Welcome and good morning to everyone.

One year ago we shared with you our focus for 2016: first, sales growth, leveraging our strategy centered around Smart Driving and Internet of Things; and second, improvement of our operating profitability through the combination of revenue growth, gross margin expansion and operating expense control.

The start to the year was challenging, reflecting both a soft market and specific product transitions. However, in May 2016 at our Capital Markets Day, we announced our objective to restart year-over-year revenue growth in the second half of 2016.

We met our goal: with the third quarter making initial progress with year-over-year revenue growth of 1.3%; and then, more significantly, in the fourth quarter, where revenues increased 3.5% sequentially and 11.5% year-over-year.

The key word to describe our performance in the fourth quarter is “synchronization”. First, year-over-year growth was broad-based - all
product groups, except discontinued businesses, contributed. Second, looking at our fourth quarter sales performance by region of origin, we saw a synchronization in the growth for Asia Pacific, EMEA and the Americas, with all growing at similar double-digit rates.

Finally, our sales performance was also well balanced, both with key accounts and in the mass market. Point-of-sales performance at our distributors was particularly strong in the fourth quarter.

This synchronization across products, regions and customers is what we were strongly aiming for.

Growth in the latter part of 2016 did not come just from more favorable market dynamics: execution on our application focus and on our product strategy were both key to this revenue turnaround.

In **Automotive**, revenues year-over-year increased about 12% for the fourth quarter and about 5% for 2016. The average ST content in a car has definitely increased. To give you one example: today, in some of the latest and more advanced car models in the premium segment, such as the E Class from Mercedes, there are over 800 components from ST.

In our focus on **safer** driving we had a number of achievements for ADAS-related components. These include a next generation ADAS processor, in cooperation with Mobileye, featuring level 5 Autonomous driving capability
and based on 7nm technology from foundry; and several design wins with our new 77GHz radar solutions.

Using our technology to make driving greener, we had multiple design wins for our Silicon Carbide products for on-board and external charging systems as well as for traction applications. We also had many awards with our latest generation of smart power technology, both in Japan and in Europe.

ST is also bringing personalized entertainment and connected experience into the car in an easy to use manner, while enabling secure communications between vehicles and the infrastructure.

In Audio and Infotainment, our recently launched Accordo 5 multimedia processor is already achieving market traction in Europe, Japan and China. This new product enables superior image, audio, and video processing for all classes of cars. We also signed a strategic agreement with a market leader for Audio amplifier products targeting the high-end premium sound market.

Finally, we landed important wins in vehicle-to-vehicle communication with multiple car makers in Europe, Japan and America.
**Power Discrete** results in 2016 were affected by the weak peripheral and PC market, with full year sales decreasing 1%. Recovery was however visible in the second half of the year, particularly in the fourth quarter with sales increasing about 14% year-over-year. On top of silicon carbide for automotive and non-automotive applications, among the many new discrete products introduced with which we had success during the year, I would like to highlight our protection devices for smartphones.

Moving to **Microcontrollers**, during 2016 we delivered year-on-year growth of 2.3%, with consecutive sequential growth throughout the year after Q1. This growth was driven, once again, by our general purpose STM32 family, where we recently shipped the 2 billionth product. This market traction is enabled by our long-term design-in activities, our introduction of innovative products -now totaling over 700 STM32 part numbers-, as well as our ever broadening ecosystem. We introduced a new high performance STM32 series, which delivers record performance and advanced secure services for the Internet of Things. We extended our ecosystem offering with new development tools, including a LoRa kit, a USB Power Delivery middleware stack and many new boards.

Here I would like to mention that we recently passed the milestone of 1 million STM32 development kits shipped to the market. This is a key
indicator that we are on the right track to expand our customer base moving forward.

We also made an important acquisition to strengthen our secure microcontroller solutions, which embed NFC connectivity while complementing our NFC/RFID EEPROM tag offering with RFID Readers. Our complete portfolio of secure solutions helps our customers meet the increasing need for security in mobile and other IoT applications and includes authentication solutions like our STSAFE secure element family which we introduced during the past year.

In our MEMS sensor business, revenue progression was significant in the fourth quarter of 2016, increasing over 30% compared to the year-ago period. Alongside our success with long-time smartphone customers both in their devices and accessories, we continued to diversify our customer base with strong sales of our 6-axis gyroscope to Android-based players, especially in China. Our sensor and actuator technologies for automotive and industrial applications were also successful with growing sales and multiple wins with global automotive suppliers and a variety of industrial customers.

In Analog the rebound started in the second half, driving 9.7% year-over-year growth in Q4. During 2016, we introduced new products for Bluetooth
Low Energy and SubGHz RF for Smart Things and Smart Home & City applications. In smart metering, we ramped up volume shipments for a major European program with ENEL, confirming our position as a leader in this area. We announced a number of partnerships that leverage our technology into innovative applications such as the one with HMicro for a disposable wearable wireless biosensor platform and with WiTricity for resonant wireless power transfer products. For Smart Industry, we introduced an intelligent motion-control device in our STSPIN family and a number of analog products for industrial applications. We are an important partner to support the transition to Industry 4.0, and we are actively engaged with a number of customers worldwide, especially in Europe and in Asia.

In our Imaging business, 2016 was a year of success for our proprietary Time-of-Flight technology. Our FlightSense technology for ranging and autofocus applications has now been integrated in over 70 smartphones.

This is all about growth.

Now, let me turn the presentation to Carlo Ferro to discuss in detail our business and financial performance.
Thank you Carlo and good morning to everyone.

Indeed, full year 2016 marks a year of important progress for ST, exiting the year with an 8.2% operating margin before impairment and restructuring on $1.86 billion of revenues in Q4.

The synchronization of growth across all product families resulted in a return to revenue growth in the second half of 2016, as anticipated in May, and in the fourth quarter, all key financial metrics improved, with revenues and gross margin better than the midpoint of the guidance we gave you in October.

In summary, in the fourth quarter:

- Revenues were up 3.5% sequentially and 11.5% year over year
- Gross margin was 37.5%, or four points higher than Q415
- Operating income before impairment and restructuring was $153M, or $124M higher than Q415
- Operating margin before impairment and restructuring was 8.2% and, based on accelerated assets turns, translated into a 15% Return on Net Assets
- And Free Cash Flow was positive $135M.

We are clearly turning ST’s financial performance towards growth and shareholders value.
Looking at the full year 2016, our financial performance has progressively improved, translating into significant improvement across all of our key financial metrics. This progress confirms the soundness of our application-focused strategy, the results of our product innovation and the initial payback of our restructuring efforts - now substantially behind us.

Looking at our key performance metrics in 2016:
First, we saw a return to year-over-year revenue growth. The start of the year was affected by a soft market as well as product transitions. However, thanks to the strength of our portfolio, new products momentum and sales channels, revenue for 2016 increased 1.1%; even higher at positive 2.4% when excluding our discontinued businesses.

Second, through the combination of revenue growth, manufacturing efficiencies and operating expense control, together with a € / $ effective rate at 1.11 average for the year, we improved significantly our profitability, with operating income before impairment and restructuring up 76% to $307 million and net income up 58% to $165 million.

Third, we made progress in improving our operating margin before impairment and restructuring, for the full year at 4.4%, and importantly we exited the year at 8.2%. 
We also saw a strong increase in net cash from operations. Free cash flow, excluding acquisitions, was $390 million for the year. In 2016, we invested $78 million in an acquisition, small in size but very important from an IP complementarity point of view, to strengthen our product portfolio in secure microcontrollers.

Again, a key point in 2016 was the return to year-over-year revenue growth. As Carlo said, new specific products, like those in Time-of-Flight technologies, and product innovation with an expanded customer base across all of the product families are fueling the rebound.

We started to make progress in the third quarter and more so in Q4, with a 3.5% sequential growth, better than seasonal and above the midpoint of our guidance.

Distribution represented about 33% of our revenues in 2016. Here, we saw a significant destocking as we progressed through the year:

- point-of-sales, or our distributor’s sales, were up double digit year-over-year
- point-of-sales in the year largely exceeded our sales to distributors
- we exited 2016 with a lean and healthy inventory situation.

Looking to the first quarter of 2017, revenues are expected to decrease sequentially about 2.4% at the mid-point, better than our normal
seasonality of down about 5%. Our current visibility, our positive bookings trends and the strong point-of-sales at our distributors, give us confidence that the positive momentum of the semiconductor industry started in the second half of 2016 will continue entering 2017.

Additionally, for the current quarter, we see opportunities for another quarter of sequential growth in automotive and microcontrollers; we also see power discrete, MEMS and analog performing better than seasonal. The guidance translates into year-over-year revenue growth of about 12.5% at the mid-point.

In the second half of 2016 we saw a restart to growth, synchronized across all product groups excluding discontinued businesses: our second half revenues grew 10.3% over the first half and 6.5% over the same period a year earlier. In the second half 2016 versus the second half 2015, imaging posted triple-digit growth and MEMS, benefiting from a recovery, posted double-digit growth. Automotive and microcontroller revenues continued on their growth trajectory and only digital decreased due to discontinued businesses.

We saw a significant improvement in our gross margin over the course of 2016, thanks to the combined positive effects of manufacturing efficiencies, lower unused capacity charges, better product mix and
favorable currency effects, net of hedging. Increasing revenues translated, among others, into better loading through the year. Nevertheless, we incurred $33M of unused capacity charges in FY16, due to weak loading in the first nine months. Fab loading has recently improved, with fourth quarter unused capacity charges below $4 million, and -based on current visibility- we are expecting substantially full loading in 2017.

Looking to our first quarter guidance, based upon our sales expectations, we anticipate a gross margin of about 37% at the midpoint, which would represent an improvement of about 360 basis points compared to one year ago; consistent with the four points of year-over-year improvement delivered last quarter. Wafer cost reduction will be a key priority in 2017, leveraging our investment to scale up production in 12” and technology evolution, as Jean-Marc will mention shortly.

We have been very focused on operating expense discipline over the last years. In 2016, we averaged $538 million per quarter in net operating expenses. This level is well within our anticipated range of $500 to $550 million per quarter throughout 2016. We have been also progressing with our set-top box savings plan. We exited the year ahead of our original expectations, achieving $110 million of annualized
savings out of the total $170 million per year targeted upon completion. In 2017, we expect our quarterly net operating expenses – assuming current currency rates - to be on average about $550M per quarter, including a lower level of grants.

While we remark on the improvements of our financial performance, we realistically recognize that these are benefiting from the upturn of the industry cycle and a milder Euro/$ rate. Thus, we remain committed, with a sense of urgency, to further improvements.

On the other side, the analysis of the operating income, improving from $29M to $153M in the fourth quarter of 2016 versus the prior year’s quarter, this shows both:

- structural changes; and
- consistent improvement across all Product Groups.

As we see in the chart, the currency effect was marginal, and there is a very significant and roughly equal size contribution from manufacturing efficiencies, including better loading, and the combination of volumes and mix, net of price effect. There is also the positive and initial contribution from the set-top box restructuring.

All of the product groups have positively contributed to this improvement.
Automotive and Discrete Group operating margin in the fourth quarter was 7.3%: still room to improve towards the >10% margin mid-term target.

Microcontrollers and Digital IC Group, operating margin in the fourth quarter improved to 9.7%, compared to the >10% target level. Excluding digital, our microcontrollers and memories operating margin was double-digit and consistent with our expectations for this business. In Digital, we have to complete the exit of Set-Top-Box.

Analog and MEMS operating margin in the fourth quarter significantly improved to 9.4%, within the range we anticipated of mid-to-high single digits.

“Others” operating margin in the fourth quarter was 0.6%, so a slight profit. It includes Imaging delivering a profit, and a negative balance from the combination of unused capacity charges, non-allocated R&D and other non-allocated items. Growth in Imaging is the principal reason for the significant improvement and in line with our expectations to turn this area to profit.

Overall, we still have more work to do, but we are encouraged by the substantial progress made.
Going forward, we see opportunities for revenue growth to contribute to margin expansion, and we are working hard to pursue opportunities to further improve along four drivers:

- **Operating Leverage**: revenue growth should translate into a reduced Opex to sales ratio from our 32.3% level in 2016;
- **Fab Loading**: in FY16 our gross margin was negatively impacted by about 50 basis points of unused capacity charges; we expect these charges to substantially disappear starting in Q1;
- **Manufacturing Scale & Technology evolution reducing wafer cost**, especially through two big programs: the expansion of our 12” capacity in the present shell, as well as the 6 to 8’’ conversion in Analog and Power; and
- **Growth fueled by innovation will boost product mix improvement**. In fact the new products are significantly accelerating and we expect a revenue contribution in 2017 growing faster than the average.

ST’s financial position is solid and in 2016 we further improved our financial flexibility. In 2016, we generated free cash flow of $390 million before M&A. Also, in the year, we paid cash dividends to shareholders of $251 million.
Capital expenditures in 2016 were $607 million, at the low end of our expectations from one year ago. 2016 saw an important introduction of new products, including some of them relying on key proprietary technologies. The investments we are considering for 2017 are aligned to the substantial revenue opportunities we see this year, particularly in the second half, and beyond, and will result in a temporary increase in capex spending to $1 to $1.1 billion for 2017.

We see 2017 as a special period, after several years missing growth and with unique new product opportunities which require internal manufacturing due to technology specialization. We anticipate returning, from 2018 onwards, to our strategic capital spending model with capex at or below 10% of sales through the cycle.

To describe our technology and manufacturing strategy and the related capex I will now turn the stage to Jean-Marc. Before doing this, knowing your understandable interest in our cash flow, I want to reassure you that despite the increase in spending and considering the visibility we have today, free cash flow in 2017 is expected to be higher than the dividend we pay at current levels.

I will now hand over to Jean-Marc Chery, our Chief Operating Officer.

Thank you, Carlo.
Building on what Carlo Ferro has shared, let me highlight the strategy and key programs driving our Technology R&D and Manufacturing investments.

In Technology and R&D, ST’s strategy is to invest selectively in a core group of proprietary and differentiated technologies that present us with competitive advantages we can leverage for sustainable growth in our strategic areas of Smart Driving and Internet of Things.

In manufacturing, our strategy relies on the smart combination of our internal wafer fabs, focusing more on specialized and proprietary technology and providing a competitive advantage, and the offerings of best-in-class foundries to mitigate our technology and capital efforts – especially in digital technologies at or below 10 nanometers.

Following extensive work, our internal manufacturing footprint is improving and, in the course of 2017, we expect it to reach higher production at lower wafer cost. In particular, our Crolles 12” fab is now reaching a better balance and loading, which resulted in a significant reduction of unused capacity costs by the fourth quarter of last year. In Crolles 12”, we are also moving to expand equipment capacity scale within the current existing infrastructure, which will allow us to significantly reduce wafer costs.
Our 2016 capital spending of $607 million came in at the low end of the $600-$670 million budgeted range. Investments made support our strategic focus areas and specific key new product ramps. During 2016, we began to selectively add internal capacity in line with expected demand.

More specifically, the main programs in 2016 included: new technologies in Crolles on 12”; a mix evolution towards advanced BCD and new MEMS actuators in Agrate; improving our cost structure for more mature technologies with measures such as the expansion of our 8” capacities as part of the program of conversion from 6”; and selected investments in probing, assembly and testing in back-end manufacturing.

Moving to 2017, our focus is on advancing and in some instances accelerating our capabilities mainly in four key technologies: first, embedded non-volatile and phase-change memories and FD-SOI, which are strategic technologies for our microcontrollers; second, advanced BCD technology which is used for smart power devices; third, Imaging and Time-of-Flight sensors serving a variety of end markets and, fourth, Silicon Carbide, an emerging and disruptive technology gaining strategic importance for MOSFETs and Diodes both for the automotive and industrial markets.
Our Embedded Non-Volatile Memory technology is a key enabler for advanced microcontrollers addressing a wide range of applications. We are expanding our capacity in 40nm and are now in production in Crolles on 12” wafers for all flavors of 32-bit microcontrollers. Embedded Non-Volatile Memory is important in our 28nm FD-SOI offering, allowing us to embed Phase Change Memory to deliver a competitive low power, high performance technology platform to address automotive and IoT applications.

Another key technology for ST, a long-standing strength, is BCD, where we are a leader. Key application areas include automotive and industrial. While we are now in production with our 110nm BCD9, we continue to work towards our 10\textsuperscript{th} generation including the integration of a system on a single piece of silicon. And as we have mentioned in the past, we have a clear BCD technology segmentation addressing High Voltage BCD; SOI BCD; and Advanced BCD. This technology allows us to integrate digital designs, precise analog functions, and power and high-voltage elements in a single system on chip. Going forward, we are progressing into the new generation of products, including integration of phase change memories into BCD.
A new core technology which we developed and patented is FlightSense™, our time-of-flight technology, enabling true distance measurement, and targeting a wide range of applications. We have been vocal about this technology for quite some time. During 2016, the initial business for this technology was in smartphones. As Carlo Bozotti mentioned, we are seeing now strong momentum globally: ST’s new Time-of-Flight sensors were present in 70 smartphones, including a new product in flagship phones, launched on the market during the second half of 2016. The expansion we have enjoyed with Asian customers is particularly remarkable. We are now working on our next generation of Time of Flight technology, featuring longer distance ranging as well as multi-target and multi-zone ranging capabilities. This will improve the performance in current application areas as well as expanding its use well beyond smartphones.

Finally I would like to highlight silicon carbide. ST has been investing in this technology organically for a number of years. As a result, today, we are one of a few semiconductor companies able to provide it. In simple terms, our SiC technology is more efficient than the other technologies available on the market today and we have seen a dramatic increase in interest from current and potential customers. For example, in the electrification of the car, SiC can bring up to 20% more autonomy or a significant reduction in the cost of the battery.
During 2016 we received a number of design wins and we are now working to bring this technology to market and accelerate the development of the ecosystem to support its adoption. In regards to important design wins with our SiC MOSFETs, we are on track to ramp production in the second half of 2017.

Let me now share our current view on how our strategy will translate into capital spending in 2017.

For 2017 we are increasing our capex to about $1 to $1.1 billion. Much of this will be in the first half of 2017 as we prepare for a major product ramp. We have already started some of these investments during 2016. Specifically, the Company is investing in 12” front-end manufacturing and in back-end assembly and test to support new products. In particular, we anticipate a newly-won program to ramp with substantial revenues in the second half of 2017.

To summarize, in 2016 our technology and manufacturing strategies started to payback and demonstrate visible results. These strategies are helping us move forward – accelerating growth and contributing to the improvement of our product mix and operating profitability. Our key proprietary technologies which I have described, are translating into leading competitive positions both in established areas like BCD and MCUs and promising areas such as ToF and SiC. In addition, our
lean manufacturing footprint is now bringing opportunities to leverage growth and reduce wafer cost.

With the progress we have made, and the progress we expect to make, we are confident in our technology and manufacturing investments.

I would now like to hand over to my colleague Georges Penalver.

Thank you, Jean-Marc.

I would like to describe the expected development of our focus areas in 2017 and beyond, presenting some examples of the specific applications we are targeting and where we already had important successes in 2016.

Our Smart Driving focus is about making driving safer, greener and more connected. This fits well with the development of the Automotive market which is forecast to have healthy growth in all areas over the next three years. We can see that the highest areas of growth are firstly in safety, driven by the trends of ADAS proliferation, where ST offers products such as vision processing and radar, and secondly in powertrain driven by car electrification.

If we look into the area of car electrification and the longer term forecast, we see that the various types of hybrid and electric vehicles are set to grow
from 5% of total car production last year to 16% in 2023. This is a great opportunity for ST with our broad offering of Power & Smart Power products, automotive microcontrollers, EEPROM and protection devices.

The electrification of cars is accompanied by a significant increase in silicon content. As car makers add battery management, power conversion, inversion and charging functionality, the silicon content of the average car is forecast to increase by over $500. This is also driven by the need for higher-value silicon devices that can meet the higher power and voltage requirements of full electric traction cars.

Our Silicon Carbide technology, as mentioned by Jean-Marc, brings significant benefits for car electrification compared to the solutions available today. This allows car makers to deliver vehicles with greater range and faster charging capabilities. This will lead to a rapidly growing market for Silicon Carbide devices.

Moving to the first of three areas of focus in the Internet of Things - Smart Industry-, for ST this is about the evolution of manufacturing and other industrial sectors through the application of smart technologies to achieve better efficiency, flexibility and safety. This regroups a number of
application areas including medical, aerospace and defense, and factory automation, all of which are forecast to grow in the coming years.

If we look at Industrial Automation, the largest market here, we can see that the number of industrial robots shipped is set to increase significantly in the next three years, particularly in Asia. This provides opportunities for ST’s broad portfolio of products for this application area including actuation and motor control, power conversion, data communication, sensors and input/output devices.

Moving now to the second area in our IoT focus – the Smart Home and the Smart City. Here there are a number of vertical applications such as Home & Building Automation, Security & Surveillance and metering, which require tailored semiconductor solutions. ST’s portfolio and system solution approach is well adapted to offer solutions involving multiple ST products that make our customers’ designs easier.

An example is Smart Meters, where ST had been developing solutions for over 20 years in partnership with key Smart Grid players. We are shipping now the new generation of smart meters that represents significant business for ST moving forward.
Our third areas of IoT Focus is what we call Smart Things. Here, on top of the established markets like smartphones and wearables, we see a huge opportunity for new types of smart, connected devices and a common need for the same core electronics building blocks which ST offers. On top of these building blocks there is a need for fast and easy to use development tools that are integrated with cloud ecosystems.

Indeed, ST plays an important role as an enabler for connected device developers. In addition to the hardware solutions, we provide middleware that enables key application functionality such as local or cloud connectivity or sensor capabilities. We also provide development ecosystems that allow fast and easy prototyping and support for developers to get their designs rapidly into production. Worth repeating, we recently shipped our 1 millionth development board for the STM32— which includes our most complete ecosystem - the STM32 Open Development Environment.

And finally I would like to mention the smartphone market which remains an important focus area for ST. Here we have a number of product opportunities: touch controllers, power management and wireless charging, discrete –in particular protection devices-, STM32 microcontrollers in accessories, NFC + Secure Element, very small form
factor EEPROM, Time-of-Flight solutions, 6-Axis Motion Sensors, gyroscopes for OIS, environmental sensors and microactuators for autofocus.

So to summarize—the markets addressed by our key application focus areas are forecast to undergo a period of sustained growth and we are well positioned to take advantage of the opportunities this offers.

Thank you, Georges.

Building on the results of 2016 and on the opportunities that we are targeting thanks to our technology, product and application focus, the priority for 2017 is just one—deliver **sustainable profitable growth**.

This means:

- Deliver year-over-year sales growth across all of our main product families—excluding discontinued businesses—and regions, both with OEMs and in the mass market;
- Continue to lead in innovation, supporting our customers through product leadership and optimized application-oriented solutions;
- Invest for growth, maximizing innovation with our R&D spend and turning our manufacturing investments into timely ramp-up of our major programs;
- Continue to be disciplined on operating expenses;
- And finally, as a result, continue to improve our operating profitability.

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

Thank you.