

STMICROELECTRONICS NV
Form 6-K
April 28, 2009

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 April 28, 2009

Commission File Number: 1-13546

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 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

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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.

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Yes

No

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Enclosure: STMicroelectronics' 2008 Dutch Statutory Annual Report, including the 2008 IFRS Statutory Accounts.

STMICROELECTRONICS N.V.
ANNUAL REPORT 2008

In accordance with new statutory provisions, the sole member of the Managing Board and the Chief Financial Officer of STMicroelectronics state that to the best of their knowledge:

1. the annual financial statements, as shown on pages 56 to 173 of this report provide a true and fair view of the assets, liabilities, financial position and result for the 2008 financial year of STMicroelectronics and its subsidiaries included in the consolidated statements;
2. the annual report, as shown on pages 7 to 173 of this report provides a true and fair view of the state of affairs as at the balance sheet date and the course of events during the 2008 financial year of STMicroelectronics and its subsidiaries, details of which are included in the financial statements; furthermore, the annual report provides information on any material risks to which STMicroelectronics is exposed.

Carlo Bozotti,

Sole member of the Managing Board,
President and Chief Executive Officer

2008 Annual Report of STMicroelectronics N.V.
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This 2008 statutory annual report is been approved and duly signed on April 15 2009 for presentation to the STMicroelectronics N.V. 2009 Annual General Meeting of shareholders by:

THE MANAGING BOARD

Carlo Bozotti (President and Chief Executive Officer)

Carlo Ferro (Executive Vice President, Chief Financial Officer)

THE SUPERVISORY BOARD

Antonino Turicchi (Chairman – reappointed as Chairman of the Supervisory Board on May 20, 2008)

Gérald Arbola (Vice Chairman)

Raymond Bingham

Douglas Dunn

Didier Lamouche

Didier Lombard

Alessandro Ovi

Bruno Steve

Tom de Waard

Matteo del Fante (Resigned from the Supervisory Board member on May 20,2008)

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¹ The director's report constitutes sections 1, 2 and 4 of this report

Message from the President and CEO on the financial year 2008

Dear Shareholder,

2008 was a very challenging year for finance and industry worldwide. It was also a challenging year for STMicroelectronics, as we were confronted with three different - though somehow interconnected - crises.

We first had to face the financial crisis which significantly slowed down the creation of Numonyx, our flash-memory joint venture with Intel.

Then we were confronted with the currency crisis, which for several months brought the exchange rate between the European currency and the dollar to oscillate between 1.55 and 1.6. The very strong euro has shadowed the improvements we have made in our operating performance, as on average the dollar deteriorated by about 20% since 2006.

And then, in the last part of the year, the global economic crisis – probably the most dramatic one since the deep Depression of 1929 - hit us and the whole of the semiconductor industry.

Within this difficult context, 2008 was for STMicroelectronics a year of intense achievements and of important strategic reshaping of STMicroelectronics, as we focused our resources and investments in power applications and multimedia convergence with wireless and digital consumer:

- First of all, thanks to a stronger product portfolio, our organic market share gain was rather significant. Basically, the market that we serve grew 2.5%; organically we grew 5%, therefore twice as fast as the market. And if we include the wireless business acquired from NXP our growth was as high as 10%. Consequently, we estimate we are approaching a record level of market share.
- Second, we concluded the de-consolidation of our flash-memory business, and made giant steps in the consolidation of wireless business, moving towards the creation of a true world leader in semiconductors and platforms for mobile applications, first with the ST-NXP Wireless joint venture and, later on, with the inclusion of Ericsson's EMP business.
- Third, we moved further on to an asset lighter configuration as we concluded the year, as announced, with a 10% capital expenditure to sales ratio for fiscal year 2008.
- And fourth, we focused on cash generation, closing 2008 with 659 million dollars net operating cash-flow before acquisitions.

Let me add a note on the 2008 bottom line. Including flash memories before deconsolidation, and the newly acquired NXP Wireless business, net revenues were \$9,84 billions, and we reported a net loss of 58 cents of a dollar per share. However, looking closer into these numbers, we can see that because of acquisitions and the creation of new joint ventures, our bottom line was impacted by in-process R&D costs and impairment charges on tangible, intangible and financial assets and on Numonyx equity investment. We estimate that earnings per share, clean of those one-time or non-operating items and net of tax, were actually equal to 40 cents in 2008.

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Turning to 2009, we have four key priorities for STMicroelectronics:

- First, 2009 will be a year focused on improving our competitiveness as we execute on the integration of the three components of the wireless joint venture with Ericsson Mobile Platforms.
- Second, while we are working on re-modelling and resizing STMicroelectronics to the new level of demand, we are targeting to reduce our costs by over \$700 million in 2009 in respect to STMicroelectronics's fourth quarter 2008 cost base. The actions are a combination of the ongoing restructuring initiatives and additional programs, focused on resizing STMicroelectronics's manufacturing operations and streamlining expenses, are being launched in January of this year. And I am afraid that this move will unfortunately affect about 4,500 net jobs worldwide in 2009. It's always sad to take such decisions, but in the present extremely tough market conditions, the management's priority must be that of safeguarding the competitiveness and long term viability of STMicroelectronics.
- 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.
- And 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, driving STMicroelectronics to gain market share also in 2009, just as we did in 2008. As you know, we see two major blocks for STMicroelectronics as our domains for excellence: power applications around industrial and power conversion and multimedia convergence. Our goal is to maintain or increase our leadership position in all those areas.

Summing it up, let me conclude by stating that this is a very difficult time for individuals, companies and markets, as the global economy appears to be resetting itself in a very compressed period of time. Nonetheless, environments such as these also present opportunities. Looking at STMicroelectronics, we have a number of strengths. First, we have a solid balance sheet, a good credit rating and flexible funding alternatives. Second, over the course of the last three years we have significantly strengthened our product portfolio, leading to a record market share.

Third, we have made major advances in the overhaul of our cost structure and today we have articulated a cost savings program of \$700 million that will take effect in 2009.

I believe that we, at STMicroelectronics, have made the right strategic choices and are correctly executing on them. I also believe that, as we started our restructuring process ahead of the severe economic downturn, we have a good momentum in place and are well positioned, relatively to the overall industry situation, in 2009. We are determined to take all of the appropriate initiatives required to face the new challenges we are confronted with. And therefore, I am confident we are correctly positioned to be among the companies that will emerge from the downturn in a better competitive position than before.

Carlo Bozotti
Sole member of the Managing Board
President and CEO

1. Corporate overview

1.1. History and development of STMicroelectronics

STMicroelectronics N.V. (“STMicroelectronics”, “ST” or “STMicroelectronics”) is a global independent semiconductor company that designs, develops, manufactures and markets a broad range of semiconductor products used in a wide variety of microelectronic applications. According to the latest data from iSuppli, STMicroelectronics is the world’s fifth largest semiconductor company and the number one supplier of semiconductors for the industrial market, application-specific analog chips and power conversion devices.

STMicroelectronics was created in 1987 by the merger of SGS Microelettronica of Italy and Thomson Semiconducteurs of France. STMicroelectronics totals more than 50,000 employees, 16 advanced R&D units, 39 design and application centers, 15 main manufacturing sites and 78 sales offices in 36 countries.

We have our corporate legal seat in The Netherlands. Our corporate headquarters and the headquarters for Europe, the Middle East and Africa (EMEA) are seated in Geneva. The U.S. Headquarters are in Carrollton (Texas), Asia-Pacific is in Singapore, the Japanese operations in Tokyo and the ‘Greater China’ region is headquartered in Shanghai. Our shares are traded on the New York Stock Exchange, on Euronext Paris and on the Milan Stock Exchange.

1.2. Strategy & objectives

The current economic environment has been severe, marked by a strong decline in demand for the semiconductor products declining sales, unsaturation of our production capacities and reduced visibility on market trends. In this difficult environment, we are focusing on maintaining and seeking to enhance our market share through the development of new products and by targeting new customers and sockets and increasing the loading of our fabs. In addition to the volatility in the global economic environment, the semiconductor industry continues to undergo several significant structural changes. Our strategy within this challenging environment is designed to focus on the following complementary key elements: broad, balanced market exposure, product innovation, customer-based initiatives, a global integrated manufacturing infrastructure, reduced asset intensity, research and development partnerships, integrated presence in key regional markets, product quality excellence, sustainable excellence and compliance and creating shareholder value.

1.3. Organizational structure

STMicroelectronics is a multinational group of wholly controlled companies with management organized in a matrix structure with geographical regions interacting with product divisions, and both being supported by central functions. The objective is to bring all levels of management closer to the customer and to facilitate communication among research and development, production, marketing and sales organizations.

While STMicroelectronics N.V. is the parent company, we also conduct our operations through our subsidiaries, which are organized and operated according to the laws of their country of incorporation, and consolidated by our company. We provide certain administrative, human resources, legal, treasury, strategy, manufacturing, marketing and other overhead services to our consolidated subsidiaries pursuant to service agreements for which we receive compensation. In 2008, we also entered into a major Flash Memory Joint Venture, Numonyx, in which we hold 48.6% as well as into a Wireless Joint Venture, ST-NXP Wireless, in which during 2008 we held 80%.

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1.4 Products and activities

STMicroelectronics produces one of the industry's broadest ranges of semiconductor products, from discrete diodes and transistors through complex System-on-chips (SoC) devices to complete platform solutions that bundle chips with reference designs, application software, and manufacturing tools and specifications. Our products are manufactured and designed using a broad range of manufacturing processes and proprietary design methods for a wide range of microelectronic applications, including automotive products, computer peripherals, telecommunications systems, consumer products, industrial automation and control systems.

1.5 Sales

In 2008, we operated regional sales organizations in Europe, North America, Asia Pacific, Greater China, Japan, and Emerging Markets, which include Latin America, the Middle East and Africa, Europe (non-EU and non-EFTA), Russia and India. As of January 1, 2009, the Emerging Markets organization has been merged into our Europe, North America and Asia Pacific organizations.

1.6 Research & Development

STMicroelectronics has maintained an unwavering commitment to R&D and is one of the industry's most innovative companies. We believe that both Product & Technology and research and development are critical to our success and therefore we spend a major part of our revenues in R&D. The main challenge that we face is to continually increase the functionality, speed and cost-effectiveness of our semiconductor device, while ensuring that technological developments translate into profitable commercial products as quickly as possible. We are market driven in our R&D and focused on leading-edge products and technologies developed in close collaboration with partners, such as, among others, leading universities and research institutions, certain competitors, key customers and global equipment manufacturers. More information about our R&D activities can be read in chapter 2.3 Business Overview & performance in the Report of the Managing Board.

1.7 Sustainable Excellence

STMicroelectronics was one of the first global industrial companies to recognize the importance of environmental responsibility, its initial efforts beginning in the early 1990s. Since then we have made outstanding progress. For example: energy and water consumption per product unit have been reduced by 5% and 9% per year, respectively since 1994. CO₂ emissions have been reduced by 61% over the same timescale. In 2006 and 2007 we achieved absolute reductions in CO₂ emissions despite increased production volumes. Over the past 15 years, our sites have received more than 100 awards for excellence in all areas of Corporate Responsibility, from quality to corporate governance, social issues and environmental protection.

STMicroelectronics is a member of the key sustainability indices DJSI (Dow Jones Sustainability Index), FTSE4Good and ASPI (Advanced Sustainability Performance Index). Our corporate responsibility policy is detailed in our Principles for Sustainable Excellence, while our performance in terms of economic, social, environment, health & safety, product responsibility and supply chain issues are reported in detail in our annual Corporate Responsibility Report.

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2. Report of the Managing Board

2.1 General

In accordance with Dutch law, our management is entrusted to the Managing Board under the supervision of our Supervisory Board. Mr. Carlo Bozotti, sole member of the Managing Board and President and Chief Executive Officer, was re-appointed in 2008 for a three-year term to expire at the end of our Annual Shareholders' Meeting in 2011. Mr. Carlo Ferro, Chief Financial Officer and Mr. Alain Dutheil, Chief Operating Officer, report to Mr. Bozotti.

2.2. Business overview & performance

Full Year 2008 results highlights

2008 was marked by two major transactions which impacted our organization and operations:

In the field of flash memories, we created on March 30, 2008 an independent semiconductor Flash Memory Company called Numonyx BV ("Numonyx") in which we hold 48.6% of the shares, Intel owns 45.1% of the shares, and Francisco Partners the remaining 6.3%.

In the field of wireless communication products, we have created as of August 2, 2008 a new Wireless Product Sector resulting from the combination of our wireless business with the wireless business of NXP Semiconductors in a joint venture ST-NXP Wireless, in which we held 80% and NXP-Semiconductors 20% until February 1st, 2009. On August 20th, 2008 we announced an agreement with Ericsson for the combination of Ericsson Mobile Platforms (EMP) business with ST-NXP Wireless in a 50/50 joint venture between ST and Ericsson named "ST-Ericsson" which began operations effective February 1st, 2009

Our 2008 net revenues decreased 1.6% due to the deconsolidation of the Flash Memory Group (FMG) at the end of the first quarter of 2008, following the creation of Numonyx and despite the positive contribution received from the acquired NXP wireless business. FMG revenues accounted for \$299 million in 2008 and \$1,364 million in 2007, while the NXP wireless contribution accounted for \$491 million in 2008. Excluding FMG and the NXP wireless business, our revenues in 2008 would have registered a 4.8% increase over 2007, therefore exceeding the SAM's performance. Such growth was due, in particular, to an improved product mix and, partially, to an increase in units sold.

Our gross profit was slightly declining in 2008 compared to 2007 due to the lower revenues, the significant negative impact of the U.S. dollar exchange rate, the charges associated with unused capacity in our fabs