**Carlo Bozotti, President and Chief Executive Officer, STMicroelectronics:**
**Q1 2017 Earnings Results**
**Thursday, April 27, 2017 - FINAL**

Thank you for joining us on our first quarter earnings' conference call.

Our agenda today includes an overview, followed by a detailed discussion of our results, and our outlook for the second quarter. But before starting this detailed review of the quarter, you might have seen that, this morning, we also released the main resolutions proposed to our Annual General Meeting of Shareholders. Among the resolutions, I have accepted the proposal to extend my role as President and CEO for one more year and I am fully committed to drive this company forward with the support of the newly-appointed Deputy CEO Jean-Marc Chery and a strong Executive Team.

Our objective for 2017 is to achieve sustainable revenue growth and margin expansion through our strategic focus on Internet of Things and Smart Driving. The first quarter represented a very good start towards achieving this objective.

- **Revenues** increased 12.9% year-over-year to $1.82 billion. We saw healthy growth across all of our regions, product groups and sales channels. On a sequential basis, revenues decreased 2.1%; which was 30 basis points better than the mid-point of our guidance.

- **Gross margin** increased 420 basis points year-over-year to 37.6%. We benefited from a strong improvement in manufacturing efficiencies, a better product mix, lower unused capacity charges and favorable currency effects, partially offset by the normal pricing adjustments at the start of the year. On a sequential basis, gross margin came in 60 basis points better than the mid-point of our range, on better than expected product mix.
- **Operating income** before impairment and restructuring grew by $139 million year-over-year to $134 million in the first quarter, driven by higher revenues, improved product mix, manufacturing efficiencies, better fab loading and the set-top box restructuring program. In turn, operating margin before impairment and restructuring reached 7.4% of net revenues.
- **Net income** also saw a very strong year-over-year swing of $149 million to $108 million.
- **Free cash flow** -of $62 million- doubled over the year-ago quarter, even with the higher capital investments we are making this year to support our growth plans.
- We ended the quarter with a **net financial position** of $518 million, stable compared to Q416 and up by $79 million from the year-ago quarter: another indicator of our progress.

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

ADG revenues increased year-over-year by 5.6% reflecting growth in automotive and strong growth in power discrete products. On a sequential basis, ADG revenues posted a better than seasonal result with a decrease of 1.2%.

ADG's operating margin was 5.4% in Q1, substantially stable in comparison to the year-ago period.

Moving to customer activity, bookings in automotive were robust in the first quarter. Thanks to our focus on technologies and products enabling **greener driving**, we had important design wins related to **car electrification**, particularly in the area of battery management and on-board charging. A number of OEMs worldwide selected products such as our MOSFETS - both high and low voltage Silicon, as well as Silicon Carbide-, our 32-bit microcontrollers, and a lithium-cell balancing device. We also captured the Body Control Unit for a module from an American Tier-1 and the Power Control Unit for a door zone application at a major European Tier-1.

We also had a number of important wins related to a **more connected** and **safer** driving experience. We started production of a 32-bit microcontroller for embedded security in a next generation automotive gateway. We won an award for a seat-belt pre-tensioner application with our 32-bit microcontroller for a major European Tier-1 and we had multiple wins with a parking brake application specific product.

In our **infotainment** portfolio, we were awarded new business for processors, AM/FM tuners and Class AB amplifiers from Japanese Tier-1s for the Asian market.

In addition, we had design wins with multiple global Tier-1s for rectifiers, protection devices, and automotive-grade IPAD devices for powertrain, on-board charger, ADAS and Safety, and high-speed data-line networks.

Successes in our **power discrete** business included a number of wins in Asia for both high and low voltage power supply applications and the continued expansion of our business on RF integrated passive devices for the IoT market with several large customers.

Moving to our **Analog and MEMS Group (AMG),** revenues increased 19.9% year-over-year driven by strong growth in MEMS, continuing the significant progression begun in the second half of 2016. We also enjoyed solid growth in analog products following a second-half 2016 rebound. On a sequential basis, AMG's revenues increased 1.6%, better than seasonal, with both product areas growing.

The strong improvements in AMG's product portfolio and competitive positioning have translated into a significant turnaround in its operating performance over the last two quarters, with operating margins of 9.4% in Q416 and 10.1% in Q117, compared to substantially break-even results one year ago.

Our ability to design-in multiple products into flagship Smartphone and IoT devices was evident during the first quarter; first, we ramped production of several products inside the Samsung Galaxy S8 and S8+ smartphones, including a 6-axis ultra-low-power MEMS inertial measurement unit, an optical-image-stabilization gyroscope, a barometric sensor, a touch controller and a multifunction protection switch.

And, in the new and very popular Nintendo gaming system -the Switch-, we have motion sensors and a touch controller, as well as multiple STM32 microcontrollers and an NFC controller from our Microcontroller and Digital ICs Group.

Elsewhere we continued to gain share with motion and environmental sensors in smartphones and wearables worldwide, but also in car navigation systems. Automotive is an important focus area for our sensors business.

Moving to **IoT**, we continued the strong design-in momentum in low-power wireless **connectivity**, with our Bluetooth low energy solutions as well as the SPIRIT sub-1GHz family for home and building automation. During the quarter, we also launched a partnership with USound to produce the world’s first piezo-MEMS speaker with excellent sound quality, targeting IoT applications.

In **Smart Industry**, we broadened our customer base for our STSPIN32 motion control family, including multiple designs for our newly introduced intelligent motor control devices. We also started production for a 6-axis inertial sensor for high-end industrial applications. In addition, we won multiple designs for a range of **Analog** products for next-generation smart metering solutions. Our broad analog portfolio strongly complements our other product families allowing us to design-in more silicon content across our customer base.

Now let me share some highlights on our **Microcontrollers and Digital ICs Group.** MDG saw a strong progression, with revenues increasing year-over-year by 11.4%, or 14.6% if we exclude discontinued businesses. Key drivers were strong growth in general purpose microcontrollers and growth in digital products.

MDG's operating income and margin also had a very positive swing, with its operating income up $64 million year-over-year and its operating margin of 10.2% in the first quarter.

With our **general purpose microcontrollers**, we again set a new quarterly revenue record.

With the goal to continue the momentum going forward, we introduced new parts for our existing STM32 families, including new STM32L4 MCUs adding larger memories, enhanced graphics support and increased power-saving flexibility.

We continued to expand the STM32 ecosystem with tools from ST and partners. For example, we teamed with DSP Concepts to offer STM32 users free access to an advanced audio design tool. We also introduced the MCU Finder for PC desktops, a new STM32F7 Nucleo board and Discovery kit, and new STM32 boards to evaluate low-power, long-range IoT connectivity. Getting our development tools into the hands of embedded developers is a key step in the design-in process and, with over 1 million STM32 development kits now shipped to the market, we are on the right track to expand our base of over 40,000 customers.

Moving to **security,** we announced the availability of the new advanced Near Field Communication ST21NFCD controller integrating the recently acquired booster technology. This product was already awarded a design win with a major OEM.

We also launched a new STSAFE solution to secure devices connected to the Sigfox low-power wide-area network, and we teamed with Giesecke and FitPay Mobile-Payment to offer a solution to integrate tokenized payments from Mastercard or Visa on wearable devices.

Benefitting from our recent acquisition, we captured a key win for our ST25 NFC reader portfolio at a major car OEM. We also introduced dynamic-tag ICs that support higher speed and greater distance RFID. Also in this area we are focused on making our products easier for our customers to evaluate and design-in, and we introduced a new ST25 Discovery kit that accelerates time-to-market for NFC applications.

To complete the review of our products, let’s now discuss our **Imaging Product Division,** which we report in “Others”. Imaging revenues in the first quarter more than doubled to $72 million compared to the year-ago quarter driven by ST’s innovative Time-of-Flight technology.

We had multiple new design-wins and continued high-volume shipments of Time-of-Flight ranging sensors to leading smartphone manufacturers. During Q1, our FlightSense technology was integrated in seven new smartphones launched by Asian brands. We also announced a new generation of Time-Of-Flight sensor, which brings multi-object detection and multi-array scanning to mobile applications.

Turning now to our **second quarter guidance**, we expect to make further progress in revenue and margins. We continue to see strong bookings across all product groups and regions.

A careful analysis of point-of-sales data, or sales to distribution, continues to indicate a very healthy demand environment.

Therefore, based upon our current visibility, we expect a sequential revenue growth of about 5.0%, which translates to year-over-year growth of 12.3% at the mid-point. We are targeting a gross margin of about 38.1% at the mid-point. Taking these two data points, it is clear that we see the opportunity in Q2 to deliver substantial year-over-year and sequential growth in operating income and net income.

Looking further ahead, we are continuing to prepare for a major program introduction. As anticipated, there is no revenue contribution from this program in our Q2 guidance, and we are on track to ramp substantial revenues in the second half of this year. More broadly, our investments to scale up production in 12", our 6" to 8" fab conversions and our technology evolution will help drive wafer cost reductions benefiting all product groups.

Finally, today ST's Supervisory Board is proposing to shareholders to declare a cash dividend of $0.24 per share, payable in four equal quarterly installments starting with the second quarter of 2017. The 2017 Annual General Meeting of Shareholders is scheduled for June 20, 2017.

My colleagues and I would now be happy to take your questions and we look forward to meeting with you on May 11th at our 2017 Capital Markets Day in London.