STMICROELECTRONICS NV
Form 6-K
January 28, 2009

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

Report on Form 6-K dated January 28, 2009

STMicroelectronics N.V.
(Name of Registrant)

39, Chemin du Champ-des-Filles
1228 Plan-les-Ouates, Geneva, Switzerland

(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 x   Form 40-F o

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 o   No x

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 o   No x

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with

Rule 12g3-2(b): 82- __________

Enclosure: A press release dated January 27, 2009, announcing 2008 fourth quarter and full year revenues and earnings.

PR No. C2592C

STMicroelectronics Reports 2008 Fourth Quarter
and Full Year Revenues and Earnings

- Fourth quarter net revenues $2.28 billion
- Fourth quarter net operating cash flow of $153 million*
- Full year net revenues $9.84 billion; full year clean EPS* of $0.40

Geneva, January 27, 2009 - STMicroelectronics (NYSE: STM) reported financial results for the 2008 fourth quarter and full year ended December 31, 2008.

ST completed the deconsolidation of its Flash Memory Group (FMG) segment and took an equity interest in Numonyx on March 30, 2008, with an anticipated one quarter lag in reporting.

ST-NXP Wireless, a joint venture owned 80% by ST, began operations on August 2, 2008 and is fully consolidated into ST's operating results. The fourth and third quarter 2008 financial review includes the ST-NXP Wireless joint venture except where noted.

Fourth Quarter 2008 Financial Review

Summary Financial Highlights

In Million US$ and %	Q4 2008	Q3 2008	Q4 2007
Reported Net Revenues	2,276	2,696	2,742
Gross Margin(a)	37.5%	37.7%	36.9%
Reported Net Earnings	(366)	(289)	20
Effective Exchange Rate $/€(b)	1.40	1.54	1.43

(a)Fourth quarter 2008 and third quarter 2008 exclude a $31 million and $57 million charge, respectively, due to inventory step-up purchase accounting adjustments related to the former NXP Wireless business.
(b)The Company's effective exchange rate reflects actual exchange rate levels combined with the impact of hedging programs.

(*)Non-US GAAP metric. Please see page 4 for additional information.

1

Reflecting the sharp downturn in the global economy during the fourth quarter, ST's 2008 fourth quarter net revenues decreased 15.6% sequentially and 17.0% year-over-year, driven by significant weakness across most geographies and market segments, in particular Automotive, Telecom and Computer.

Reported gross margin in the fourth quarter of 2008 was 36.1%. Excluding an acquisition-related inventory step-up charge to Cost of Goods Sold of $31 million in the fourth quarter of 2008 and $57 million in the third quarter of 2008, respectively, gross margin in the fourth quarter was 37.5%, a slight decrease from 37.7% in the prior quarter. The profitable contribution from a favorable currency impact and an improved product mix were offset by the negative impact of substantially lower sales and higher-than-anticipated unused capacity charges. In the fourth quarter of 2007, gross margin was 36.9%. The Company estimates that the underutilization of our fabs negatively impacted the fourth quarter 2008 gross margin by over 200 basis points.

President and CEO Carlo Bozotti commented, "Fourth quarter net revenues came in at the mid-point of our updated outlook and reflected the accelerated level of order push-outs and cancellations and decrease in demand as the quarter progressed. All product areas were negatively affected, in particular automotive, wireless and computer peripherals. Gross margin was somewhat lower than the mid-point of our revised outlook mostly due to our final product mix being below our expectations, in particular in wireless.

"For the full year 2008, ST made significant progress as the Company gained market share with a stronger product portfolio. ST will continue this momentum in 2009 as we focus on developing more innovative products. Looking at our position in the semiconductor market, we grew our revenues faster than the overall market during 2008 and estimate we are approaching a record level of market share.

"The Company also generated net operating cash flow of $153 million for the fourth quarter and $647 million for the full year excluding M&A transactions. As a result, despite a tougher fourth quarter environment, ST completed 2008 with a solid financial position. In 2009, we will continue to focus on cash flow as well as maintaining a strong and flexible capital structure."

Operating Expenses

In the 2008 fourth quarter, combined SG&A and R&D expenses of $876 million included a full quarter of expenses and $25 million in recurring amortization charges related to the former NXP Wireless business, which were partially offset by $41 million in favorable sequential currency effects. Operating expenses in the third quarter 2008 included $12 million of amortization related to the NXP Wireless purchase accounting.

Fourth quarter 2008 SG&A expenses totaled $304 million, compared to $297 million in the prior quarter, and $295 million in the year-ago quarter. R&D expenses in the fourth quarter 2008 totaled $572 million, compared to $602 million (including the one-time, non-cash $76 million charge for in-process R&D) in the prior quarter, and $480 million in the year-ago quarter.

Operating Results, Earnings and Earnings per share

For the 2008 fourth quarter, the Company reported an operating loss of $139 million and a net loss of $366 million, or -$0.42 per share compared to the year-ago quarter operating loss of $15 million and net income of $20 million, or $0.02 per diluted share. Excluding charges relating to restructuring and impairment, inventory step-up, and other-than-temporary impairments on the Numonyx equity investment and certain financial assets, the fourth quarter 2008 net loss was $57 million, or -$0.06 per share compared to the year-ago quarter net income of $255 million or $0.27 per diluted share on a comparable basis.

Fourth quarter 2008 restructuring and impairment charges totaled $91 million and largely related to previously committed restructuring programs.

In the fourth quarter 2008, the loss on equity investments registered a non-cash charge of $204 million including $180 million of impairment on the Numonyx equity investment to reflect further deteriorated conditions in both the equity market multiples for comparable companies and the memory industry as well as ST's $16 million share of Equity loss on Numonyx's Q3 2008 results. Importantly, Numonyx as of December 31, 2008 held about $500 million in cash on its balance sheet, representing an amount similar to the balance at inception.

Following the prior announcements of impairment recognition in certain asset-backed securities, in the 2008 fourth quarter a new accounting valuation resulted in $55 million of pre-tax other-than-temporary impairment charges of certain financial assets. The Company is pursuing various claims against Credit Suisse Securities (USA) LLC and Credit Suisse Group relating to unauthorized purchases of auction rate securities backed by collaterized debt obligations and credit linked notes.

Cash Flow and Balance Sheet Highlights

Net cash from operating activities is estimated at $388 million in the 2008 fourth quarter, somewhat lower than the $414 million in the third quarter 2008. Net operating cash flow* is estimated at $153 million for the fourth quarter 2008 compared to $140 million in the third quarter of 2008, excluding $1.52 billion paid for M&A transactions, and $188 million in the year-ago quarter. For the full year 2008, net cash from operating activities is estimated at $1.72 billion compared to $2.19 billion for the full year 2007 and net operating cash flow is estimated at $647 million in 2008, excluding $1.69 billion paid for M&A transactions, compared to $840 million in 2007.

Fourth quarter of 2008 cash flow data are estimated following a delayed calendar for the final closing of the cash flow statement due to the purchase accounting of business combinations.

Capital expenditures were $204 million during the fourth quarter of 2008, compared to $247 million in the prior quarter and $405 million in the year-ago quarter. For the full year, capital expenditures were $981 million, or 10.0% of net sales, compared to $1.14 billion or 11.4% of net sales in 2007.

In the 2008 fourth quarter, ST completed its authorized share repurchase plan and repurchased $82 million of common stock, as well as paid $79 million in dividends. For the first quarter 2009 the global ex-dividend date will be February 23, 2009 and the dividend of $0.09 is planned to be paid on or after this date, in accordance with the schedule previously announced on April 2, 2008.

Inventory was $1.84 billion at quarter end and reflected increased levels due to the sharp decrease in sales volumes in the fourth quarter 2008 and differences in the anticipated mix of products sold.

At December 31, 2008, ST's cash and cash equivalents, marketable securities (current and non-current), short-term deposits and restricted cash equaled $2.15 billion. Total debt was $2.70 billion. ST's net financial position* was a net debt of $0.55 billion. Shareholders' equity was $8.16 billion.

*Non-US GAAP metrics used above and below are defined as:

Net operating cash flow is utilized by the Company's management as a measure of cash-generation capability. It is defined as net cash from operating activities ($388 million in the fourth quarter of 2008) minus net cash used in investing activities (-$171 million in the fourth quarter of 2008) excluding payments for purchase of and proceeds from the sale of marketable securities ($64 million in the fourth quarter of 2008) and the proceeds from matured short-term deposits and restricted cash.

Clean earnings per share is used by the Company's management to help enhance an understanding of ongoing operations and to communicate the impact of the excluded items. Clean earnings in full year 2008 ($356 million or $0.40 per share) excludes restructuring and impairment charges ($481 million), the impact of purchase accounting (such as in-process R&D costs ($97 million) and inventory step-up charges ($88 million)), other-than-temporary impairment charges on financial assets ($138 million) and impairment related to equity investments ($480 million), net of the relevant tax impact ($141 million).

Net financial position is used by the Company's management to help assess financial flexibility. It is defined as cash and cash equivalents, marketable securities (current and non-current), short-term deposits and restricted cash ($2,152 million) minus total debt (current portion of long-term debt $143 million plus long-term debt $2,554 million).

Net Revenues by Market Segment for Q4 2008

The following table estimates, within a variance of 5% to 10% in the absolute dollar amount, the relative weighting of each of the Company's target market segments for the 2008 fourth quarter.

As % of Net Revenues	Q4 2008
Market Segment	
Automotive	12.6%
Consumer	17.0%
Computer	15.5%
Telecom	38.2%
Industrial & Other	16.7%

4

Both sequentially and year-over-year, all market segments posted declines reflecting the global economic slowdown. On a sequential basis, Automotive was lower by 21% and Telecom by 20%, followed by Computer which decreased 14%, Industrial by 10% and Consumer by 8%. In comparison to the year-ago quarter, Automotive declined 27%, followed by Computer which decreased by 20%, Telecom by 17%, Consumer by 12% and Industrial by 8%.

Q4 2008 Financial and Operating Data by Product Segment

The following table provides a breakdown of revenues and operating income by product segment.

In Million US$ and %	Q4 2008		
Product Segment	Net Revenues	% of Net Revenues	Operating income (loss)
ACCI (Auto/Cons./Comp./Telecom Infra. Product Groups)	899	39.5%	(3)
IMS (Industrial and Multisegment Product Sector)	791	34.8%	85
WPS (Wireless Product Sector)	575	25.2%	(82)
Others (a) (b)	11	0.5%	(139)
TOTAL	2,276	100%	(139)

(a) Net revenues of “Others” include revenues from sales of Subsystems and other revenues.
(b) Operating income (loss) of “Others” includes items such as impairment, restructuring charges, and other related closure costs, start-up costs, and other unallocated expenses such as: strategic or special research and development programs, acquired in-process R&D and other purchase accounting impacts, certain corporate-level operating expenses, patent claims and litigations, and the other costs that are not allocated to product groups, as well as operating earnings or losses of the Subsystems and Other Products Group. The fourth quarter 2008 “Others” include a $31 million charge due to purchase accounting items and $91 million of impairment and restructuring charges.

ACCI (Automotive/Consumer/Computer/Telecom Infrastructure Product Groups):

- ACCI’s net revenues declined 17.2% sequentially and 16.6% year-over-year, reflecting a significant decrease in Automotive as well as difficult market conditions in all other areas but mitigated by sequential and year-over-year mix improvements in Consumer.
- ACCI’s operating result registered a slight loss of $3 million, a substantial decrease both sequentially and year-over-year, largely due to lower sales volumes in the fourth quarter.

IMS (Industrial and Multisegment Product Sector):

- IMS net revenues decreased 12.2% sequentially and 6.5% year-over-year, reflecting a general decline in multisegment market conditions except in MEMS, Smartcards and Microcontrollers.

5

- Fourth quarter IMS sales were composed of $513 million of ICs which declined 11% sequentially but increased 1% year-over-year and $278 million of discrete products which decreased 15% sequentially and 18% year-over-year.
- IMS operating profit was $85 million, a significant decrease both sequentially and year-over-year.

WPS (Wireless Product Sector):

- WPS net revenues decreased 17.4% sequentially reflecting significant weakness in the wireless market. On a year-over year-basis, WPS net revenues increased 29.6% reflecting additional sales from the joint venture with NXP Wireless as well as an improved product mix and expanded customer base.
- WPS' fourth quarter 2008 operating loss of $82 million includes $25 million of amortization of intangibles from the NXP Wireless acquisition and was largely due to a sharp drop in sales volumes and higher R&D expenses.

Full Year 2008 Results

The following income statement for the full year 2008 incorporates the former NXP Wireless business since August 2, 2008 and FMG for the first three months of 2008 and the full year 2007.

Net Revenues (In Million US$ and %)	Full Year 2008	Full Year 2007	Year-over-Year Change
ST as reported	9,842	10,001	(1.6%)
ST ex FMG and NXP Wireless	9,052	8,637	4.8%

Net revenues for the full year were $9.84 billion compared to 2007 revenues of $10.0 billion, as reported. Excluding FMG and NXP Wireless, net revenues grew 4.8% in the similar period.

Mr. Bozotti commented, "2008 was a critically important year in advancing the repositioning of our product portfolio, with the focus of our resources and investments in power applications and multimedia convergence with wireless and digital consumer."

Gross margin, as reported, but excluding the inventory step-up from the addition of NXP Wireless increased to 37.1% of net revenues, compared to 35.4% of net revenues for 2007. Year-over-year gross margin reflects an estimated 100 basis-point negative currency impact.

Research and development expenses were $2,152 million, including $97 million of in-process R&D charges, associated with the acquisition of Genesis Microchip and the addition of NXP Wireless, compared to $1,802 million in 2007. Selling, general, and administrative expenses were $1,187 million compared to $1,099 million in 2007, increasing primarily due to adverse currency effects.

Operating loss, as reported, was $198 million in 2008, compared to the operating loss of $545 million in 2007. Net loss, as reported, was $786 million in 2008, or $-0.88 per share, compared to a net loss of $477 million, or $-0.53 per share in 2007. Net loss included pre-tax restructuring and impairment charges ($481 million), in-process R&D costs ($97 million), inventory step-up charges from NXP Wireless purchase accounting ($88 million), other-than-temporary impairment charge on financial assets ($138 million) and the impairment related to the Numonyx equity investment ($480 million) of $1,284 million with a tax impact of $141 million ($1.28 impact to earnings per diluted share in total) and $1,295 million ($1.29 impact to earnings per diluted share impact in total) for 2008 and 2007, respectively.

The Company estimates full year 2008 clean earnings excluding restructuring and impairment charges, the impact of purchase accounting, other-than-temporary impairment charges on financial assets and the impairment related to equity investments, net of the relevant tax impact to be $356 million or $0.40 per share.

In 2008, the US dollar weakened by approximately 10% as the effective average exchange rate for the Company was approximately $1.49 to €1.00 for 2008, compared to $1.35 to €1.00 for 2007.

While the US dollar strengthened during the 2008 fourth quarter, for the full year 2008 it had a significant negative impact on the Company's profitability. The Company estimates that on a constant currency basis its 2008 operating profit, excluding restructuring and impairment charges and one-time adjustments, would have been about $310 million higher (315 basis points) than the proforma figure of $468 million and about $74 million higher than the 2007 comparable figure of $704 million.

Full Year 2008 Financial and Operating Data by Product Segment

The following table provides a breakdown of revenues and operating income by product segment.

In Million US$ and %	Full Year 2008		
Product Segment	Net Revenues	% of Net Revenues	Operating income (loss)
ACCI (Auto/Cons./Comp./Telecom Infra. Product Groups)	4,129	42.0%	107
IMS (Industrial and Multisegment Product Sector)	3,329	33.8%	459
WPS (Wireless Product Sector)	2,030	20.6%	(70)
FMG (Flash Memories Group) (a)	299	3.0%	16
Others	55	0.6%	(710)
TOTAL	9,842	100%	(198)

(a) Operating income for FMG in the period reflects the benefit of suspended depreciation for Assets Held For Sale.

Full Year 2008 Revenues by Product Group

The following table provides a breakdown of revenues by product group.

Net Revenues (In Million US$ and %)	Full Year 2008	Full Year 2007	Year-over-Year Change
ACCI			
Automotive (APG)	1,460	1,419	2.9%
Computer and Communication Infrastructure (CCI)	1,077	1,123	(4.0%)
Home Entertainment & Displays (HED)	1,585	1,402	13.0%
Other ACCI	7	0	n/a
IMS			
Analog, Power and MEMS (APM)	2,393	2,313	3.5%
Micro, non-Flash Memory and Smartcard (MMS)	936	825	13.3%

Business Outlook

Mr. Bozotti stated, “While it is extremely difficult to predict how the industry will evolve in 2009, we believe it could be a year of fundamental change and opportunity.

“We have four key priorities for ST during 2009.

- First, 2009 will be a year focused on improving our competitiveness as we execute on our plan to complete the wireless joint venture with Ericsson Mobile Platforms during the first quarter.

- Second, we are targeting to reduce our costs by over $700 million in 2009 in respect to the Company’s fourth quarter 2008 cost base. The actions are a combination of the ongoing restructuring initiatives and new programs that are focused on resizing the Company’s manufacturing operations and streamlining expenses, and are expected to affect about 4,500 net jobs worldwide in 2009.

- Third, we continue to advance our lighter asset strategy focused on careful management of our capital investments. As a result, we have set a capex budget of about $500 million for 2009, representing a 50% reduction in comparison to 2008.

- Fourth, thanks to our strong and consistent investment in our product portfolio we are in a solid position to provide innovative products that will continue our momentum by driving the Company to gain market share in 2009 just as we have in 2008.”

Current uncertainty in the global financial markets, economic recession in one or more of the world’s major economies, seasonality, and the effect on demand for semiconductor products in the key application markets and from key customers served by our products makes it extremely difficult to accurately forecast product demand and other related matters and makes it more likely that ST’s actual results could differ materially from