Thank you for joining us on our Third Quarter earnings’ conference call. Our agenda today includes an overview of our results, followed by a more detailed discussion by product group, and then we will finish with the fourth quarter outlook and full year perspective.

ST achieved a number of key milestones in the third quarter: our transformation is progressing with visible results, driven by our strong focus on high-growth application areas such as the Internet of Things, Industrial, Smartphones and Smart Driving.

- Sales in the third quarter were about $2.14 billion, driven by a portfolio with multiple drivers of sustainable revenue growth.
- Our revenue results came along with a strong improvement in our manufacturing performance, bringing our gross margin to 39.5%.
- We saw substantial improvement in the operating performance of all our product groups, resulting in an operating margin before impairment and restructuring of 13.7% for ST in total.

So let’s look at the third quarter to understand how our Company is performing, and why we think our applications focus will enable ST to drive further revenue and net income growth, as well as shareholder value.
Beginning with our third quarter revenues, they increased 11.1% sequentially: a better than seasonal performance and 210 basis points better than the midpoint of our guidance, with all product groups growing and with an important contribution coming from new products.

All regions recorded a double-digit sequential revenue growth.

On a year-over-year basis, revenues increased 18.9% on double-digit growth for all product groups.

Our customer base continues to be well balanced. Distribution represented 34% of revenues in Q3, with year-over-year point of sales growth of 12.2%.

For the first nine months of 2017, total revenues increased 15.0% to $5.88 billion.
Manufacturing efficiencies and favorable product mix are the main drivers of our gross margin improvement. Gross margin was 39.5% in the third quarter, coming in 50 basis points above the mid-point of our guidance range, and increasing 120 basis points sequentially. The favorable factors were partially offset by normal price pressure and negative currency effects, net of hedging. On a year-over-year basis, gross margin increased 370 basis points, on significantly improved manufacturing efficiency and better product mix, as well as improved fab loading, partially offset by normal price pressure.

In the third quarter, our operating income before impairment and restructuring charges increased to $292 million and represented an operating margin of 13.7%. Here we benefited from product and profit initiatives driving operating leverage, better product mix and manufacturing efficiencies. For the first nine months, operating income before impairment and restructuring charges rose to $610 million or 10.4% of net revenues.

Net income increased significantly in the third quarter to $236 million and year-to-date reached $494 million.

Net capital expenditures were $365 million during the third quarter and $891 million year-to-date. Our full year capex plans are consistent with the targeted range of $1.25 to $1.3 billion that we highlighted last quarter.
Free cash flow was $80 million in the third quarter and $194 million for the first nine months, well above our cash dividends of $160 million year-to-date even after a more intensive level of capital expenditure.

Our net financial position was $446 million at the end of September. Overall liquidity increased to $2.62 billion, reflecting the $1.5 billion convertible bond offering we completed in July at an overall zero cost and with a structure friendly to our equity shareholders. During the third quarter we also completed the early redemption of the full 2019 $600 million tranche of our convertible bonds issued in 2014.

In the fourth quarter, based on the notice of conversion already received by bondholders and the notice of redemption issued by us, we will settle the full 2021 $400 million tranche of convertible bonds; so, by the end of the year we will have completed the early redemption of the full $1 billion convertible bonds issued in 2014. Adjusting for this redemption of the convertible bonds, our pro-forma liquidity exiting the third quarter was at about $2.2 billion, after $457 million of dividend contribution and share buybacks in the year.
Additionally, in Q3 we strengthened our financial flexibility by signing a new 500 million Euro credit facility with the European Investment Bank. As a result, we now have over $1 billion of available undrawn credit facilities.

Finally, we were pleased to reenter the CAC 40 Index in September, demonstrating the progress we have made in the transformation of ST.

Now let’s move to a detailed review of our product groups beginning with Automotive and Discrete (ADG).

ADG revenues increased 2.6% sequentially and grew 10.0% in comparison with the year-ago quarter. ADG’s operating income improved substantially on a sequential basis, up 30%, driving ADG’s operating margin to 10.9% in the third quarter from 8.6% in the second quarter.

For the first nine months of 2017, ADG’s revenues increased 6.8% compared to the year-ago period, with strong operating income growth of 19%, leading to an increase of its operating margin to 8.4%.

Moving to ADG’s product review, let’s start with greener driving and car electrification semiconductors in particular. This is a clear growth driver for our industry in the next few years, with car electrification semiconductors growing more than three times faster than the average semiconductor content in cars.
During the third quarter, we ramped production of our Silicon Carbide MOSFETs for the electric inverter and we are delivering in line with plans. We are also in the field test phase with a key European carmaker for SiC-based traction applications. We had additional design-wins for new 1200V SiC diodes in electrical-vehicle charger platforms from leading Chinese and American suppliers, as well as several design wins with SiC MOSFETs for on-board charging.

In our focus on safer driving we recorded wins in Japan for components in an ultrasonic-sensor interface application and a custom product for a hydrostatic braking system.

Our automotive-microcontroller business continued to enjoy multiple wins. These included Body and Gateway applications at leading European and Chinese customers, as well as on-board charger applications and ignition systems at leading Japanese and European customers.

In Infotainment we landed sockets in a premium sound system with our Class AB and Class D amplifiers for a high-end car maker and won another socket for our Accordo 5 car infotainment platform for the Japanese market.
In our power discrete business outside automotive we captured a socket in a game-station for our latest generation of HDMI port interfaces at a market leader and we won an award for an intelligent power module from a leading Chinese air conditioner supplier. We also enlarged our range of chip-scale packaged protection devices and landed design wins with leading phone makers around the globe.

Moving to our Analog and MEMS Group (AMG), revenues increased 4.2% on a sequential basis. Year-over-year AMG’s revenues increased 24.8% on a sharp growth both in Analog and in MEMS.

AMG’s operating income increased 30% on a sequential basis and almost four-times on a year-over-year basis. As a result, AMG’s operating margin improved very substantially increasing to 18.1% in the third quarter from 14.5% and 5.8% in the prior and year-ago quarter on multiple drivers, including better product mix, operating leverage and improved manufacturing performance.

Year-to-date, AMG’s revenues grew 24.3%, driving its operating income to $206 million and operating margin to 14.4%.
Moving to AMG’s products, our sensor business recorded a strong performance. A clear trend we see here is the adoption of our products in more and more automotive and industrial applications. This is an important element of AMG’s diversification strategy in sensors, and our ability to build highly accurate sensors meeting the quality and longevity requirements in these areas is key to our success here.

But, of course, this quarter there also are a number of highlights to be mentioned for our sensor portfolio serving smartphone customers: for example, the ramp of a 6-axis inertial measurement unit, an optical-image-stabilization gyroscope and a barometric sensor for the Samsung Note 8 and of a barometric pressure sensor for the new water-resistant Samsung Gear Fit 2 Pro.

Other successes in smartphones included multiple design wins and ramps with our touchscreen controller and power-management ICs for AMOLED displays.
In Smart Homes & Cities, we announced a modular, programmable chipset that simplifies design and deployment of new smart meters, smart streetlamps, and home and industrial controllers. Three top smart-meter manufacturers are already designing solutions based on this new platform. Our product families targeting Smart Industry applications, such as our STSPIN Motor Control Family and our Intelligent Power Switch solutions, saw solid growth during the quarter across our broad high-end industrial customer base. In the industrial markets we also had success with power conversion products, such as our ViperPLUS family of high-voltage AC-DC converters, as well as switching regulators and DC/DC converters.

In our General Purpose Analog business, our precision op amps were designed into products by a broad customer base for applications including wearable, home, and building automation. We also introduced a software kit for Bluetooth Mesh Networking for connected smart-lighting and automation applications to support designs based on our Bluetooth low-energy solutions.

Now let me share some highlights on our Microcontrollers and Digital ICs Group (MDG), which continued to deliver a strong performance. MDG’s revenues increased 14.6% on a sequential basis and 19.4% year-over-year, led by our general purpose microcontrollers which continued to post record quarterly sales results. Digital sales also increased sequentially.
MDG’s operating income grew sharply on a sequential basis, driving its operating margin in Q3 to 17.9% from 11.6% in the second quarter.

For the first nine months, MDG’s revenues, operating profitability and operating margin were up substantially. Its net revenues grew 13.7%, accompanied by an increase in its operating income of $208 million driving its year-to-date operating margin to 13.5% from 2.9%. These results reflect both a strong improvement in our Microcontroller’s operating performance and the significant turnaround in Digital.

Moving to MDG product highlights, our general purpose STM32 microcontrollers, which are used across a very wide range of products and applications, reached a particularly notable record in terms of unit shipments. A few of the STM32 design-ins include: a solution for a next-generation home control, using LoRa radio connectivity, with a key home automation OEM, finger-print modules with a major PC OEM and a high volume consumer application. We also earned design wins in a number of shared connected bike models in China.
Moving to security, we announced the integration of our contactless Near Field Communication technology with MediaTek’s mobile platforms to help mobile OEMs overcome key technical challenges—such as antenna design and integration, and bill-of-material optimization. We started ramping production of an automotive NFC reader for a key electric vehicle manufacturer and designed in a NFC reader for the first major roll out of smart furniture with a key household name.

In our custom Silicon business we were awarded a digital ASIC design in 16nm FinFET technology from a leading networking infrastructure solution provider and an Optical IC design-win for use in 100G and 200G web-scale datacenters. We also began volume ramp of RF-SOI technology into a new high-end smartphone from a Chinese manufacturer.

Let’s move now to our Imaging Product Division, which we report in “Others”. Imaging registered very strong sequential revenue growth reflecting the initial ramp in wireless applications of ST’s new program, including the Company’s Time-of-Flight and new specialized imaging technologies. “Others” revenues more than doubled in the third quarter.
From an operating performance perspective, “Others” still recorded a loss of about $9 million, excluding impairment and restructuring, mainly due to the start-up costs of our new program. However, in Q3 we saw an important first step of improvement, with a 60% reduction of losses on a sequential basis.

For the first nine months, “Others” revenues increased by 60% compared to the year-ago period, accompanied by a substantial decrease in its operating loss.

Now, let’s move to our fourth quarter outlook. We expect to finish 2017 with strong revenue growth, and further improvement in our overall operating profitability and net income. Demand continues to be healthy across our product groups and geographies and we expect the acceleration of growth for our new program serving wireless applications. Therefore, we anticipate fourth quarter revenues to increase about 10.0% at the mid-point on a sequential basis. Based upon our revenue growth outlook, we expect our gross margin to be about 39.9% at the mid-point.
Looking at the year in total, based upon our first nine months results and fourth quarter mid-point revenue guidance, we expect that 2017 net revenues should grow about 18% compared to 2016, accompanied by a substantial improvement in operating profitability and net income. Importantly, this performance is well supported by multiple, sustainable growth drivers across all of our product groups.

My colleagues and I would now be happy to answer your questions.