

## **ST-Ericsson reports financial results<sup>1</sup> for its first two months of operation**

- **50/50 joint venture between Ericsson and STMicroelectronics started operations on February 2<sup>nd</sup> 2009, creating a new wireless–semiconductor industry leader**
- **Net sales \$391 million**
- **Operating loss \$98 million**
- **\$230 million of annualized savings expected from a new program of resources and operations re–alignment to reflect outcome of the integration as well as current unfavorable business environment**
- **Continuous focus on innovation and strengthening of strategic partnerships with customers since the launch of the company in February 2009**

**Geneva – Switzerland –April 29, 2009** – ST-Ericsson, a joint venture of STMicroelectronics (NYSE: STM) and Ericsson (NASDAQ:ERIC), reported financial results for its first two months of operation from February 2<sup>nd</sup> 2009.

President and CEO Alain Dutheil commented: “Our sales development in the quarter reflects the broad-based economic downturn that has led to weaker consumer demand for handsets and put pressure on the overall wireless semiconductor industry.

Even in such a challenging climate, during the first quarter of 2009 we confirmed our number two position in the market, we renewed our focus on innovation and we strengthened our partnership with key customers.

We were the first to consolidate in our industry, creating a new global leader in wireless platforms and semiconductors, and we are currently executing on an alignment of our operations that will allow us to shape the long term success of the company, while creating a sustainable cost structure for the short and medium term.

A more efficient and integrated product strategy, based on the future convergence of our 3G roadmap and on our continued commitment on 2G/EDGE and connectivity, as well as a strong focus on next generation access technologies, will help us achieve our short and long term objectives and continue to offer our customers a complete and innovative portfolio of solutions.”

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<sup>1</sup> The reported financial results are based on US GAAP.



**FINANCIAL HIGHLIGHTS**

**First Quarter 2009 actual (Feb 2 – March 28 2009)**

<b>\$ millions</b>	<b>Feb – March 2009</b>
<b>Income Statement</b>	
NET SALES	391
OPERATING INCOME/(LOSS)	(98) <sup>2</sup>
NET INCOME/(LOSS)	(89)

Net sales in the two months of operations reflected the economic downturn that led to weaker consumer demand especially in Europe, mainly in the feature phones segment, reinforced by overall inventory reduction in the handset supply chain.

The operating loss of \$98 million was a consequence both of the level of sales and of price pressure on margins, partially offset by already planned reductions in operating expenses related to the cost synergies program previously announced by ST–NXP Wireless in November 2008. Net cash <sup>3</sup> was \$358 million at the end of Q109.

**Alignment of operations and resources**

A restructuring plan is being launched for immediate execution and is due to be completed by the second quarter of 2010. This plan is incremental to the \$250 million cost synergies program announced by ST–NXP Wireless in November 2008.

Annualized savings of the new restructuring plan are expected to be approximately \$230 million upon completion. Restructuring costs are estimated in the range of \$70 – 90 million, of which the majority is expected to be recorded during the second quarter of 2009.

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<sup>2</sup> Operating Loss reported after :

amortization of acquisition–related intangibles & software capitalization	\$(11) million
restructuring charges	\$ 0 million
Total	\$(11) million

<sup>3</sup> Net cash is defined as cash and cash equivalents, marketable securities, short term deposits less total debt.



The main assumptions of the restructuring plan are: a re-alignment of product roadmaps to create a more agile and cost efficient R&D organization; and a reduction in workforce of 1,200 worldwide to reflect further integration activities following the merger, lower sales volumes and limited visibility on the timing of market recovery.

### **Market evolution**

“In view of the continued uncertainty of the global economy and in accordance with published industry forecasts, we see a continued challenging 2009 for our industry” said Alain Dutheil. “However, we believe that the destocking phase is substantially over, even if we have yet to see signs of a broad-based pick-up of demand in our industry”.

### **Q1 2009 Highlights– Products, Technology and Wins**

In February 2009 the company announced its cooperation with Nokia to provide a Next-Generation Smartphone Platform for Symbian Foundation, with a reference platform based on ST-Ericsson’s U8500 single chip.

Also in February the company announced its collaboration with ARM to demonstrate the world’s first Symmetric Multi Processing mobile platform technology running on Symbian OS.

In March, the company launched fully integrated single-chip solutions for feature-rich, low-cost handsets. ST-Ericsson’s 4910 and 4908 EDGE platforms combine the industry’s highest level of integration and cost-efficiency, with both digital and analog basebands, RF transceiver and power management unit (PMU) in a single chip.

A next-generation mobile audio digital-to-analog converter (DAC) for the mobile music market was also launched. ST-Ericsson’s STw5211 further extends the company’s wide portfolio of audio solutions with enhanced performance.



**PRO-FORMA INFORMATION<sup>4</sup>**

	<b>Q1 09</b> <b>Pro-forma</b>	<b>Q4 08</b> <b>Pro-forma</b>	<b>Q3 08</b> <b>Pro-forma</b>	<b>Q2 08</b> <b>Pro-forma</b>	<b>Q1 08</b> <b>Pro-forma</b>
<b>NET SALES</b>	<b>562</b>	<b>746</b>	<b>1,003</b>	<b>966</b>	<b>862</b>
<b>OPERATING INCOME/ (LOSS)</b>	<b>(179)</b>	<b>(127)</b>	<b>(59)</b>	<b>(94)</b>	<b>(121)</b>

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**About ST-Ericsson**

ST-Ericsson is a world leader in developing and delivering a complete portfolio of innovative mobile platforms and cutting-edge wireless semiconductor solutions across the broad spectrum of mobile technologies. The company is a leading supplier to the top handset manufacturers and ST-Ericsson’s products and technologies enable more than half of all phones in use today. The global company of 8,000 people generated pro-forma sales of about USD 3.6 billion in 2008. ST-Ericsson was established as a 50/50 joint venture by STMicroelectronics (NYSE: STM) and Ericsson (NASDAQ: ERIC) in February 2009, with headquarters in Geneva, Switzerland. More information about ST-Ericsson is available at [www.stericsson.com](http://www.stericsson.com).

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<sup>4</sup> The unaudited pro-forma results are presented as if the ST-Ericsson joint venture had been created on January 1, 2008 and incorporates the results of ST-Ericsson and predecessors (ST-NXP Wireless and Ericsson Mobile Platforms) beginning on that date (while effectively it started operations on February 2<sup>nd</sup>, 2009). Such results are presented for information purposes only and are not indicative of the results of operations that would have been achieved had the acquisition taken place as of January 1, 2008. Pro-forma results do not include inventory step-up and write-off of IP R&D for a total value of \$166M in Q3 and \$39M in Q4.



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*This press release contains forward-looking statements that involve inherent risks and uncertainties. We have identified certain important factors that may cause actual results to differ materially from those contained in such forward-looking statements. For a detailed description of risk factors see STMicroelectronics' (NYSE: STM) and Ericsson's (NASDAQ: ERIC) filings with the US Securities and Exchange Commission, particularly each company's latest published Annual Report on Form 20-F.*