Thank you for joining us on today’s conference call.

Over the last two days there have been important announcements related to ST. First, ST-Ericsson’s guideline of its new strategic direction with a sharpened market and product focus and its plans to right-size its business; Second, ST also announced a partnership with ST-Ericsson for the development of future application processors; and Third, yesterday evening both ST and ST-Ericsson announced first quarter 2012 financial results. I want to cover each of these and then open to your questions. In addition to ST’s top management here with me today, we also have from ST-Ericsson, Carlo Ferro, Chief Operating Officer.

To begin with ST-Ericsson, our joint venture unveiled a new strategy based on repositioning the whole business model to place it on the appropriate track towards excellence in execution, leadership and sustainable profitability.

Also the JV needs to be right-sized in a meaningful way to align with its top-line potential which is not what we had originally expected even as recent as a few months ago. I fully trust Didier Lamouche and Carlo Ferro are taking, with a sense of great urgency, the proper actions to resize the Company.

Yesterday, ST-Ericsson spoke about $320 million in annualized cost reductions to come by the end of 2013, giving further color to the ongoing and proposed SG&A savings and site reductions to ensure more R&D working synergies. The expected ST-Ericsson savings will fully benefit ST’s consolidated results, starting in Q3 2012, through the completion of the savings plans by the end of 2013. The savings are based on three key initiatives: 1) R&D sites rationalization; 2) about 25% SG&A reduction; and 3) our partnership in application processors. The savings specifically related to the partnership will be achieved in two steps: 1) a transitional cost sharing model for the current generation of application processor; and 2) synergies related to a common ecosystem, which for us is ARM-based. In addition, royalties will be paid by ST-Ericsson to ST to integrate the next generation application processor into their ModAp platforms.
Overall, this initiative is an important, first step in ST-Ericsson’s move towards leadership and improved financial returns.

We will see measurable progress in reducing the quarterly operating losses at ST-Ericsson in the second half of this year leading to a significant reduction in losses as we exit the year.

Now let me give you additional details on the partnership announced with ST-Ericsson for application processors which is part of our plans to advance our multimedia convergence strategy. It is very clear that delivering a similar experience across multiple screens is what service and content providers are looking for. So what might seem to be individual markets are actually very related markets as consumers expect their smart TV, car, smartphones and tablets to offer them the same experience.

ST is building a unique and competitive advantage by unifying its application processor platforms. As we outlined yesterday in our press release, we are adding the wireless application processor know-how within ST-Ericsson to the extensive multimedia capabilities ST has already developed within its Digital Sector for Set top Boxes and TV.

Now let’s turn to the first quarter financial results. ST performed well in line with our guidance again this quarter. Revenue at $2.02 billion was near the mid-point of our business outlook and so was our gross margin, excluding the impact of the one-time arbitration award.

With respect to Wireless, total revenues, as expected, decreased significantly due to a drop in sales of new products at one of ST-Ericsson’s largest customers, in addition to the usual seasonal effect and to the continued decline of ST-Ericsson’s legacy products. In the first quarter, however, ST-Ericsson reached a milestone on the new product sales side as the NovaThor™ U8500 ModAp systems started to successfully ramp at Samsung and Sony with smartphones from both now available on the market.

Looking in greater depth, ST’s net revenues from its wholly-owned businesses were lower by 3%, better than normal seasonality as we had anticipated and shared with you.
Specifically, both the Automotive and AMM product segments’ revenues in the first quarter were up sequentially compared to a usual seasonal decline while PDP and Digital were down. In particular, Digital Sector revenues decreased mainly due to a significant decrease in Imaging revenues related to certain wireless customers. While we are not happy with this performance we believe the quality of our portfolio offers the potential for our Digital Sector to significantly grow and rapidly return to profit. Moreover, the just announced addition of the application processor activity will further increase this growth potential and the expected synergies will compensate for the costs of the additional resources.

In the quarter, we made good progress in expanding our wide range of innovative products in a number of applications. If we look at automotive, for example, our innovation efforts in this market allowed us to record design wins in Japan with two top customers: a breakthrough win for our microcontroller in a safety application for a next-generation braking system and one for body-control modules. Japan is one of the markets where security and safety mandates are fueling our products’ adoption in cars.

We’re also putting MEMS in the worldwide automotive market by ramping up production of accelerometers and gyroscopes for telematic boxes in automotive eTolling systems to help companies track their vehicles. These design wins help us further penetrate the Automotive market with our MEMS and improve our already strong position in tolling.

Expanding our reach into new applications, like automotive for MEMS, doesn’t mean we’re taking our foot off the gas in our existing markets: We won a significant design-in for MEMS accelerometers and gyroscopes for next-generation high-end smartphones exploiting our new ultra-compact and ultra-low-power technology. In addition, we’ve won a significant number of designs for digital MEMS microphones at Taiwanese manufacturers for PC applications. After the year of the gyroscope in 2011, when we rose from 1% market share to more than 50% share, we see this wave of new MEMS microphone design wins as the dawn of ST’s Year of the Digital Microphone. And our ARM-core based microcontrollers are also achieving success. In healthcare and wellness applications, our STM32 microcontroller and MEMS gyro both won sockets in Nike’s innovative new FuelBand fitness-monitoring application.
We’re very proud of Orly, clearly the most powerful 32-nanometer Set-Top Box System-on-Chip on the market, and we’re extremely pleased with the interest from our customers that is now turning into design wins. We earned several, in Europe and Asia, this quarter in the set-top-box market.

Let me also point out that we continued to be a strong player expanding our presence in ASICs by earning several designs wins in our 32nm process technology for networking applications from top-tier networking manufacturers.

Reviewing our key financial metrics in further details let me share the following:

First, as anticipated our gross margin reflected approximately 350 basis points of unsaturation. And as we disclosed on April 9th we incurred an additional one-time 260 basis points negative impact reflecting an unexpected arbitration award. With one of these items significantly improved and the other one simply removed as we move forward, we anticipate a return to a higher level of gross margin in the second quarter.

Second, our focus on inventory management mainly drove the unsaturation charges. With demand trends improving, our efforts put us in a good position going forward. We took aggressive actions to bring down our inventory levels in the fourth quarter, and an additional $23 million in the first quarter, bringing the total inventory reduction to just under $200 million in the last two quarters.

Third, our free cash flow improved again this quarter to $98 million. We entered 2012 with plans for a much smaller capex budget than in 2011 and you can see this in our first quarter figure of $125 million, compared to over $400 million in the year-ago quarter.

Fourth, ST’s financial position improved thanks to our efforts to reduce inventory and our prudent capital management. Adjusted to account for our 50% investment in ST-Ericsson, we finished the quarter with a positive $1.27 billion net financial position up $100 million from December 31, 2011 in a still weak quarter. Additionally, based on the strength of our capital structure, ST’s Board has submitted for shareholder approval the distribution of a cash dividend of $0.40 per share to be paid in four equal quarterly installments.
Turning now to our second quarter outlook and 2012 more broadly, let me share a few observations.

Last quarter we indicated that we believed bookings had bottomed in the fourth quarter with billings likely to bottom in the first quarter. That appears to have been the case.

We see our inventory in alignment and believe it is in good shape in distribution.

So we see a recovery ahead for the semiconductor industry and for ourselves. Based upon improvements across the board in bookings, we anticipate a solid sequential increase in revenue, on the order of 7.5% growth. We continue to be somewhat cautious as there are still macro-economic uncertainties. From a product perspective, we think the growth will be broad-based. And we are even more confident that the second half should bring a very healthy acceleration in our MEMS and Analog business based upon the demand we are seeing for our products as well as the growth of our customer base.

So to summarize, let me share the following points.

First, the first quarter of 2012 was the bottom of the semiconductor cycle.

Second, we expect a major financial improvement at ST-Ericsson during the course of 2012 both in terms of top-line and expense reduction.

Third, ST’s wholly-owned business bottomed in the first quarter and we now expect a recovery across the board quarter after quarter with a strong acceleration of growth in MEMS, Analog and Power Discrete in the second half of 2012.

We would now be happy to take your questions.