

## ST-Ericsson reports second quarter 2009 financial results

- Net sales \$666 million; 18.5% sequential increase
- Adjusted operating loss<sup>1)</sup> \$165 million
- Strong momentum in China with leading customers
- New organization announced to accelerate execution of new product strategy

**Geneva, Switzerland, July 23, 2009** - ST-Ericsson, a joint venture of STMicroelectronics (NYSE:STM) and Ericsson (NASDAQ:ERIC), reported financial results for the second quarter 2009.

President and CEO, Alain Dutheil, commented: "During the second quarter our sales performed above normal seasonal patterns. This was due to the destocking phase in the channels being over, to the pick-up of demand in China, and to our steady execution on our commitments towards our customers.

We have kept a strong focus on our restructuring and realignment plans. The \$250 million cost synergies program, defined by ST-NXP Wireless in the third quarter 2008, is expected to be completed by year-end according to schedule. The new restructuring plan of \$230 million cost synergies, announced at the end of April, has been initiated and is expected to be completed by the second quarter 2010.

Today we have also announced our new organization, aligned to our product strategy, to further strengthen our technological leadership and complete the integration."

### Financial highlights (unaudited)

	Q2 2009	Q1 2009 PRO- FORMA	Feb-March 2009 <sup>2)</sup>	Q2 2008 PRO- FORMA
<b>\$ millions</b>				
<b>Income Statement</b>				
NET SALES	666	562	391	966
OPERATING INCOME/(LOSS) ADJUSTED for:	(165)	(149)	(78)	(69)
- amortization of acquisition-related intangibles	(24)	(30)	(20)	(25)
- restructuring charges	(35)	0	0	0
OPERATING INCOME / (LOSS) as reported	(224)	(179)	(98)	(94)
NET INCOME / (LOSS)	(213)	NA	(89)	NA

### Financial results based on US GAAP

Net sales in the second quarter were higher than normal seasonal patterns and showed a progress of 18.5% compared to first quarter 2009 pro-forma sales. This was mainly due to the higher demand in China - driven by TD-SCDMA- and in the rest of Asia-Pacific and to the alignment of inventory to demand levels across the handset supply chain.

The \$165 million operating loss, excluding amortization of acquisition-related intangibles and restructuring charges, compares to a \$149 million operating loss in the first quarter 2009 pro-forma and it includes approximately \$20 million of non-recurring items linked to the start-up of the company.



Press Release  
July 23, 2009

Inventory declined sequentially by \$109 million reaching \$325 million at the end of the second quarter 2009, reflecting a tight control of the supply chain.

Net cash<sup>3)</sup> was \$326 million at the end of second quarter 2009.

#### **Update on restructuring plans**

The \$250 million cost synergies program defined by ST-NXP Wireless in the third quarter 2008 is in line with plans. The program envisaged a workforce reduction of 500 worldwide.

The \$230 million restructuring plan announced on April 29 has been initiated. The associated restructuring charges were \$35 million for the second quarter 2009. The plan envisages a reduction in workforce of 1,200 worldwide, upon completion of negotiations and consultations with Work Councils and employee representatives that have already started in all affected sites and organizations.

#### **Market evolution**

"While more normal seasonal market trends are likely to be confirmed in the next quarter, primarily driven by Asia, including China, the business environment remains uncertain in the medium term," said Alain Dutheil. "We will continue to drive the execution of our realignment and restructuring plans with a strong focus on providing our customers with solutions spanning across all existing and next-generation access technologies."

#### **Q2 2009 highlights - products, technology and wins**

In May, ST-Ericsson announced a strategic partnership with China Mobile to drive development of both high-end and low-cost handsets, based on 3G standard TD-SCDMA. Within this agreement, ST-Ericsson will also support four of its customers to commercialize their mobile phones during 2009-2010.

In June, the company strengthened its partnership with Samsung by providing an innovative platform for its first high-end TD-SCDMA/EDGE device for China's mobile broadband market.

The company also announced mass production of its highly integrated RF transceiver solution to reduce cost and system footprint in 3G handsets. ST-Ericsson's Aero4228 solution eliminates the need for expensive external filter components typically required to complete today's mobile handset designs.

#### **Footnotes**

<sup>1)</sup> The adjusted operating loss is defined as the operating loss reported before amortization of acquisition-related intangibles and restructuring charges and is used by management to help enhance the understanding of ongoing operations and to communicate the impact of the items on the operating loss as reported.

<sup>2)</sup> First quarter 2009 actual results, which include only two months of operations, February and March, as the ST-Ericsson joint-venture started operations on February 2, 2009.

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

#### **Notes to editors**

ST-Ericsson invites media to a conference call at 9.30 A.M. CET and analysts and investors to a conference call at 2:00 P.M. CET.



Press Release  
July 23, 2009

Call-in numbers and live webcasts of the conference calls as well as supporting slides will be available at <http://www.stericsson.com/investors/investors.jsp>.

**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 company generated pro-forma sales of about \$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).

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

**Global Communications & Media Relations**

**Claudia Levo, Geneva, Switzerland**

**Jana Mancova, Geneva, Switzerland**

Phone: +41 22 930 2733

Email: [media.relations@stericsson.com](mailto:media.relations@stericsson.com)

**Kristina Embring Klang, Lund, Sweden**

Phone: +46 10 713 5058

Email: [media.relations@stericsson.com](mailto:media.relations@stericsson.com)

**Investor Relations**

**Fabrizio Rossini, Geneva, Switzerland**

Phone: +41 22 929 6973

Email: [investor.relations@stericsson.com](mailto:investor.relations@stericsson.com)

**Ericsson Investor Relations**

**Gary Pinkham, Stockholm, Sweden**

Phone: +46 10 719 0858

**Susanne Andersson, Stockholm, Sweden**

Phone: +46 10 719 4631

**Andreas Hedemyr, Stockholm, Sweden**

Phone: +46 10 404 3748

E-mail: [investor.relations@ericsson.com](mailto:investor.relations@ericsson.com)

**STMicroelectronics Investor Relations**

**Tait Sorensen, Phoenix AZ, US**

Phone: +1 602 485 2064

**Celine Berthier, Geneva, Switzerland**

Phone: +41 22 929 5812

Email: [investors@st.com](mailto:investors@st.com)

###

*The ST-Ericsson results reported in this press release do not reflect in their entirety the results of the Wireless Segment of STMicroelectronics, which include other activities that are not part of ST-Ericsson. STMicroelectronics will disclose its results for the second quarter on July 28, 2009.*

###

*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.*