Good morning, and thank you for joining ST on our third quarter earnings conference call. Let me begin with some opening comments.

First, on Q3 and Year-to-date:

• Q3 net revenues, at $2.55 billion, and Q3 gross margin, at 37.9%, came in above the mid-point of our guidance, driven by engaged customer programs and new products in, as expected, a soft legacy automotive and industrial market. Q3 operating margin was 13.1% and net income was $302 million.

• On a year-to-date basis, we delivered revenues of $6.80 billion, gross margin of 38.4%, operating margin of 10.9% and net income of $640 million.

Second, on Q4:

• Our fourth quarter outlook is for net revenues to grow sequentially about 5% at the mid-point. Q4 gross margin is expected to be about 38.2% at the mid-point of our guidance, and assumes about 120 basis points of unsaturation charges.
Based on our fourth quarter outlook, for the full year 2019:

- We expect net revenues to be about $9.48 billion at the mid-point. This confirms a strong H2 over H1 growth, accompanied by a double-digit operating margin performance.

Now, let’s move to a detailed review of the third quarter.

Net revenues returned to year-over-year growth, up 1.2%, driven by Imaging, Analog, Power Discrete and MEMS.

On a sequential basis, we reported strong revenue growth, up 17.5%, driven by specialized imaging sensors, application-specific analog products, general purpose and secure microcontrollers, RF products for front-end modules, silicon carbide MOSFETs and digital automotive. This performance was partially offset by general purpose analog and non-power discrete products. Legacy automotive products grew at a slower pace than expected.

Our gross margin was 37.9%, 40 basis points above the mid-point of our guidance. Unsaturation charges represented 110 basis points, lower than our expectation of 140 basis points, on better loading in our digital wafer fabs.
Our net operating expenses were $631 million.

Moving to our profitability, operating margin was 13.1%, net income $302 million and diluted earnings per share 34 cents.

Net cash from operating activities was $429 million in Q3 and was $1.09 billion for the first nine months.

Capital expenditures were $244 million in Q3, similar to the year-ago quarter. On a year-to-date basis, we have invested $937 million for capex.

As anticipated, we returned to a positive free cash flow in Q3 at $170 million.

During Q3, we paid cash dividends of $54 million and completed $62 million of share buy-backs.

Now, let’s move to our fourth quarter outlook.

We expect net revenues to increase about 5% sequentially at the mid-point of our guidance. All three of our product groups will
contribute to the sequential growth, with MDG expected to be the strongest contributor.

Our guidance assumes a contribution from improving market conditions as well as from our engaged customer programs and new product introductions.

Our gross margin guidance at the mid-point is 38.2%. So, we see some sequential improvement in gross margin at the mid-point. We do anticipate unsaturation charges to continue, estimated at about 120 basis points. On a year-over-year basis, the decrease of the gross margin would be about 180 basis points.

Q4 net operating expenses are expected to be between $620 to $630 million.

Let me now share with you some important business, market and product dynamics, starting with Automotive.

In July we said we were operating under two opposite market dynamics: challenging in Automotive legacy, but very healthy in smart mobility applications, driven by the electrification and digitalization of car systems and platforms. In early September, we
confirmed this view, saying that we would keep on tracking the situation closely for September and then October.

What we are seeing today is that the legacy automotive business, closely linked to car registrations, is recovering at a slower pace compared with what we were expecting when entering the second half.

In smart mobility applications - car digitalization and electrification, positive market dynamics are there indeed. Our innovative technology and product portfolio enable us to support our customers’ shift to more electrification and more digitalization.

In car electrification we provide technology and products for all flavors of vehicles– from the mild hybrid to full EVs, with a broad range of products.

We saw continued traction and additional design wins with our Silicon Carbide MOSFETs & Diodes in applications like on-board charging and DC-DC conversion. We announced that we will supply high-efficiency SiC devices to Renault-Nissan-Mitsubishi for advanced on-board chargers. Overall, we can confirm that we are
on track for over $200 million of revenues with SiC devices this year.

We have successfully completed our key milestone evaluation of Silicon Carbide wafer manufacturer Norstel. Therefore, we have decided to exercise our option to purchase the remaining 45% stake. We expect to close this acquisition during Q4. It is part of our plan to install internal substrate production capacity to support the programs of our Automotive and Industrial customers from 2021.

We also continue to progress on IGBT MOSFETs and Power Modules, with a number of design wins in applications like traction inverters in electric vehicles. Our offer for car electrification goes beyond power, with a complete range of products such as protection devices, gate drivers, battery management solutions and microcontrollers. I will mention one example: during the quarter, we won a design with a major EV manufacturer – our 32-bit automotive microcontrollers will be at the heart of EV charging adapters.

Car digitalization for us includes ADAS systems, V2X communications and the range of systems -from embedded control units to domain controllers using our MCUs. Here we continued to
build momentum. An example I can mention is a design win with a European Tier1 for our automotive microcontrollers in a standalone body gateway – that’s the central communication node inside a vehicle, enabling cross-domain communications and connected services.

Moving now to Industrial, our second broad area of focus, and where we plan to accelerate our growth.

The market dynamics of the third quarter were still soft overall, with mixed performance across applications and products. However, there are some positive signs.

First, the inventory correction at distributors, which has been impacting our general purpose microcontrollers business for several quarters, is now over. This business grew over 25% sequentially.

Second, the positive signs we started to see since March for the point-of-sales increase at distributors worldwide are still there – with the exception of Europe.
Power devices demand is facing different dynamics. Demand is strong for SiC MOSFET, IGBT and LV Power MOS, while HV Power MOS and non-Power Discrete are still suffering from soft end-market demand, amplified by an inventory correction due to short lead times of the industry.

Moving now to a short review of our achievements in the quarter for Industrial, one of our targets for this market is leadership in industrial embedded processing. To that end, we are strengthening our hardware, software and ecosystem offering around our microcontroller families. During the quarter we introduced new hardware, such as our first STM32 in an 8-pin package. This further expands the market we can address to simple embedded projects that need 32-bit performance in a compact and cost-effective form factor. We also added to the STM32 ecosystem with the release of a number of software packages.

In Q3 we also introduced new analog products for industrial, addressing lighting, power supplies and factory automation applications. We won a number of new designs: with metering, industrial sensors, Intelligent Power Modules and power discretes for applications such as power tools, induction heating, home automation, white goods and industrial compressors.
Moving now to Personal Electronics.

The current visibility we have is showing strong demand for our key products.

As you know, in this end market we target leadership in specific high-volume smartphone applications as well as associated wearable, gaming and accessories markets. During the quarter, we won designs and ramped production for new products in many categories.

We were awarded design wins for our portfolio of sensors – time-of-flight, ambient-light, motion and pressure sensors. We also had wins for secure solutions, wireless charging, touch and display products. In addition, we had design wins and ramped shipments for motor drivers and display products for portable game consoles.

I will conclude with a few words on our objective to capture opportunities in 5G devices with RF mixed signal technologies and products. During the quarter we were awarded wins for Digital and Mixed-Signal ASICs for RF-SOI designs to be used in 5G smartphones.
5G is an area of focus also for our efforts in the Communications equipment market, on top of satellite communications and cloud computing.

During the quarter, we continued to execute on programs and also won new designs across a range of applications. This includes a design with our latest generation of GNSS (Global Navigation Satellite System) ICs, chosen by an important provider of global internet access.

To conclude my remarks:

- During the third quarter we reported strong sequential growth, double-digit operating margin, a strong increase in net income and a return to positive free cash flow.
- For the fourth quarter, we expect to see -at the mid-point of our guidance- sequential revenue growth and an improvement in our gross margin. We do expect further improvement in our operating profitability and free cash flow generation as well.
- Combining together our Q3 revenue results and our Q4 outlook at the mid-point, we are in line with our expectations of a strong sequential growth H2 over H1, with an uplift in revenues close to $1 billion. For the full year 2019, we expect net revenues to be about $9.48 billion at the mid-point.
• Our engaged customer programs and new product introductions across the end markets we target are well on track and based on important secular electronic demand drivers: smart mobility; power and energy; and the IoT. This enables us to better navigate the macro-economic and market dynamics, both short and long-term.

Thank you for your attention. We are now ready to take your questions.