STMicroelectronics
4Q & FY 2017 Financial Results

January 25, 2018
Some of the statements contained in this release that are not historical facts are statements of future expectations and other forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended) that are based on management's current views and assumptions, and are conditioned upon and also involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those anticipated by such statements, due to, among other factors:

- Uncertain macro-economic and industry trends, which may impact end-market demand for our products;
- Customer demand that differs from projections;
- The ability to design, manufacture and sell innovative products in a rapidly changing technological environment;
- Unanticipated events or circumstances, which may impact our ability to execute the planned reductions in our net operating expenses and / or meet the objectives of our R&D Programs, which benefit from public funding;
- Changes in economic, social, labor, political, or infrastructure conditions in the locations where we, our customers, or our suppliers operate, including as a result of macro-economic or regional events, military conflicts, social unrest, labor actions, or terrorist activities;
- The Brexit vote and the perceptions as to the impact of the withdrawal of the U.K. may adversely affect business activity, political stability and economic conditions in the U.K., the Eurozone, the EU and elsewhere. While we do not have material operations in the U.K. and have not experienced any material impact from Brexit on our underlying business to date, we cannot predict its future implications;
- Financial difficulties with any of our major distributors or significant curtailment of purchases by key customers;
- The loading, product mix, and manufacturing performance of our production facilities;
- The functionalities and performance of our IT systems, which support our critical operational activities including manufacturing, finance and sales, and any breaches of our IT systems or those of our customers or suppliers;
- Variations in the foreign exchange markets and, more particularly, the U.S. dollar exchange rate as compared to the Euro and the other major currencies we use for our operations;
- The impact of intellectual property (“IP”) claims by our competitors or other third parties, and our ability to obtain required licenses on reasonable terms and conditions;
- The ability to successfully restructure underperforming business lines and associated restructuring charges and cost savings that differ in amount or timing from our estimates;
- Changes in our overall tax position as a result of changes in tax rules, new or revised legislation, the outcome of tax audits or changes in international tax treaties which may impact our results of operations as well as our ability to accurately estimate tax credits, benefits, deductions and provisions and to realize deferred tax assets;
- The outcome of ongoing litigation as well as the impact of any new litigation to which we may become a defendant;
- Product liability or warranty claims, claims based on epidemic or delivery failure, or other claims relating to our products, or recalls by our customers for products containing our parts;
- Natural events such as severe weather, earthquakes, tsunamis, volcano eruptions or other acts of nature, health risks and epidemics in locations where we, our customers or our suppliers operate;
- The loading, product mix, and manufacturing performance of our production facilities;
- Financial difficulties with any of our major distributors or significant curtailment of purchases by key customers;
- The ability to design, manufacture and sell innovative products in a rapidly changing technological environment;
- The impact of intellectual property (“IP”) claims by our competitors or other third parties, and our ability to obtain required licenses on reasonable terms and conditions;
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- Natural events such as severe weather, earthquakes, tsunamis, volcano eruptions or other acts of nature, health risks and epidemics in locations where we, our customers or our suppliers operate;
- The availability and costs of raw materials, utilities, third-party manufacturing services and technology, or other supplies required by our operations;
- Industry changes resulting from vertical and horizontal consolidation among our suppliers, competitors, and customers;
- The ability to successfully ramp up new programs that could be impacted by factors beyond our control, including the availability of critical third party components and performance of subcontractors in line with our expectations; and
- Theft, loss, or misuse of personal data about our employees, customers, or other third parties, and breaches of global privacy legislation, including the EU’s General Data Protection Regulation (“GDPR”).

Such forward-looking statements are subject to various risks and uncertainties, which may cause actual results and performance of our business to differ materially and adversely from the forward-looking statements. Certain forward-looking statements can be identified by the use of forward looking terminology, such as “believes,” “expects,” “may,” “are expected to,” “should,” “would be,” “seeks” or “anticipates” or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions.

Some of these risk factors are set forth and are discussed in more detail in “Item 3. Key Information — Risk Factors” included in our Annual Report on Form 20-F for the year ended December 31, 2016, as filed with the SEC on March 3, 2017. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release as anticipated, believed, or expected. We do not intend, and do not assume any obligation, to update any industry information or forward-looking statements set forth in this release to reflect subsequent events or circumstances.
Agenda

- Welcome
- 2017 Product & Application Review
- 4Q & FY17 Business & Financial performance
- Technology & Manufacturing
- Closing Remarks and Questions & Answers

Speakers

Carlo Bozotti
President & CEO

Jean-Marc Chery
Designated President & CEO

Carlo Ferro
Chief Financial Officer

Georges Penalver
Chief Strategy Officer

Supported by
Welcome

2017 Product & Application Review

4Q & FY17 Business & Financial performance

Technology & Manufacturing

Closing Remarks and Questions & Answers
Who We Are

ST stands for life.augmented

Everywhere microelectronics make a positive contribution to people’s lives, ST is there

• A global semiconductor leader with an application strategic focus
• 2017 revenues of $8.35B with year-on-year growth of 19.7%
• Listed: NYSE, Euronext Paris and Borsa Italiana, Milan
• Approximately 45,500 employees worldwide
• Approximately 7,400 people working in R&D
• Portfolio of over 9.500 patent families
• 11 manufacturing (front and back-end) sites
• Over 80 sales & marketing offices
% by product group

- Analog, MEMS & Sensors Group* (AMS) 32%
- Automotive and Discrete Group (ADG) 31%
- Microcontrollers and Digital ICs Group (MDG) 37%
- Others 0.4%

% by shipment location

- Americas 36%
- Asia Pacific 32%
- EMEA 34%

% by region of origin

- Americas 36%
- Asia Pacific 36%
- EMEA 32%

% by customer type

- Distribution 34%
- Top 10 OEMs 36%
- Other OEMs 30%

*Commencing in the fourth quarter of 2017, the Company transferred the Imaging Product Division, previously reported in Others, into the Analog and MEMS Group (AMG) to create the new organization Analog, MEMS and Sensors Group (AMS). The Company has reclassified prior-period revenues.
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Serving More Than 100,000 Customers

Top 10 Customers*
2017
Apple
Bosch
Cisco
Conti
HP
Huawei
Nintendo
Samsung
Seagate
Western Digital

*In alphabetical order

Top 10

Globally Managed Accounts

Unified worldwide account management tailored to each account to provide global coverage and service

Standard process, reporting & follow-up in Sales & Marketing worldwide
Differentiated approach by type of customer

Distribution & Mass Market
Automotive & Discrete Group (ADG)

- Dedicated Automotive ICs
- Discrete & Power Transistors

Bar chart showing a 9% increase from 2016 to 2017.
Microcontrollers & Digital ICs Group (MDG)

General Purpose & Secure MCUs
EEPROM

Digital ASICs

<table>
<thead>
<tr>
<th>Year</th>
<th>M$</th>
</tr>
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<tbody>
<tr>
<td>2016</td>
<td>1500</td>
</tr>
<tr>
<td>2017</td>
<td>2650</td>
</tr>
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</table>

+16%
*Commencing in the fourth quarter of 2017, the Company transferred the Imaging Product Division, previously reported in Others, into the Analog and MEMS Group (AMG) to create the new organization Analog, MEMS and Sensors Group (AMS). The Company has reclassified prior-period revenues.
Agenda

Welcome

2017 Product & Application Review

4Q & FY17 Business & Financial performance

Technology & Manufacturing

Closing Remarks and Questions & Answers

Carlo Ferro
Chief Financial Officer
4Q17 Financial Highlights

**Revenues** = $2.47B

- Up 32.6%

**Gross Margin** = 40.6%

- Up 310 basis points

**Operating Margin** = 16.5%

- Up 960 basis points

**Net Income** = $308M

- Up 176%

**Capex** = $407M

**Free Cash Flow*** = $145M

*Non-U.S. GAAP measure. See Appendix for additional information explaining why the Company believes these measures are important.
FY17 Financial Highlights

**Revenues = $8.35B**

- Up 19.7%

**Operating Margin = 11.9%**

- Up 880 basis points

**Gross Margin = 39.2%**

- Up 400 basis points

**Net Income = $802M**

- Up 386%

**Capex = $1.30B**

**Free Cash Flow* = $338M**

*Non-U.S. GAAP measure. See Appendix for additional information explaining why the Company believes these measures are important.
ST Revenues: Synchronized Growth

FY17 Revenues = $8.35B

4Q17 Revenues = $2.47B

- 4Q17 up 32.6% y-o-y
  - Double-digit growth across all product groups

- 4Q17 up 15.5% sequentially
  - 200 basis points above high-end of guidance
  - Better than seasonal

FY17 revenues up 19.7% y-o-y

- Strong growth across all product groups and geographies

1Q18 Revenue Outlook

Down sequentially by about 10.0% (+/- 3.5 %) representing y-o-y growth of about 22% at mid-point

- Better than seasonal trend for Smart Driving and IoT applications
- Unfavorable dynamics for smartphone applications
Revenue Growth to Improve Operating Margin

Four Drivers

- Operating Leverage
- Fab Loading
- Manufacturing Scale & Technology Evolution reducing wafer costs
- Growth fueled by innovation = Product Mix Improvement

FY17 Result

Gross Margin & Operating Margin Expansion

Incremental Operating Margin:

FY17 = 57%
4Q17 = 46%
FY17 Gross Margin = 39.2%

4Q17 Gross Margin = 40.6%

FY17 Gross Margin up 400 basis points
- Benefiting from manufacturing efficiencies, better product mix and improved fab loading partially offset by normal price pressure

4Q17 Gross Margin better than mid-point of guidance
- Up 110 basis points sequentially; up 310 basis points y-o-y
- Mainly driven by improved product mix and manufacturing efficiencies partially offset by normal price pressure and negative currency effect, net of hedging

1Q18 Gross Margin Outlook
About 39.5% (+/-2.0%)
Operating Expenses Discipline

FY17 Average Net Operating Expenses* Per Quarter: $555M

Net Operating Expenses*  
- FY17 Combined SG&A and R&D at $2.29B
  - Down 490 basis points to 27.4% of revenues y-o-y
  - Up $38M or 1.7% y-o-y
  - $2.22B net of R&D grants

Net Operating Expenses*  
- 4Q17 Combined SG&A and R&D at $592M
  - Down 660 basis points to 24% of revenues y-o-y
  - Up $22M or 3.9% y-o-y
  - $572M net of R&D grants

* Net Operating Expenses: R&D + SG&A – R&D Grants
Operating Income Improvement

4Q17 Y-o-Y Before Impairment and Restructuring*

Operating Income Improvement 4Q17 Y-o-Y Before Impairment and Restructuring*

Operating Income Evolution (US$M): 4Q16 to 4Q17

Non-U.S. GAAP measure. See Appendix for additional information explaining why the Company believes these measures are important.
Commencing in the fourth quarter of 2017, the Company transferred the Imaging Product Division, previously reported in Others, into the Analog and MEMS Group (AMG) to create the new organization Analog, MEMS and Sensors Group (AMS). The Company has reclassified prior-period revenues. MDG includes set-top box business under phase-out.

*Non-U.S. GAAP measure. See Appendix for additional information explaining why the Company believes these measures are important.
Free Cash Flow

FY17 Capex = $1.30B

FY17 Free Cash Flow* = $338M

*Non-U.S. GAAP measure. See Appendix for additional information explaining why the Company believes these measures are important.
Turning Capital into Profits

3Q 2017 Return on Net Assets (1)

<table>
<thead>
<tr>
<th>Co 1</th>
<th>Co 2</th>
<th>ST</th>
<th>Co 3</th>
<th>Co 4</th>
<th>Co 5*</th>
<th>Co 6*</th>
<th>Co 7*</th>
<th>Co 8</th>
<th>Co 9</th>
<th>Co 10*</th>
<th>Co 11</th>
</tr>
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<tbody>
<tr>
<td>66%</td>
<td>82%</td>
<td>26%</td>
<td>25%</td>
<td>23%</td>
<td>19%</td>
<td>17%</td>
<td>17%</td>
<td>16%</td>
<td>14%</td>
<td>11%</td>
<td>8%</td>
</tr>
</tbody>
</table>

(1) RONA: Annualised 3Q17 Operating Profit pre-exceptionals / Average Net Assets (Assets – Cash/ST Investments – Non-financial Liabilities) for 3Q17 and 2Q17, Peers: ADI, AMS, AVGO, IFX, MCHP, MXIM, NXP, ON, RSAS, ROHM, TI.

(*) Indicates companies that closed acquisitions in 2016 and 2017
$1.5B Convertible Bond Offering at 0% in July 2017
- Dual-tranche offering (Tranche A and Tranche B for $750M each) due 2022 and 2024
- ST can satisfy the conversion rights either in cash or shares or a combination of the two, at its selection

About $1.2B of financial flexibility with available undrawn committed credit facilities
- $580M committed credit facilities
- €500M new medium-term credit facility signed with the EIB related to ST's R&D and Capex investments in Europe

Simultaneous launch of a $297M share buy-back program
- 18.6M shares for $297M
- Launched and completed in 3Q17 at an average share price of $15.99

Redemption of the $1.0B 2019 and 2021 Convertible Bond issued in 2014
- ST elected to net share settle the bonds
- ST delivered $1.0B in cash and 26.8 million shares from treasury shares

Overall cash cost of debt reduced significantly to 0.44%
## Financial Flexibility

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Total Liquidity</td>
<td>2,190</td>
<td>2,621</td>
<td>1,964</td>
</tr>
<tr>
<td>Total Financial Debt</td>
<td>(1,701)</td>
<td>(2,175)</td>
<td>(1,451)</td>
</tr>
<tr>
<td>Net Financial Position*</td>
<td>489</td>
<td>446</td>
<td>513</td>
</tr>
</tbody>
</table>

*Non-U.S. GAAP measure. See Appendix for additional information explaining why the Company believes these measures are important.

Cash dividends of $0.06 per share per quarter

$214M of dividends distributed in 2017

All rating agencies which report on ST on a solicited basis (Moody’s, S&P and Fitch) are aligned in rating ST’s credit profile within investment grade.
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ST Differentiated Technologies

- **Smart Power: BCD**
  (Bipolar - CMOS - Power DMOS)

- **FD-SOI CMOS**
  FinFET through Foundry

- **Analog & RF CMOS**

- **eNVM CMOS**

- **Specialized Imaging Sensors**

- **MEMS**
  For Sensors & Microactuators

- **Discrete, Passive Integration,**
  Power MOSFET, IGBT,
  Silicon Carbide, Gallium Nitride

- **Vertical Intelligent Power**

**Packaging technologies**
Leadframe – Laminate – Sensor module – Wafer level
Focus for 2018

More than 30 Billion BCD devices sold

Increased Digital processing capability

BCD10 Enabling SoC
Smart Power Solutions

Advanced BCD
BCD9s (110nm) 1.8V / 8V-60V (with ePCM option)
BCD10 (90nm) 1.2V / 8V-60V (with ePCM option)

Power & High Voltage Evolution

Galvanic Isolation

High Voltage BCD
BCD OFFLINE Up to 1200V
BCD with galvanic isolation up to 6kV

Process customization by application
Advanced CMOS
Focus for 2018

CMOS baseline
Differentiated options

2016
2018

FD-SOI 28nm (@ ST & Samsung)
FinFET 16nm @ Foundry
FinFET 7nm @ Foundry

RF
Space
Embedded Non-Volatile

Next node with partner

FD-SOI 22nm @ GF
Space

Performance Path
Feature Path
### Analog & RF CMOS

**Focus for 2018**

#### 55nm BiCMOS
- SiGe based, Bipolar $f_T$ at 320GHz
- Optical Links up to 400Gbps
- High performance 5G Infrastructure Products

#### 55nm BiCMOS >400GHz
- High performance evolution
- Bipolar performance with $f_T > 400$GHz
- Optical Links up to 1Tbps

#### 28nm FD-SOI + RF
- Leveraging 28nm FD-SOI platform with RF devices operating up to mmW range
- Best performance for mixed signal products covering 5G and 60GHz applications
eNVM
Focus for 2018

In production

CMOS M40
eFLASH
40nm

- High performance logic for 32-bit MCUs
- High robustness
- High reliability with extended temperature

In deployment

eSTM40
Proprietary Memory Cell
40nm

- Identical functionality to Split Gate Cell with size as small as Split gate 28nm
- Highly competitive solution
- Based on a ultra low power CMOS 40nm platform with analog and RF features

Next gen

ePCM
Phase Change Memory
28nm

- Leveraging on 28nm FD-SOI platform
- Above IC Phase Change Memory technology
- Compatibility with the most stringent automotive requirements
### Imaging Focus for 2018

**Proprietary Technologies & Differentiated Offering**

- Advanced pixel & Silicon process
- Optical package/module & Imaging system expertise

**Time-of-Flight & Specialized Image Sensors**

- Proximity – Ranging
- Gesture – Depth map
- Differentiated pixels, Visible & IR, High Dynamic Range & Flicker Free Imaging

**Time-of-Flight – Single Photon Avalanche Diode (SPAD)**

<table>
<thead>
<tr>
<th>40nm SPAD</th>
<th>3D SPAD</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Smaller avalanche photodiode, larger array&lt;br&gt;• Multi-zone capability for spatial discrimination of scenes</td>
<td>• Optimized SPAD array for improved resolution and signal detection&lt;br&gt;• Increased signal processing capability&lt;br&gt;• Towards LIDAR integrated systems</td>
</tr>
</tbody>
</table>

**Global Shutter and Image Sensor Evolution**

**Global Shutter**

- Near Infrared light detection
- Strong improvement of Quantum Efficiency for improved sensitivity and energy efficiency

**Image Sensor**

- Visible light detection
- Back Side Illuminated and 3D stacked with CMOS bottom-layer for readout
- Flicker-free capability
MEMS Sensors & Actuators
Focus for 2018

Motion & Environmental MEMS

THELMA for Industrial
- Thicker MEMS Layer
- Vacuum package
- Industrial

Next Generation THELMA
- Performance Improvement
- New application (magnetic, resonators)
- Consumer and Automotive

Pressure Sensor Technology
- Membrane mechanically decoupled
- ASIC integration with MEMS
- Size reduction
- Waterproofing

Piezo Actuators

Thin Film Piezoelectric (PETRA)
- Innovative Piezoelectric materials
- Customization by application type:
  - Inkjet printing
  - Camera Autofocus
  - MEMS Speaker
Vehicle Electrification

Silicon Carbide
Focus for 2018

Industrial

SiC MOSFET Generation 3 & 4

- Generation 3: Size reduction using 6” production line capabilities
- Generation 4: New structure moving from planar to trench

In volume production with 6” manufacturing
2018 Capital Spending

Probing, Assembly & Testing
- Continued investment in Assembly and Test for Silicon Carbide
- Assembly and Test capacity expansion to support revenue growth and new products particularly for Automotive MCU and advanced BCD
- Increasing the pace of equipment modernization

Front-End Manufacturing/R&D
- Further capacity expansion with increased flexibility and new technologies in Crolles 12” within the current footprint
- Continued mix evolution to advanced BCD and preparing for 12” pilot line in Agrate
- 8” advanced BCD capacity growth and 6” SiC capacity expansion in Catania
- Continued 8” capacity expansion in Singapore for Power Discrete and BCD, widening technology capability

Investments to support ST’s innovative product portfolio and prepare for future business growth

~$1.0B to $1.1B
Agenda

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2018 Priorities

Continue Sustainable Profitable Growth

• Year-over-year sales growth across all products families, regions and customer groups
• Continued innovation leadership, supporting customers with industry-leading products and optimized application-oriented solutions
• Investment for growth, maximizing innovation with R&D spend and turning manufacturing investments into timely ramp-up of major programs
• Continued discipline on operating expenses
• Improvement in operating profitability as a result of all the above
Questions & Answers

life.augmented
# Financial Performance

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<th></th>
<th>4Q16</th>
<th>1Q17</th>
<th>2Q17</th>
<th>3Q17</th>
<th>4Q17</th>
<th>FY16</th>
<th>FY17</th>
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<tr>
<td><strong>Net Revenues</strong></td>
<td>1,859</td>
<td>1,821</td>
<td>1,923</td>
<td>2,136</td>
<td>2,466</td>
<td>6,973</td>
<td>8,347</td>
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<td><strong>Gross Margin</strong></td>
<td>37.5%</td>
<td>37.6%</td>
<td>38.3%</td>
<td>39.5%</td>
<td>40.6%</td>
<td>35.2%</td>
<td>39.2%</td>
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<tr>
<td><strong>Operating Income (Loss) before impairment, restructuring</strong></td>
<td>153</td>
<td>134</td>
<td>184</td>
<td>292</td>
<td>428</td>
<td>307</td>
<td>1,038</td>
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<td></td>
<td>8.2%</td>
<td>7.4%</td>
<td>9.6%</td>
<td>13.7%</td>
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<td><strong>Operating Margin before impairment, restructuring</strong></td>
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<tr>
<td><strong>Net Income – Reported</strong></td>
<td>112</td>
<td>108</td>
<td>151</td>
<td>236</td>
<td>308</td>
<td>165</td>
<td>802</td>
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<td><strong>EPS Diluted</strong></td>
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<td>0.17</td>
<td>0.26</td>
<td>0.34</td>
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<td>0.17</td>
<td>0.28</td>
<td>0.36</td>
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<td><strong>Adjusted EPS Diluted</strong></td>
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<tr>
<td><strong>Free Cash Flow</strong></td>
<td>135</td>
<td>62</td>
<td>52</td>
<td>80</td>
<td>145</td>
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<tr>
<td><strong>Net Financial Position</strong></td>
<td>513</td>
<td>518</td>
<td>524</td>
<td>446</td>
<td>489</td>
<td>513</td>
<td>489</td>
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<tr>
<td><strong>Effective Exchange Rate €/$</strong></td>
<td>1.10</td>
<td>1.08</td>
<td>1.09</td>
<td>1.13</td>
<td>1.15</td>
<td>1.11</td>
<td>1.11</td>
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</table>

*Non-U.S. GAAP measure. See Appendix for additional information explaining why the Company believes these measures are important.
1Q18 Outlook

• “We exited 2017 with very strong revenue growth, and significant improvement in our operating profitability and net income. In 2018, our objective is to leverage our achievements to continue to drive sustainable and profitable growth thanks to our product leadership.

• “We continue to see solid demand across product groups and geographies and in the first quarter we anticipate a better than seasonal trend for Smart Driving and Internet of Things applications, and the unfavorable seasonal dynamics for smartphone applications. Based upon that, as well as our much stronger than expected revenue growth in the previous quarter, we anticipate first quarter revenues to decrease by about 10% on a sequential basis, representing year-over-year growth of about 22% at the mid-point of our guidance range. We expect the gross margin to decrease to about 39.5% at the mid-point.

• “In order to support our anticipated product portfolio mix and to fuel strong revenue growth in the second half of 2018 compared to the first half, we expect to invest this year approximately $1.0 to $1.1 billion.”

• 1Q18 revenues is expected to decrease about 10.0% on a sequential basis, plus or minus 3.5 percentage points
• 1Q18 gross margin is expected to be about 39.5% plus or minus 2.0 percentage points

Outlook based on an assumed effective currency exchange rate of approximately $1.18= €1.00 for 1Q18 and includes the impact of existing hedging contracts. 1Q18 will close on March 31, 2018
## Pre-Tax Items to Adjusted Earnings*

<table>
<thead>
<tr>
<th>OPERATING RESULT</th>
<th>NET EARNINGS</th>
<th>4Q16</th>
<th>3Q17</th>
<th>4Q17</th>
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<tr>
<td><strong>U.S. GAAP Net Earnings</strong></td>
<td></td>
<td>112</td>
<td>236</td>
<td>308</td>
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<tr>
<td><strong>Impairment &amp; Restructuring</strong></td>
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<td>24</td>
<td>14</td>
<td>20</td>
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<tr>
<td><strong>Estimated Income Tax Effect</strong></td>
<td></td>
<td>1</td>
<td>(1)</td>
<td>(1)</td>
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<tr>
<td><strong>Adjusted Net Earnings</strong></td>
<td>* See Appendix</td>
<td>137</td>
<td>249</td>
<td>327</td>
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</tbody>
</table>

* See Appendix
• **Free cash flow** is defined as net cash from operating activities minus net cash from (used in) investing activities, excluding payment for purchases (proceeds from the sale of) marketable securities and short term deposits, restricted cash net cash variation for joint venture deconsolidation. We believe free cash flow provides useful information for investors and management because it measures our capacity to generate cash from our operating and investing activities to sustain our operating activities. Free cash flow is not a U.S. GAAP measure and does not represent total cash flow since it does not include the cash flows generated by or used in financing activities. In addition, our definition of free cash flow may differ from definitions used by other companies.

• **Net financial position** resources (debt) represents the balance between our total financial resources and our total financial debt. Our total financial resources include cash and cash equivalents, marketable securities, short-term deposits and restricted cash, and our total financial debt includes short term borrowings, current portion of long-term debt and long-term debt, all as reported in our consolidated balance sheet. We believe our net financial position provides useful information for investors because it gives evidence of our global position either in terms of net indebtedness or net cash position by measuring our capital resources based on cash, cash equivalents and marketable securities and the total level of our financial indebtedness. Net financial position is not a U.S. GAAP measure.

• **Operating income before impairment and restructuring charges** excludes impairment, restructuring charges and other related closure costs. It is used by management to help enhance an understanding of ongoing operations and to communicate the impact of the excluded items.

• **Adjusted net earnings and earnings per share (EPS)** are used by our management to help enhance an understanding of ongoing operations and to communicate the impact of the excluded items like impairment, restructuring charges and other related closure costs, net of the relevant tax impact.

• **Net revenues of “Others”** includes revenues from sales of Subsystems, assembly services, and other revenue. **Operating income (loss) of “Others”** includes items such as unused capacity charges, impairment, restructuring charges and other related closure costs, phase out and start-up costs, and other unallocated expenses such as: strategic or special research and development programs, certain corporate-level operating expenses, patent claims and litigations, and other costs that are not allocated to product groups, as well as operating earnings of Subsystems and other products. “Others” includes:

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