SOITEC REPORTS FIRST HALF'17 RESULTS

- **Sustained growth in revenues driven by Communication & Power products: +4% growth at constant exchange rates**
- **Substantial improvement in operating profitability: current operating income of € 9.4m**
- **Net result in positive territory: €3.1m**
- **Net debt significantly reduced (€35m) and net equity restored (€140m)**
- **Further important milestones reached in the adoption of the FD-SOI technology**
- **Outlook FY'17: low single-digit revenue growth at constant exchange rates and H2'17 EBITDA[1] margin for Electronics[2] in the same order of magnitude as H1'17 (16.5%)**

Bernin (Grenoble), France, December 8th, 2016 – Soitec (Euronext Paris), a world leader in generating and manufacturing revolutionary semiconductor materials, today announced its results[3] for the first half of its fiscal year 2017 (H1'17 - period ended on September 30th, 2016). The financial statements were approved by the Board of directors during its meeting held on December 6th, 2016.

Paul Boudre, Soitec's CEO and Chairman of the Board, commented: *"As committed, we successfully refocused our business on Electronics and repositioned Soitec on a path to deliver profitable growth. In the first half of our fiscal year, our solid sales performance combined with tighter operating and financial discipline have led Soitec to report a positive net profit.*

[1] The EBITDA represents the operating gain (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. This indicator 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.

[2] Electronics EBITDA margin = EBITDA from continuing operations / Sales.

[3] Limited review on the consolidated accounts has been performed by KPMG and E&Y auditors.

“We continue to benefit from a sustained momentum in radio frequency and power applications for the mobile and automotive markets. Meanwhile, our confidence in the forthcoming large-scale adoption of FD-SOI technology by the semiconductor industry is reinforced by new milestones achieved in terms of industrial readiness and product launches. With a restored balance sheet and the resources we need to finance our growth investments, we are in a strong position to capitalize on the promising prospects of consumer electronics markets,” added Paul Boudre.

Sustained growth in revenues and substantial improvement in operating profitability

As previously reported, Soitec’s refocus on Electronics operations decided in January 2015 was virtually completed on March 31, 2016. Consequently, the H1’17 residual income and expenses related 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 Group consolidated income fully and exclusively reflects the Electronics activity as well as the Group’s corporate functions expenses. The H1’16 financial statements have been restated to ensure comparability with the H1’17 financial statements.

Group consolidated income statement (part 1)

(Euros millions)	**H1’17**	**H1’16 restated**	***% change***
Sales	112.1	108.9	*+3%*
Gross profit	32.0	27.1	*+18%*
As a % of sales	*28.6%*	*24.9%*	
Research and development expenses	(9.7)	(8.0)	*+20%*
Selling, general and administrative expenses	(12.9)	(11.1)	*+16%*
Current operating income	9.4	7.9	*+19%*
As a % of sales	*8.4%*	*7.3%*	
EBITDA (continuing operations)	18.5	15.0	*+23%*
As a % of sales	*16.5%*	*13.8%*	

Consolidated H1’17 revenues came to 112.1 million Euros, a 3% increase (+4% at constant exchange rates), compared with the previous financial year. This growth was primarily driven by higher sales of 200mm wafers (78% of H1’17 sales) which rose by 5% at constant exchange rates, supported by the steady demand for radio frequency and power electronics applications in the mobile and automotive markets. Sales of 300mm wafers (20% of H1’17 sales) recorded a slight decrease (-1% at constant exchange rates) reflecting the ongoing and anticipated decline of the PD-SOI product line. Revenues from royalties and IP (2% of H1’17 sales) went up by 9% at constant exchange rates.

Gross profit reached 32.0 million Euros (or 28.6% of revenues) in H1'17, up from 27.1 million Euros (or 24.9% of revenues) in the previous financial year. This reflects higher volumes, a more favourable product mix and a good control over the production costs at the Bernin I plant (200mm wafers) which has been running at full capacity, while the level of capacity utilization at the Bernin II facility (300mm wafers) remained low.

Net R&D expenses rose to 9.7 million Euros or 8.6% of revenues, from 8.0 million Euros or 7.4% of revenues in H1'16, reflecting an increase in gross R&D expenses related to FD-SOI, whilst prototype sales, subsidies and income tax credit were almost stable.

Sales and marketing expenses went up to 3.4 million Euros from 2.6 million Euros in H1'16 essentially to support the efforts aimed at promoting the adoption of the FD-SOI technology. In the meantime, general and administrative expenses were up to 9.5 million Euros from 8.5 million Euros in H1'16 reflecting an increase in total payroll. All in all, H1'17 selling, general and administrative expenses came to 12.9 million Euros or 11.5% of revenues, compared with 10.2% in the previous financial year.

H1'17 current operating income came to 9.4 million Euros, compared with a current operating income of 7.9 million Euros in the previous financial year.

In H1'17, the EBITDA of the continuing operations (Electronics) stands at 18.5 million Euros, or 16.5% of sales, above the initial annual target of c. 15%. This compares with an EBITDA of 15.0 million Euros, or 13.8% of sales in H1'16.

Net result in positive territory

The withdrawal from non-core businesses, the profitable growth generated in Electronics business as well the sharp decline in net financial expenses led Soitec to report a positive net result in H1'17.

Group consolidated income statement (part 2)

(Euros millions)	H1'17	H1'16 restated
Current operating income	9.4	7.9
Other operating income and expenses	(1.2)	(5.3)
Operating income	8.2	2.6
Net financial expenses	(5.9)	(12.7)
Income tax	(0.2)	(0.3)
Net profit / (loss) from continuing operations	2.1	(10.4)
Net profit / (loss) from discontinued operations	1.1	(32.4)
Net profit / (loss)	3.1	(42.8)

A net amount of 1.2 million Euros was recognized in other operating expenses in H1'17, mainly as a result of legal fees arising from an industrial property litigation in the United States. The operating income totaled 8.2 million Euros, compared with 2.6 million Euros in the previous financial year.

The Group recorded net financial expenses of 5.9 million Euros, compared with a charge of 12.7 million Euros in the previous financial year.

Financial expense related to the OCEANE bonds went down from 5.0 million Euros to 2.4 million Euros following the repayment of close to 60% of these bonds in June 2016, but a one-off charge of 2.2 million Euros related to this repurchase was recorded. Interest expense on the bridging loans granted by CEA, Shin Etsu Handotai and BPIfrance went down from 1.1 million Euros to 0.4 million Euros as a result of the full repayment in May 2016 of these loans. Interest expense on finance leases went slightly up from 0.5 to 0.7 million Euros. A non-recurring financial expense amounting to 0.6 million was recorded. In relation with the security deposit on the Touwsrivier Solar Power Plant bond in South Africa, a financial income of 0.6 million Euros was recognized whilst a provision of €5.0 million Euros was made in H1'16. Finally, a net foreign exchange gain of 0.3 million Euros was recorded in H1'17 compared to a net foreign exchange loss of 0.2 million Euros in H1'16.

Net profit after tax from continuing operations therefore stood at 2.1 million Euros in H1'17 compared with a net loss of 10.4 million Euros in H1'16.

Following the withdrawal from the Solar activities as well as from the Lighting and Equipment activities, the residual income and expenses related to these businesses were recorded under discontinued operations. With an operating loss of 1.9 million Euros (versus 4.9 million Euros in H1'16) and a net financial income of 2.9 million Euros (versus a loss of 27.1 million Euros in H1'16), the net profit from discontinued operations stood at 1.1 million Euros compared to a net loss of 32.4 million Euros in H1'16.

As a result, Soitec recorded a net profit of 3.1 million Euros in H1’17, compared with a net loss of 42.8 million Euros in the previous financial year.

Net cash generation boosted by financing activities

The cash generated by Soitec during H1’17 mainly came as a result of the financing activities (capital increases minus loan repayments) whilst the cash used by the discontinued operations was limited to 3.7 million Euros.

H1’17 cash-flow statement

(Euros millions)	Continuing operations	Discontinued operations	Total
Net profit	2.1	1.1	3.1
Depreciation	11.1		
Other non-cash items	5.3	(5.9)	10.5
EBITDA	18.5	(4.8)	13.6
Change in working capital	(16.3)	0.3	(15.9)
Net cash generated by operating activities	2.2	(4.5)	(2.3)
Net cash generated by / (used in) investing activities	(3.0)	0.8	(2.2)
Share capital increases and exercise of stock options	145.3	-	145.3
Drawing on credit lines	9.2	-	9.2
Loan repayment (incl. finance leases)	(110.7)	-	(110.7)
Net financial charges	(5.4)	-	(5.4)
Net cash generated by / (used in) financing activities	38.5	-	38.5
Impact of exchange rate fluctuations	0.1	-	0.1
Change in net cash	37.8	(3.7)	34.1

In H1’17, net cash generated by operating activities was negative at (2.3) million Euros. This broke down into an inflow of 2.2 million Euros generated by the continuing operations, more than offset by the outflow of 4.5 million euros used by the discontinued activities.

Non-cash items related to the continuing operations amount to 16.4 million Euros, including 11.1 million Euros of depreciation. The EBITDA of the continuing operations (Electronics) stands at 18.5 million Euros (up 23% compared to H1'16) whilst the change in working capital was negative by 16.3 million Euros.

A net amount of cash of 3.0 million Euros was used in investing activities related to the continuing operations, whilst financial assets related to the discontinued operations generated 0.8 million Euros. Overall, the net cash used by investing activities amounts to 2.2 million Euros.

Net cash generated by financing activities essentially reflect the strengthening of the balance sheet which was conducted in May and June 2016. Net proceeds from share capital increases amounted to 145 million Euros. These proceeds were used to repurchase OCEANE bonds for approximately 58.4 million Euros and to repay expiring bridging loans for around 44.8 million Euros. In addition, Soitec drew 9.2 million Euros on credit lines and paid 5.4 million in net financial charges leading to 38.5 million Euros of net cash generated by financing activities.

Overall, Soitec's net cash position has increased by 34.1 million Euros during H1'17.

Major strengthening of Soitec's financial position

Soitec raised a gross amount of around 151.9 million Euros in funds in H1'17 to reinforce its balance sheet and give the Group the financial resources it needs to finance its growth investments. This capital injection was also a mean to strengthen its shareholder structure with Bpifrance, CEA Investissement, and NSIG Sunrise now each holding a 14.5% shareholding in Soitec.

Around 76.5 million Euros were raised through three increases in capital reserved for Bpifrance Participations, CEA Investissement and NSIG Sunrise, followed by a rights issue through which Soitec raised a gross amount of 75.4 million Euros, including the issue premium. As a result, Soitec shareholders' equity has been restored, standing at 140 million Euros on September 30th, 2016 from negative 8 million Euros on March 31st, 2016.

Gross debt was reduced by 100 million Euros during the period (from 219 to 119 million Euros). Indeed, using the funds raised plus a portion of its available cash, Soitec was able to redeem its borrowings maturing in May 2016 (around 50 million Euros, including a portion redeemed through the offset of receivables) and buy back OCEANE bonds (around 60 million Euros out of the total initial issuance of 103 million Euros).

Soitec has also secured the resources it needs to fund investments in production capacity to manufacture FD-SOI at the Bernin site (around 40 million Euros). Cash and cash equivalents stand at 83 million Euros on September 30th, 2016 compared to 49 million Euros on March 31st, 2016.

Net debt consequently stands at 35 million Euros on September 30th, 2016 compared to 170 million Euros on March 31st, 2016.

Business trends

Demand remains robust for RF-SOI products in mobile applications and for Power-SOI products in automotive. Bernin I 200mm wafer production site continue to run at full capacity and demand is already strong for calendar year 2017.

As Soitec's Shanghai-based industrial partner Simgui successfully achieved first customer qualifications for 200mm SOI wafers in October 2016, industrial production is now expected to ramp up, bringing additional capacity for Soitec to meet customers' demand and continue to benefit from sustained growth in 200mm wafers.

In 300mm, a low-point was reached in Q2'17. As expected, activity for PD-SOI products steadily continues to contract. However, multiple foundries and their fabless customers are engaged in the development of products based on 300mm wafers for RF and volume ramp up is now expected in calendar year 2017.

Still in 300mm, the FD-SOI ecosystem continues to strengthen: further progress in the adoption of FD-SOI by the semi-conductor industry was achieved in the past few months.

In particular, the first consumer electronics product driven by FD-SOI technology was launched in China in August 2016. AMAZFIT, the fitness smartwatch by Huami (a Xiaomi partner company), includes a FD-SOI-based GPS chip enjoying a record energy efficiency level. The chip allows the watch to reach a very long battery life with the GPS turned on. The production of FD-SOI-based chips to serve tier-1 fabless customers has started for 28nm and is expected in 2017 for 22 nm. Further products are due to be launched in the coming months (Internet of Things, infrastructure, automotive).

In the meantime, GLOBALFOUNDRIES unveiled the extension of its FD-SOI roadmap. In addition to its existing platform (22FDX™), the upcoming 12nm FD-SOI semiconductor technology will bring opportunity to its fabless customers to expand their product roadmaps for mobile applications beyond 22nm FD-SOI.

Outlook

FY'17 Electronics sales are expected to grow at low single digit at constant exchange rates. Soitec will benefit from further growth in 200mm thanks to solid demand in RF-SOI and Power-SOI whilst 300mm business is expected to start recovering in H2'17 from the low point reached in Q2'17 with new products offsetting the further anticipated slowdown of PD-SOI.

Supported by the full utilization of its 200mm manufacturing capacity and the improved gross margin recorded in H1'17, Soitec expects its operating profitability to be sustained and H2'17 Electronics EBITDA margin to be in the same order of magnitude as in H1'17 (16.5%).

Beyond FY'17, further sales and EBITDA gradual increase is expected.

Soitec will continue to benefit from the continuous growth in RF-SOI and from the opportunity to leverage its partnership with Simgui who will bring an additional annual capacity of 150,000 SOI wafers (200mm) by 2018. In the meantime, Soitec has the internal manufacturing capacity to support the expected growth in 300mm RF-SOI.

Soitec also benefits from significant manufacturing capability to support the early stages of FD-SOI adoption as evidenced by the contemplated investment of 40 million Euros in Bernin II aimed at progressively boost FD-SOI production capacity from 100,000 to 400,000 FD-SOI wafers (300mm) per year.

Agenda

Q3'17 sales are due to be published on January 25th, 2017 after market close.

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 3,000 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.

For more information, please visit www.soitec.com and follow us on Twitter: @Soitec_EN

Investor Relations:

Steve Babureck
+33 (0)6 16 38 56 27
+1 858 519 6230
steve.babureck@soitec.com

Media Contact:

Camille Dufour
+33 (0)6 79 49 51 43
camille.dufour@soitec.com

Isabelle Laurent
+33 (0)1 53 32 62 51
isabelle.laurent@ddbfinancial.fr

Fabrice Baron
+33(0)1 53 32 61 27
fabrice.baron@ddbfinancial.fr

# # #

Consolidated financial statements for H1'17

Consolidated income statement

(Euros millions)	H1'17 *(ended Sept. 30, 2016)*	H1'16 restated *(ended Sept. 30, 2015)*
Sales	112.1	108.9
Cost of sales	(80.1)	(81.8)
Gross profit	32.0	27.1
Sales and marketing expenses	(3.4)	(2.6)
Research and development expenses	(9.7)	(8.0)
General and administrative expenses	(9.5)	(8.5)
Current operating income	9.4	7.9
Other operating income	-	-
Other operating expenses	(1.2)	(5.3)
Operating income	8.2	2.6
Financial income	1.0	0.1
Financial expenses	(6.9)	(12.8)
Financial income / (expense)	**(5.9)**	**(12.7)**
Profit / (loss) before tax	2.3	(10.1)
Income tax	(0.2)	(0.3)
Net profit / (loss) from continuing operations	2.1	(10.4)
Net profit / (loss) from discontinued operations	1.1	(32.4)
Consolidated net profit / (loss)	3.1	(42.8)
Non-controlling interests	-	-
Net profit / (loss)	3.1	(42.8)

Balance sheet at September 30, 2016

Assets	Sept. 30, 2016	March 31, 2016
(Euros millions)		
Non-current assets:		
Goodwill and other intangible assets	2.8	3.8
Capitalized development projects	1.7	1.9
Total intangible assets	**4.5**	**5.7**
Property, plant and equipment	116.5	120.6
Non-current financial assets	9.8	8.9
Other non-current assets	22.1	24.7
Total non-current assets	152.9	159.9
Current assets:		
Inventories	32.1	30.9
Trade receivables	33.5	40.4
Other current assets	20.3	17.5
Current financial assets	0.2	1.4
Cash and cash equivalents	83.1	49.1
Assets held for sale and related to discontinued operations	27.2	25.9
Total current assets	196.6	165.2
Total assets	349.5	325.1

Equity and liabilities	Sept. 30, 2016	March 31, 2016
(Euros millions)		
Equity:		
Share capital	60.6	23.1
Share premium	888.1	780.4
Treasury shares	(0.5)	(0.5)
Retained earnings (accumulated losses)	(812.9)	(817.1)
Other reserves	4.6	6.1
Equity	**139.9**	**(7.8)**
Total equity	139.9	(7.8)
Non-current liabilities:		
Long-term financial debt	101.9	160.0
Provisions and other non-current liabilities	16.3	14.1
Total non-current liabilities	118.2	174.1
Current liabilities:		
Short-term financial debt	16.7	59.0
Trade payables	27.4	42.6
Provisions and other current liabilities	34.6	40.9
Liabilities related to discontinued operations	12.8	16.5
Total current liabilities	91.4	158.9
Total equity and liabilities	349.5	325.1

Consolidated statement of cash-flows

(Euros millions)	H1'17 (ended Sept. 30, 2016)	H1'16 restated (ended Sept. 30, 2015)
Net profit / (loss) from continuing operations	**2.1**	**(10.4)**
Net profit / (loss) from discontinued operations	1.1	(32.4)
Consolidated net profit / (loss)	3.1	(42.8)
Elimination of non-cash items:		
Share of profit / (loss) of equity-accounted companies	-	-
Depreciation and amortization expenses	11.1	13.1
Impairment of non-current assets and accelerated depreciation / amortization	(0.4)	0.3
Provisions, net	(1.2)	(1.0)
Provisions for retirement benefit obligations	0.3	0.3
Income on assets disposals	(0.3)	(0.1)
Change in taxes	0.2	0.3
Financial income / (expenses)	5.9	12.7
Share-based payments	0.9	(0.2)
Non-cash items related to discontinued operations	(5.9)	2.5
Total non-cash items	10.5	27.9
of which continuing operations	***16.4***	***25.4***
EBITDA	13.6	(14.9)
of which continuing operations	***18.5***	***15.0***
Increase / (decrease) in cash relating to:		
Inventories	(3.1)	(6.4)
Trade receivables	6.9	1.9
Other receivables	(1.1)	6.5
Trade payables	(14.2)	(9.8)
Other liabilities	(4.8)	4.1
Change in working capital requirement on discontinued operations	0.3	19.7
Change in working capital	(15.9)	16.0
of which continuing operations	***(16.3)***	***(3.7)***
Net cash generated by / (used in) operating activities	(2.3)	1.1
of which continuing operations	***2.2***	***11.3***

(Euros millions)	**H1'17** *(ended Sept. 30, 2016)*	**H1'16 restated** *(ended Sept. 30, 2015)*
Net cash generated by / (used in) operating activities	(2.3)	1.1
of which continuing operations	***2.2***	***11.3***
Purchases of intangible assets	(0.6)	(0.3)
Purchases of property, plant and equipment	(3.5)	(2.5)
Proceeds from sales of intangible assets and property, plant and equipment	0.3	0.1
(Acquisitions) and disposals of financial assets	0.8	(1.2)
Flows from (investing) / divestment activities on discontinued operations	0.8	28.6
Net cash generated by / (used in) investing activities	(2.2)	24.8
of which continuing operations	***(3.0)***	***(3.8)***
Proceeds from shareholders: capital increases and exercise of stock options	145.3	-
ABSAAR redeemable warrants	-	(0.7)
Issuance of debt	-	65.4
Drawing of credit lines	9.2	-
Repayment of borrowings (including finance leases)	(110.7)	(19.7)
Interest received	0.1	0.1
Interest paid	(5.4)	(4.7)
Financing flows related to discontinued operations	-	(18.2)
Net cash generated by financing activities	38.5	22.2
of which continuing operations	***38.5***	***40.3***
Effects of exchange rate fluctuations	0.1	-
Change in net cash	34.1	48.1
of which continuing operations	***37.8***	***59.4***
Cash at beginning of the period	***49.1***	***22.9***
Cash at end of the period	***83.1***	***71.1***