Good morning everyone and thank you for joining ST for our Q2 2023 earnings conference call.

In Q2, our balanced end-market approach, our broad product portfolio and strong customer relationships enabled again a double-digit, year-over-year growth. This performance came along with a year-over-year increase of our profitability.
As already anticipated, 2023 will be another year of progress towards our $20 billion+ revenue ambition and related financial model.

Now let’s start with a financial highlights overview:

- Second quarter net revenues of $4.33 billion came in above the mid-point of our business outlook range, and Q2 gross margin of 49.0% was in line with guidance.
- Q2 net revenues increased 12.7% year-over-year. The revenue performance continued to be driven by growth in Automotive and Industrial, partially offset by lower revenues in Personal Electronics.
- Looking at our year-over-year performance, gross margin increased to 49.0% from 47.4%, operating margin increased to 26.5% from 26.2% and net income increased 15.5% to $1.00 billion.

On the first half of 2023:

- Net revenues increased 16.1% year-over-year to $8.57 billion, driven by growth in all Product sub-groups except the Analog and MEMS sub-groups.
- We reported gross margin of 49.3%, operating margin of 27.4% and net income of $2.05 billion.

On Q3 2023:

- Our third quarter business outlook at the mid-point, is for net revenues of about $4.38 billion, increasing 1.2% year-over-year and by 1.1% sequentially.
- Excluding the impact of the change in product mix in an engaged customer program in Personal Electronics I mentioned in January, the Q3 revenue growth at the midpoint would be 3.5% year-over-year and 3.2% sequentially.
- Gross margin is expected to be about 47.5%.

For the full year 2023:

- We will drive the Company based on a plan for revenues of $17.4 billion, plus or minus $150 million. This represents a year-over-year growth of about 8%. We now anticipate the gross margin to exceed 48.0% for the full year.

Now, I will move to a detailed review of the second quarter.

Net revenues increased 12.7% year-over-year. This performance was driven mainly by ADG, up 34.4% and MDG, up 13.0%, on continued strength in Automotive and Industrial. AMS revenues decreased 15.7%, mainly reflecting lower revenues in Personal Electronics, as expected. Year-over-year, sales increased 9.8% to OEMs and 18.3% to Distribution.

On a sequential basis, net revenues increased 1.9%, with ADG up 8.2%, MDG up 4.3% and AMS down 11.9%. Net revenues came in 110 basis points above the mid-point of our outlook, mainly due to Automotive.

Gross profit was $2.12 billion, increasing 16.5% year-over-year.

Gross margin increased to 49.0%, compared to 47.4% in the same quarter last year. The 160-basis points expansion was driven by product mix, favorable pricing, positive currency effects, net of hedging, partially offset by higher manufacturing costs.

Year-over-year, second-quarter operating income increased 14.2% to $1.15 billion. In the quarter, net operating expenses included negative non-recurring non-cash items amounting to $34 million. Operating margin was 26.5%, increasing from 26.2% in Q2 2022.

On a year-over-year basis, Q2 net income increased 15.5% to $1.00 billion, compared to $867 million in the year-ago quarter. Earnings per diluted share increased 15.2% to $1.06 compared to $0.92.

Looking at our year-over-year sales performance by Product Group:

- ADG revenues increased 34.4%, on double-digit growth in both Automotive and Power Discrete.
- AMS revenues decreased 15.7%, with lower revenues in the three sub-groups.
- MDG revenues increased 13.0%, with growth in Microcontrollers and RF Communications.

In terms of operating margin, two of three product groups delivered year-on-year improvement:

- ADG operating margin increased to 31.9% from 24.7%;
- MDG operating margin increased to 35.4% from 33.6%; while
- AMS operating margin decreased to 14.8% from 24.1%.

Net cash from operating activities increased 24.1% to $1.31 billion in Q2, versus $1.06 billion in the year-ago quarter.

CAPEX in the second quarter was $1.07 billion, compared to $809 million in the year-ago quarter.

Free cash flow was $209 million compared to $230 million in the year-ago quarter.

During the second quarter, ST paid $50 million of cash dividends to stockholders, and we executed an $86 million share buy-back under our current share repurchase program.

ST’s net financial position of $1.91 billion as of July 1, 2023, reflected total liquidity of $4.56 billion and total financial debt of $2.65 billion.

Let me go through a recap of the main Q2 corporate and business highlights.

We had two important announcements in Q2 related to our **300mm** and **Silicon Carbide** strategic manufacturing programs.

First, we announced the conclusion of the three-party agreement among the State of France, GlobalFoundries, and our company, as approved by the European Commission. This relates to the new 300mm semiconductor manufacturing facility in Crolles, France, first announced last July. This agreement will contribute to our $20B+ revenue ambition and related financial model, and will further reinforce the European and French FD-SOI ecosystem. We will build more capacity for our European and global customers in advanced technologies as they transition to digitalization and decarbonization.

The total investment for this project is expected to be about 7.5B Euros and will benefit from French State financial support up to about 2.9B Euros, in line with the objectives set out in the European Chips Act.

In **Silicon Carbide**, we announced a Joint Venture with Sanan Optoelectronics for high-volume 200mm Silicon Carbide device manufacturing in China. The JV will support the rising demand for ST's Silicon Carbide devices in China for car electrification and industrial power and energy applications.
Sanan will build separately a 200mm Silicon Carbide substrate manufacturing facility to fulfill the JV's need.
The combination of the 200mm substrate facility to be built by Sanan with the front-end JV and ST's existing back-end facility in Shenzhen will enable ST to offer our Chinese customers a fully vertically integrated Silicon Carbide value chain - a significant competitive advantage in the Silicon Carbide landscape. The new JV Silicon Carbide fab is targeting to start production in Q4 2025 and full buildout is anticipated in 2028.
It is an important step to further scale our global Silicon Carbide manufacturing operations, coming in addition to our continuing significant investment in Italy and Singapore. It will be one of the key enablers of the opportunity we see to reach above $5B Silicon Carbide yearly revenues by 2030.

In this corporate development overview, I would also like to mention a change in our Executive Committee.
During the quarter, Orio Bellezza, President, Quality, Manufacturing, Technology and Supply Chain, and member of ST's Executive Committee, announced his retirement from the Company. Orio will remain Managing Director of the Company's Italian subsidiary until the expiration of his mandate.

Fabio Gualandris, ST's Executive Vice President, Head of Back-End Manufacturing & Technology, and Deputy to Orio Bellezza, is appointed President, Quality, Manufacturing and Technology. Upon my proposal, ST's Supervisory Board approved the appointment of Fabio to the Company's Executive Committee.
I would like to thank Orio for his engagement in the numerous roles he has played at ST, and I wish Fabio all the best in his new role.

I will now go through a short update on some of our strategic focus areas.
In **Silicon Carbide**, we continued to increase the number of engagements: we are now working with 90 customers and 140 projects. Silicon Carbide-based power systems for EV traction and industrial drives are complemented by our industry-leading STGAP Galvanic Isolation Drivers, based on ST's unique IP and advanced BCD technology.
We announced an R&D collaboration with Airbus on wide bandgap semiconductors for aircraft electrification and decarbonization. This confirms ST's leadership and the strength of our Silicon Carbide technology roadmap.
In car **digitalization**, we saw continued design win momentum with our latest generation of automotive microcontrollers - called Stellar - across multiple applications. In parallel, in ADAS, we continue working closely with our long-time customer and partner Mobileye. Their EyeQ6 product is now in production, and EyeQ Ultra at the R&D phase. Volumes of

previous generations are ramping up.

In May we held our annual STM32 Summit event for industrial customers in China, with 2,700 customers in person and a record-breaking 80,000 online. During the event, we made announcements related to edge AI – namely AI running on microcontrollers, microprocessors and sensors. We launched a new family of microprocessors for secure Industry 4.0 and edge AI to allow our developers to address higher-performance applications.
We also gave further details on the upcoming STM32N6 microcontroller. This is ST's first MCU with our Neural Processing Unit hardware accelerator and will bring the best-in-class computing power, power consumption and cost of ownership for the applications we target. One of the industrial application demos we built with a customer performs up to 75 times faster for AI workloads vs today's high-performance MCUs. We will start to sample the STM32N6 from September onwards.
For developers, we are expanding our STM32Cube.ai software offering, including the launch of a collaboration with Nvidia around the TAO (Train, Adapt, Optimize) toolkit, now available.
Edge AI is not only STM32. We have the same approach for sensors, with the release of a new toolkit and associated software for our intelligent MEMS sensors for activity recognition and anomaly detection directly in the sensor.

Now, let's move to our third quarter 2023 financial outlook and our plans for the full year 2023.

For the third quarter, at the mid-point, we expect net revenues to be about $4.38 billion, representing year-over-year and sequential growth of 1.2% and 1.1%, respectively.

As anticipated in January, we are entering in H223 with a significant change in product mix in an engaged customer program in Personal Electronics.

Excluding this change:

- Our Q323 revenues at the midpoint would grow year-on-year by 3.5% and sequentially by 3.2% and
- Based on our indication of $17.4B revenues for FY2023, H2 2023 revenues would grow by about 6% compared both to H1 2023 and H2 2022.

Q3 gross margin is expected to be about 47.5% at the mid-point, including about 150 basis points of unused capacity charges.

For 2023:

Based on our visibility, we will drive the Company based on a plan for FY23 revenues of $17.4 billion, plus or minus $150 million. This represents growth of about 8% over 2022. FY23 gross margin will exceed 48.0%. We confirm our 2023 capex plan of about $4 billion.

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