due to the Nano2017 grants catch-up recorded in the second quarter of 2014. Excluding the positive impact of the Nano2017 catch-up, our operating result improved on a year-over-year basis by $30 million, from a loss of $18 million to income of $12 million.

Operating income (loss) by product segment

	Three Months Ended (unaudited)					
	June 27, 2015		March 28, 2015		June 28, 2014	
	$ million	% of net revenues	$ million	% of net revenues	$ million	% of net revenues
Sense & Power and Automotive Products (SP&A)	$76	6.6 %	$72	6.4 %	$125	10.4 %
Embedded Processing Solutions (EPS)	(42)	(7)	(64)	(11.1)	10	1.5
Total operating income (loss) of product segments (2)	34					