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## STMicroelectronics N.V. Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator instructions) The first question is from Mr. Nicolas Gaudois of UBS. Please go ahead, sir.

#### Nicolas Gaudois – UBS

Yes, I've got two questions. Firstly, maybe if Carlo Ferro could help us a little bit on how to think about operating expenses, going into the second quarter and the rest of the year. And also (inaudible) of the R&D grants, because your (inaudible) value had a bit of a catch up this year, and when we should see a normalization for these towards around \$60 million next year, so come back to that it would be great.

Second question is maybe just to gather your thoughts a little bit on ST-Ericsson I am aware this is not the primary purpose of the call, but maybe to come back to the actual economic performance of the entity on a pro forma basis where your EBIT was minus 7.9% last year, this is a year where you did shipments for mobile phones peaked at 1.2 billion units, so not a bad environment, so maybe a bit of a disappointing performance there if you could share your thoughts? And also what you could do beyond costs savings you've announced today and before to improve margins of business. If you were to plug what you've said so far on last year's revenue we still have only a low single digit positive EBITDA margin. Thank you.

#### Carlo Bozotti

Okay, so I think Carlo will take the question on operating expenses.

#### Carlo Ferro

Good morning, good afternoon, everybody. Thank you, Nicolas for the questions. So your first question is on operating expenses going forward. And indeed, you may have noticed that the first quarter has been I'd say a quite good quarter as operating expenses at ST are concerned. We have a decline by over 5% in respect to the prior quarter. This is despite the addition of Ericsson Mobiles platform consolidated for two months in February and March. Without that, I would say it would have been even a double-digit expense, sequential expenses of reductions. And here we have three major drivers. The most important are the structural actions that are progressing as we have anticipated. There is a temporary one that you should be aware and normally in our four weeks calendar Q1 is shorter number of days of the other quarter and this is a technical ingredient that has favorably impacted expenses in Q1 and currency sequentially has somehow helped.

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