



## SOITEC REPORTS FIRST HALF RESULTS OF FISCAL YEAR 2020

- Sales up 30% at constant exchange rates and perimeter<sup>1</sup> to €258.5m
- Current operating income up 23% to €51.3m
- Electronics EBITDA<sup>2</sup> margin<sup>3</sup> at 30.2% of sales in line with FY guidance
- Net profit up 28% at €41.5m
- Electronics net operating cash flow at €36.2m
- €51.2m capex spent in H1'20
- FY'20 guidance confirmed: sales growth expected around 30% at constant exchange rates and perimeter<sup>1</sup> and Electronics EBITDA<sup>2</sup> margin<sup>3</sup> expected around 30%

**Bernin (Grenoble), France, November 27<sup>th</sup>, 2019** – Soitec (Euronext Paris), a world leader in designing and manufacturing innovative semiconductor materials, today announced its results for the first half of fiscal year 2020 (period ended on September 30<sup>th</sup>, 2019). The financial statements<sup>4</sup> were approved by the Board of Directors during its meeting today.

Paul Boudre, Soitec's CEO, commented: ***“Thanks in particular to the confirmed success of our radiofrequency products, we achieved a strong 30% organic growth in sales while maintaining our EBITDA margin in the 30% range. On the back of this good performance, we are well on track to achieve our full-year guidance allowing us to maintain a solid operating cash-flow generation and sound financial position.*”**

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<sup>1</sup> At constant exchange rates and comparable scope of consolidation; scope effects relate to the acquisitions of Dolphin Integration assets in August 2018 and EpiGaN in May 2019, both included in the caption Royalties and other revenues.

<sup>2</sup> The EBITDA represents the current operating income (EBIT) before depreciation, amortization, non-monetary items related to share-based payments, and changes in provisions on current assets and provisions for risks and contingencies, excluding income on asset disposals. The impact in equity of the first time application of IFRS 15 was included in EBITDA for the fiscal year ended 31 March 2019 and for the 6 month period ended 30 September 2018. This alternative indicator of performance is a non-IFRS quantitative measure used to measure the company's ability to generate cash from its operating activities. EBITDA is not defined by an IFRS standard and must not be considered an alternative to any other financial indicator.

<sup>3</sup> Electronics EBITDA margin = EBITDA from continuing operations / Sales.

<sup>4</sup> The annual consolidated accounts were audited and the half year accounts were reviewed.

***In the past six months, we have been further consolidating our position through the strengthening of our ties with key players in the semiconductor industry and the development of strong industrial and commercial avenues to facilitate the adoption of our innovative technologies. Our recent initiative to launch a joint development program with Applied Materials dedicated to the next generation of Silicon Carbide substrates is a perfect illustration. This initiative, like the acquisition of EpiGaN, specialized in Gallium Nitride epitaxial wafer materials, or our decision to increase our production capacity of piezoelectric-on-insulator products, demonstrates our ambition to expand our engineered substrate portfolio beyond Silicon, opening up opportunities to create new value-added products,***” added Paul Boudre.

## **Strong revenue increase and operating profitability in line with full-year guidance**

*As previously reported, Soitec’s refocus on Electronics operations decided in January 2015 was nearly completed on March 31, 2016. Consequently, the H1’20 residual income and expenses relating to Solar and Other activities are reported under ‘Net result from discontinued operations’, below the ‘Operating income’ line, meaning that down to the line ‘Net result after tax from continuing operations’, the Company consolidated income statement fully and exclusively reflects the Electronics activity as well as the Company’s corporate functions expenses. This was already the case in H1’19 financial statements.*

### Consolidated income statement (part 1)

(Euros millions)	<b>H1’20</b>	<b>H1’19</b>	<b>% change</b>
<b>Sales</b>	<b>258.5</b>	<b>186.9</b>	<b>+38%</b>
<b>Gross profit</b>	<b>87.4</b>	<b>66.1</b>	<b>+32%</b>
<i>As a % of sales</i>	<i>33.8%</i>	<i>35.4%</i>	
Research and development expenses	(16.0)	(8.3)	+93%
Selling, general and administrative expenses	(20.2)	(16.2)	+24%
<b>Current operating income</b>	<b>51.3</b>	<b>41.6</b>	<b>+23%</b>
<i>As a % of sales</i>	<i>19.9%</i>	<i>22.2%</i>	
<b>EBITDA<sup>1</sup> (continuing operations)</b>	<b>78.1</b>	<b>61.4</b>	<b>+27%</b>
<i>As a % of sales</i>	<i>30.2%</i>	<i>32.8%</i>	

**Consolidated sales** for H1’20 came to 258.5 million Euros, up 38.3% compared with H1’19. This is the result of a 30.1% growth at constant exchange rates and perimeter<sup>1</sup> that was supported by solid growth in radiofrequency applications, as well as positive currency impact of +4.9% and a scope effect of +3.3% which is related to the acquisition of Dolphin Integration assets in August 2018 and, to a small extent, to the acquisition of EpiGaN in May 2019.

- **200-mm wafer sales** reached 121.4 million Euros (49% of total wafer sales), recording further steady growth (up 15% at constant exchange rates and perimeter<sup>1</sup>); higher volumes were achieved thanks in particular to the production outsourced to Soitec's Chinese partner Simgui.
- **300-mm wafer sales** amounted to 125.3 million Euros (51% of total wafer sales), up 50% at constant exchange rates and perimeter<sup>1</sup>; this sharp growth was enabled by a higher utilization of Soitec 300-mm industrial capacity.
- Total **Royalties and other revenues** increased from 4.3 million Euros in H1'19 to 11.7 million Euros in H1'20, including 8.8 million Euros in sales generated by Frec|n|sys, Dolphin Design and EpiGaN.

**Gross profit** reached 87.4 million Euros (or 33.8% of revenues) in H1'20, up from 66.1 million Euros (or 35.4% of revenues) in H1'19. Despite the favorable forex impact and the positive operating leverage due to a higher utilization of the industrial capacity in Bernin, the Group recorded, as anticipated, a slight decrease in gross margin. Indeed, gross margin was impacted by higher bulk material prices, higher outsourced production, higher depreciation costs and the ramp-up of the Singapore facility.

**Current operating income** increased by 23% to 51.3 million Euros in H1'20, i.e. 19.9% of sales compared to 22.2% of sales in H1'19. The integration of Dolphin Design and EpiGaN had an impact on both gross R&D expenses and selling, general and administrative expenses (SG&A). **Net R&D costs** increased from 8.3 million Euros in H1'19 to 16.0 million Euros in H1'20. **SG&A expenses** went up from 16.2 million Euros in H1'19 to 20.2 million Euros in H1'20, also reflecting an increase in costs related to employee compensation schemes. The increase in SG&A expenses remains however limited: as a percentage of sales, these expenses went down from 8.7% in H1'19 to 7.8% in H1'20.

The **EBITDA<sup>2</sup> from the continuing operations (Electronics)** increased by 27% to 78.1 million Euros. The EBITDA<sup>2</sup> margin reached 30.2% of sales in H1'20, compared with a margin of 32.8% of sales in H1'19.

**Depreciation and amortization expenses** went up from 10.6 million Euros in H1'19 to 19.4 million in H1'20 as a result of the continuous investments carried out by the Group and, to a small extent, to the acquisition of Dolphin Integration assets.

## Significant increase in net profit

### Consolidated income statement (part 2)

(Euros millions)	H1'20	H1'19	% change
Current operating income	51.3	41.6	+23%
Other operating income and expenses	1.8	(0.0)	
<b>Operating income</b>	<b>53.2</b>	<b>41.6</b>	<b>+28%</b>
Net financial result	(1.7)	(0.4)	
Income tax	(9.9)	(5.2)	
<b>Net profit from continuing operations</b>	<b>41.6</b>	<b>35.9</b>	<b>+16%</b>
Net profit / (loss) from discontinued operations	(0.0)	(3.3)	
<b>Net profit</b>	<b>41.5</b>	<b>32.6</b>	<b>+28%</b>

The Group recorded 1.8 million Euros in **other operating income** in H1'20 reflecting a gain on the disposal of an industrial site near Paris which was no longer in use. As a result, the **operating income** reached 53.2 million Euros in H1'20, up 28% compared to H1'19.

The **net financial result** came to a loss of 1.7 million Euros in H1'20 compared to a loss of 0.4 million Euros in H1'19. This is due in particular to the full impact of the non-cash financial interests related to the convertible bond issued in June 2018. On the other hand, a foreign exchange gain of 2.1 million Euros was recorded in H1'20 against a gain of 0.4 million Euros in H1'19.

The **net result from discontinued operations** was virtually nil in H1'20.

The Group's **consolidated net profit** therefore amounted to 41.5 million Euros in H1'20, up 28% compared with a net profit of 32.6 million Euros recorded in H1'19.

## Increased EBITDA<sup>2</sup> from continuing operations translates into strong operating cash flows

### Continuing operations consolidated cash-flows

(Euros millions)	H1'20	H1'19
EBITDA <sup>2</sup>	78.1	61.4
Change in working capital	(41.8)	(53.5)
<b>Net cash generated by / (used in) operating activities</b>	<b>36.2</b>	<b>8.1</b>
<b>Net cash generated by / (used in) investing activities</b>	<b>(75.5)</b>	<b>(64.9)</b>
Net proceeds from 2023 OCEANE bonds issued	-	147.6
Debt cost and repayment (including finance leases)	(14.3)	(38.5)
Net financial (charges) / income	(1.0)	0.1
<b>Net cash generated by / (used in) financing activities</b>	<b>(15.3)</b>	<b>109.1</b>
Impact of exchange rate fluctuations	(3.0)	2.6
<b>Net change in cash</b>	<b>(57.5)</b>	<b>54.9</b>

The **change in working capital** from continuing operations was negative by 41.8 million Euros. This is essentially a reflection of the higher level of activity. The level of trade receivables has however decreased by 20.8 million Euros. On the other hand, the level of inventories has increased by 47.2 million Euros reflecting, in particular, the anticipated deliveries due to take place later in the year.

As a result, **net operating cash generated** by continuing operations improved substantially, reaching 36.2 million Euros in H1'20 compared with 8.1 million Euros in H1'19.

In H1'20, a **net amount of cash** of 75.5 million Euros was **used in investing activities** related to the continuing operations. This amount essentially reflects capital expenditure carried out in Bernin and Singapore for 43.7 million Euros, capitalized R&D expenses for 7.5 million Euros and the 25.5 million Euros net cash spent on the acquisition of EpiGaN, a leading European supplier of GaN epitaxial wafer (epi-wafer) materials.

**Net cash used in financing activities** related to the continuing operations amounted to 15.3 million Euros. This is essentially resulting from the repayment of credit lines.

**Net cash used** in H1'20 **by discontinued operations** reached 0.8 million Euros.

In total, Soitec's **cash position** has decreased by 58.2 million Euros during H1'20 to reach 117.1 million Euros on September 30<sup>th</sup>, 2019.

## Solid financial position

Despite the high level of investments made in H1'20 that resulted in a lower cash position, Soitec's balance sheet remains very strong.

**Shareholders' equity** increased by 54.0 million Euros in H1'20 to 452.3 million Euros, mainly thanks to the net profit generated during the period.

**Financial debt** slightly decreased from 221.8 million Euros on March 31<sup>st</sup>, 2019 to 219.3 million Euros on September 30<sup>th</sup>, 2019. The 9.6 million Euros decrease in drawings on the credit line was partially offset by new leasing contracts and a put option granted to EpiGaN minority shareholders which translated into a debt valued at 2.9 million Euros.

Consequently, the **net debt position**<sup>5</sup> ended at 102.2 million Euros compared to 46.5 million Euros on March 31<sup>st</sup>, 2019. Net debt to equity ratio stood at 22.6% on September 30<sup>th</sup>, 2019.

## Sustained momentum

Business continue to be driven by strong and increasing demand for RF-SOI (200 and 300-mm wafers) in RF applications (Antenna Switches, Tuners, LNA - Low Noise Amplifiers) for most advanced 4G and first 5G generations of smartphones, which have significantly higher RF content and require more advanced technology. Last semester also confirmed "first wave" of adoption of FD-SOI in various IOT, Edge AI, Connectivity and Automotive applications. Other SOI products such as Photonics-SOI and Power-SOI continue to experience sustained demand.

## Outlook for fiscal year 20

Soitec confirms expecting FY'20 **sales to grow by around 30%** at constant exchange rates and perimeter<sup>1</sup> and **Electronics EBITDA<sup>2</sup> margin<sup>3</sup> to reach around 30%** based on a \$/€ rate at 1.13 (the sensitivity of EBITDA to a 10cts fluctuation of the \$/€ rate being estimated at 23 million Euros).

Given the high production level reached in the last quarter, and the product mix going forward, the Group now anticipates FY'20 **capital expenditure to reach around 110 million Euros** instead of 130 million Euros previously indicated.

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<sup>5</sup> The net debt position represents financial debt less cash and cash equivalents.

## Disclaimer

*This document was prepared by Soitec (the "Company") on November 27<sup>th</sup>, 2019 in connection with the announcement of the first half of fiscal year 2019-2020 ("FY'20") results.*

*This document is provided for information purposes only. It is public information only.*

*The Company's business operations and financial position is described in the Company's registration document 2018-2019 registered by the Autorité des marchés financiers (the "AMF") on July 4<sup>th</sup>, 2019 under visa D.19-0649 (the "Document de Référence") and in the Company's FY'20 half-year report. Copies of the Document de Référence are available in French and English languages through the Company and may as well be consulted on the AMF's website ([www.amf-france.org](http://www.amf-france.org)). The Document de Référence and the FY'20 half-year report can also be downloaded on the Company's website ([www.soitec.com](http://www.soitec.com)).*

*Your attention is drawn to the risk factors described in Chapter 2 of the Document de Référence. A review of these risk factors has been conducted after the closing of FY'20 first half and no new risk was found.*

*This document contains summary information and should be read in conjunction with the Document de Référence and the FY'20 half-year report. In the event of a discrepancy between this document and the Document de Référence or the FY'20 half-year report, the Document de Référence or, as the case may be, the FY'20 half-year report, shall prevail.*

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*The Company does not undertake any obligation to update or make any correction to any forward-looking statement in order to reflect an event or circumstance that may occur after the date of this document. In addition, the occurrence of any of the risks described in Chapter 2 of the Document de Référence may have an impact on these forward-looking statements.*

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## Agenda

Q3'20 sales are due to be published on January 21<sup>st</sup>, 2020 after market close (instead of January 15<sup>th</sup>, 2020 as previously indicated on the Company's website).

## About Soitec

Soitec (Euronext, Tech 40 Paris) is a world leader in designing and manufacturing innovative semiconductor materials. The company uses its unique technologies and semiconductor expertise to serve the electronics markets. With more than 3,500 patents worldwide, Soitec's strategy is based on disruptive innovation to answer its customers' needs for high performance, energy efficiency and cost competitiveness. Soitec has manufacturing facilities, R&D centers and offices in Europe, the U.S. and Asia.

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For more information, please visit [www.soitec.com](http://www.soitec.com) and follow us on Twitter: [@Soitec\\_EN](https://twitter.com/Soitec_EN)

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*Soitec is a French joint-stock corporation with a Board of Directors (Société Anonyme à Conseil d'administration) with a share capital of € 65,234,492.80, having its registered office located at Parc Technologique des Fontaines - Chemin des Franques - 38190 Bernin (France), and registered with the Grenoble Trade and Companies Register under number 384 711 909.*

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## Consolidated financial statements for H1'20

### Consolidated income statement

(Euro Millions)	H1'20 <i>(ended Sept. 30, 2019)</i>	H1'19 <i>(ended Sept. 30, 2018)</i>
Sales	258.5	186.9
Cost of sales	(171.0)	(120.8)
<b>Gross profit</b>	<b>87.4</b>	<b>66.1</b>
Sales and marketing expenses	(4.9)	(4.2)
Research and development expenses	(16.0)	(8.3)
General and administrative expenses	(15.3)	(12.0)
<b>Current operating income</b>	<b>51.3</b>	<b>41.6</b>
Other operating income / (expenses)	1.8	(0.0)
<b>Operating income</b>	<b>53.2</b>	<b>41.6</b>
Financial income	2.3	1.2
Financial expenses	(4.0)	(1.6)
<b>Financial income / (expense)</b>	<b>(1.7)</b>	<b>(0.4)</b>
<b>Profit before tax</b>	<b>51.5</b>	<b>41.2</b>
Income tax	(9.9)	(5.2)
<b>Net profit from continuing operations</b>	<b>41.6</b>	<b>35.9</b>
Net profit / (loss) from discontinued operations	(0.0)	(3.3)
<b>Consolidated net profit</b>	<b>41.5</b>	<b>32.6</b>
Non-controlling interests	-	-
<b>Net profit, Group share</b>	<b>41.5</b>	<b>32.6</b>

Balance sheet at September 30, 2019

<b>Assets</b>	<b>Sept. 30, 2019</b>	<b>March 31, 2019</b>
<b>(Euro Millions)</b>		
<i>Non-current assets:</i>		
Total intangible assets	75.1	38.5
Property, plant and equipment	287.4	253.6
Non-current financial assets	11.8	11.0
Other non-current assets	24.0	44.3
Deferred tax assets	24.6	25.6
<b>Total non-current assets</b>	<b>422.9</b>	<b>373.0</b>
<i>Current assets:</i>		
Inventories	122.0	72.3
Trade receivables	121.1	139.3
Other current assets	64.5	45.6
Current financial assets	0.2	0.3
Cash and cash equivalents	117.1	175.3
<b>Total current assets</b>	<b>424.9</b>	<b>432.8</b>
Assets held for sale and related to discontinued operations	16.3	16.7
<b>Total assets</b>	<b>864.0</b>	<b>822.5</b>

<b>Equity and liabilities</b>	<b>Sept. 30, 2019</b>	<b>March 31, 2019</b>
<b>(Euro Millions)</b>		
<i>Equity:</i>		
Share capital	65.2	62.8
Share premium	61.2	61.2
Reserves and retained earnings	318.7	269.5
Other reserves	7.2	4.8
<b>Equity, Group Share</b>	<b>452.3</b>	<b>398.3</b>
<b>Total consolidated equity</b>	<b>452.3</b>	<b>398.3</b>
<i>Non-current liabilities:</i>		
Long-term financial debt	195.7	199.2
Provisions and other non-current liabilities	30.4	21.4
<b>Total non-current liabilities</b>	<b>226.1</b>	<b>220.6</b>
<i>Current liabilities:</i>		
Short-term financial debt	23.6	22.6
Trade payables	76.0	62.2
Provisions and other current liabilities	80.9	112.6
<b>Total current liabilities</b>	<b>180.5</b>	<b>197.4</b>
Liabilities related to discontinued operations	5.0	6.2
<b>Total equity and liabilities</b>	<b>864.0</b>	<b>822.5</b>

## Consolidated cash-flows

(Euros millions)	H1'20 <i>(ended Sept. 30, 2019)</i>	H1'19 <i>(ended Sept. 30, 2018)</i>
Consolidated net profit / (loss)	41.5	32.6
<b>of which continuing operations</b>	<b>41.6</b>	<b>35.9</b>
Depreciation and amortization expenses	19.4	10.6
Provisions, net	(1.4)	(0.1)
Provisions for retirement benefit obligations	(0.1)	0.5
Income on assets disposals	(1.6)	(0.0)
Income tax (credit) / expense	9.9	5.2
Financial (income) / expense	1.7	0.4
Share-based payments	7.9	8.5
Other items	0.7	0.5
Non-cash items related to discontinued operations	(0.4)	1.9
<b>EBITDA<sup>1</sup></b>	<b>77.6</b>	<b>59.9</b>
<b>of which continuing operations</b>	<b>78.1</b>	<b>61.4</b>
<i>Increase / (decrease) in cash relating to:</i>		
Inventories	(47.2)	(19.6)
Trade receivables	20.8	(28.4)
Other receivables	(10.8)	(5.4)
Trade payables	11.7	5.7
Other liabilities	(16.5)	(5.9)
Change in working capital requirement on discontinued operations	(0.3)	1.1
<b>Change in working capital</b>	<b>(42.2)</b>	<b>(52.4)</b>
<b>of which continuing operations</b>	<b>(41.8)</b>	<b>(53.5)</b>
<b>Net cash generated by / (used in) operating activities</b>	<b>35.5</b>	<b>7.7</b>
<b>of which continuing operations</b>	<b>36.2</b>	<b>8.1</b>

(Euro Millions)	H1'20 <i>(ended Sept. 30, 2019)</i>	H1'19 <i>(ended Sept. 30, 2018)</i>
<b>Net cash generated by / (used in) operating activities</b>	<b>35.5</b>	<b>7.7</b>
<b><i>of which continuing operations</i></b>	<b>36.2</b>	<b>8.1</b>
Purchases of intangible assets	(12.3)	(9.8)
Purchases of property, plant and equipment	(38.9)	(56.3)
Proceeds from sales of intangible assets and property, plant and equipment	1.9	0.9
Acquisition of a subsidiary, net of cash acquired	(25.5)	1.8
(Acquisitions) and disposals of financial assets	(0.7)	(1.5)
Flows from (investing) / divestment activities on discontinued operations	-	0.0
<b>Net cash generated by / (used in) investing activities</b>	<b>(75.5)</b>	<b>(64.9)</b>
<b><i>of which continuing operations</i></b>	<b>(75.5)</b>	<b>(64.9)</b>
Proceeds from shareholders: capital increases and exercise of stock options	-	-
Net proceeds from 2023 OCEANE bonds issued	-	147.6
Drawing of credit lines	1.2	-
Repayment of borrowings (including finance leases)	(15.5)	(38.5)
Interest received	0.2	0.4
Interest paid	(1.2)	(0.3)
Financing flows related to discontinued operations	0.0	0.1
<b>Net cash generated by / (used in) financing activities</b>	<b>(15.2)</b>	<b>109.2</b>
<b><i>of which continuing operations</i></b>	<b>(15.3)</b>	<b>109.1</b>
Effects of exchange rate fluctuations	(3.0)	2.6
<b>Change in net cash</b>	<b>(58.2)</b>	<b>54.6</b>
<b><i>of which continuing operations</i></b>	<b>(57.5)</b>	<b>54.9</b>
<b>Cash at beginning of the period</b>	<b>175.3</b>	<b>120.0</b>
<b>Cash at end of the period</b>	<b>117.1</b>	<b>174.6</b>