Good morning and thank you for joining us for our Q4 2019 earnings conference call.

Let me begin with some opening comments.

Starting with Q4:

- We delivered a solid quarter. Net revenues, at $2.75 billion, grew 7.9% sequentially, above the mid-point of our guidance of 5%, with all product groups contributing to the growth. Q419 gross margin was 39.3%, 110 basis points higher than the mid-point of our guidance. This was mainly due to better than expected manufacturing efficiencies and improved product mix. Our operating margin was 16.7% and our net income was $392 million.

Moving to the full year 2019:

- We delivered results aligned with the full year expectations we provided in April 2019: net revenues of $9.56 billion, with a gross margin of 38.7% and an operating margin of 12.6%.
• Our free cash flow for the year was $497 million, including CAPEX of $1.17 billion, and our net financial position was $672 million.

On Q1 2020:
• Our first quarter outlook is for net revenues of $2.36 billion at the mid-point: a year-over-year increase of 13.7%. The gross margin in Q1 is expected to be 38% at the mid-point, including about 80 basis points of unsaturation charges.

For the full year 2020:
• We plan for year-over-year growth, outperforming the markets we serve.
• The broad, long-term trends in electronic systems that we are focused on, are driving demand for our products. These trends are Smart Mobility, Power & Energy applications, and IoT & 5G.
• We plan to invest about $1.5 billion in CAPEX to support our strategic initiatives and revenue growth, to progress towards our mid-term revenue ambition of $12 billion.

Now, let’s move to a detailed review of the fourth quarter.
Q4 net revenues confirmed our return to year-over-year growth that started in Q3: net revenues increased 4.0% year-over-year in the fourth quarter, driven by Analog, Microcontrollers, Imaging and MEMS, partially offset by lower Automotive sales. AMS grew 9.9%, MDG grew 7.6% while ADG was down 4.5%.

On a sequential basis, revenues increased 7.9%, 290 basis points above the mid-point of our guidance, with all three of our product groups contributing to the growth.

AMS performed above expectations, on strong demand for our key products for personal electronics. The two other business groups performed in line with our expectations, with solid growth in MDG - especially in General Purpose Microcontrollers and Digital ICs- and growth in Automotive and Power Discrete products.

Our gross margin was 39.3%, 110 basis points above the mid-point of our guidance, mainly due to better than expected manufacturing efficiencies and improved product mix. This gross margin embeds about 100 basis points of unsaturation charges.

Our net operating expenses were $618 million, in line with our expectations.
Our operating margin was 16.7%, up 360 basis points sequentially.

On a year-over-year basis, our Q4 operating margin was down 10 basis points, with an improvement in the AMS operating margin fully offset by a decline for MDG and ADG.

Our net income was $392 million and diluted earnings per share were 43 cents.

Let’s look now at our full year results, starting with a recap of the market and business trends we saw during 2019.

Clearly, during the year we have operated under global soft market conditions, although with different dynamics for each end market.

In Automotive, we saw on one hand, very healthy demand for smart mobility applications, driven by the electrification and digitalization of car systems and platforms.

On the other hand, the legacy automotive business, which is closely linked to the number of car registrations worldwide, faced a challenging situation, with global registrations down 5% in 2019.
The Industrial market and Distribution have been operating under soft conditions since Q3 2018. Starting from March 2019, Point-of-Sales at our distributors in Asia restarted sequential growth; there was an acceleration in the fourth quarter with a return to year-over-year growth. Since March, America stopped declining, but remains flat. In Europe, we have not seen any recovery and it is still declining.

In General Purpose Microcontrollers, the inventory correction at our distributors was completed in Q3 2019, while some excess inventories remain in General Purpose Analog and Non-Power Discrete.

In Personal Electronics, demand for our key products was solid, getting stronger during the year and exceeding expectations in the second half. All devices (smartphones, accessories, wearables…) contributed, with some early contribution from 5G smartphones.

In Communications Equipment and Computer Peripherals, the hard-disk drive market decreased as expected, dropping 13% in 2019 with a recovery in the second half. We saw 5G infrastructure growth, compensating for the wind-down of our legacy ASICs and set-top-box business.
Looking now at our results.

They are aligned with the full year expectations we provided in April 2019.

Net revenues were $9.56 billion, decreasing 1.1% year-over-year and within the range we had indicated. We had a strong H2/H1 growth of about $1 billion, driven by a stronger than expected contribution from engaged customer programs and new products. Sales to OEMs represented 70% of total revenues, while Distribution represented 30%.

By region of origin, 38% of our 2019 revenues were from the Americas, 33% from Asia Pacific, and 29% from EMEA.

In terms of revenues by Product Group, two of them grew while one declined.

ADG revenues increased 1.4%.

- Revenues from our Automotive Product sub-Group were substantially flat, reflecting two opposing dynamics: growth in car digitalization with ADAS and microcontrollers, and a decline in legacy products.
• Revenues for the Power Discrete sub-Group increased, mainly driven by Silicon Carbide products, power MOSFET and IGBT, and partially offset by Non-Power Discrete.

AMS revenues increased 4.6%, driven by Personal Electronics applications and partially offset by lower sales in Industrial and hard-disk drives.

MDG revenues decreased 10.3%, mainly due to the inventory correction at our distributors, which affected general purpose microcontrollers during the first half of the year. MDG restarted year-over-year growth during the second half of 2019.

Gross margin was at 38.7%, at the high-end of our April 2019 range, impacted by 70 basis points of unsaturation charges.

Controlling our operating expenses in line with our model, we delivered an operating margin of 12.6%.

By Product Group, AMS posted an operating margin of 18.1%, MDG was 13.4% and ADG was about 10%.
Net income was above $1 billion, translating into $1.14 diluted earnings per share.

Moving now to other financial indicators:

Net cash from operating activities increased 1.3% to $1.87 billion. CAPEX was $1.17 billion, in line with our investment plan.

Free cash flow in Q4 was $461 million, bringing the full year free cash flow to $497 million -net of $127 million paid for the acquisition of Norstel.

Cash dividends totaled $214 million. As part of our existing share buyback program, we repurchased shares totaling $250 million in the year.

From a balance sheet perspective, we exited 2019 with a net financial position of $672 million, substantially stable compared to last year.

Now, let’s move to our first quarter 2020 outlook and the full year 2020.
For Q1 we expect, at the midpoint, net revenues of $2.36 billion, increasing year-over-year by 13.7% and decreasing sequentially by 14.3%. On a sequential basis, revenues from all of our three product groups are expected to decline in what will be a shorter and seasonally lower quarter, though we anticipate better than usual seasonality for Personal Electronics products. On a year-over-year basis, main revenue growth drivers are expected to be Personal Electronics products -mainly Imaging and Analog products-, General Purpose Microcontrollers and Silicon Carbide products.

Our gross margin guidance at the mid-point is 38%, including about 80 basis points of unsaturation charges. The sequential gross margin decrease is mainly due to the impact of the usual annual contract price re-negotiation and unfavorable product mix. Year-over-year, the decrease is mainly due to unsaturation charges and related manufacturing inefficiencies -including the start-up of the 200mm fab we acquired in Singapore last year- and usual price decline, not fully compensated by improved product mix and a positive currency effect, net of hedging.
For the full year:

We plan to return to solid revenue growth, outperforming the markets we serve.

We are operating in a market driven by broad, long-term trends in electronic systems. This is driving demand for semiconductor content and, as a consequence, for our products and solutions. We also see that the supply chain has now substantially normalized from the excess inventory effects we saw last year. The current view for the markets we serve is positive, and we expect the next three months will be important to confirm these dynamics.

In terms of CAPEX we plan to invest about $1.5 billion in 2020 to support our strategic initiatives and revenue growth, in order to progress towards our mid-term revenue ambition of $12 billion.

This amount includes the addition of capacity for some of our existing technologies and investments and mix evolution for our 200mm fabs. It will also support the R&D activities and the maintenance required by our manufacturing operations.
It also includes about $400 million of investments for strategic initiatives:

- Continued investment in our new Agrate 300mm fab, that will support our growth in BCD, IGBT and other power technologies;
- R&D for Gallium Nitride power technologies and production ramp up for Gallium Nitride for RF devices; and
- Investments for Silicon Carbide. These include substrate activities, following the acquisition of Norstel. They also support our plans to establish internal manufacturing of 150mm wafers and drive the evolution to 200mm wafers.

To conclude:

- Our 2019 financial performance was aligned with the full year expectations we provided in April:
  - Revenues were within the range;
  - Operating margin was above 12%; and
  - Free cash flow covered our cash dividends and share buybacks, maintaining our financial flexibility with a stable net financial position.

At the same time, we invested $1.17 billion to support short-term demand as well as our strategic programs for our future growth.
• For 2020:
  We plan to return to solid revenue growth, outperforming the markets we serve.

  Smart mobility, power and energy management, the IoT and 5G are driving demand for semiconductor content. ST is very well positioned to support its customers across these trends, thanks to our product portfolio, enabled by our differentiated technologies.

  We continue to progress towards our mid-term revenue ambition of $12 billion and deliver sustainable, profitable growth.

We look forward to meeting you at the Mobile World Congress in Barcelona on February 25th and at our annual Capital Markets Day in London on May 6th to discuss our end market and product strategy in detail.

Thank you, and we are now ready to answer your questions.