



## SOITEC REPORTS FY'19 SECOND QUARTER REVENUES

- **Q2'19 revenues reached €95m, up 31% on a like-for-like basis<sup>1</sup> compared with Q2'18**
- **200-mm wafer sales increased by 11% on a like-for-like basis<sup>1</sup> compared with Q2'18**
- **300-mm wafer sales up 78% on a like-for-like basis<sup>1</sup> versus Q2'18**
- **H1'19 revenues reached €187m, up 36% on a like-for-like basis<sup>1</sup> compared with H1'18**
- **FY'19 sales guidance unchanged at above +35% on a like-for-like basis<sup>1</sup>**
- **FY'19 Electronics EBITDA<sup>2</sup> margin<sup>3</sup> guidance upgraded to around 30%**

**Bernin (Grenoble), France, October 17<sup>th</sup>, 2018** – Soitec (Euronext Paris), a world leader in designing and manufacturing innovative semiconductor materials, today announced consolidated revenues of 95.0 million Euros for the second quarter of FY'19 (ended September 30<sup>th</sup>, 2018), up 29% compared with 73.3 million Euros in the second quarter of FY'18. This represents a 31% increase on a like-for-like basis<sup>1</sup>.

On a sequential basis, second quarter FY'19 revenues were up 2% like-for-like<sup>1</sup> compared to the first quarter of FY'19.

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<sup>1</sup> Like-for-like: at constant exchange rates and comparable scope of consolidation; scope effects relate to the acquisitions of Frech'n'sys in October 2017 and Dolphin Integration assets in August 2018, both included in the segment Royalties and other revenues

<sup>2</sup> 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, excluding income on asset disposals. 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.

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

Paul Boudre, Soitec's CEO, commented: ***“We enjoyed another strong performance in the second quarter. Growth continues to be supported by higher sales in both FD-SOI and RF-SOI 300-mm wafers. This provides further evidence of the growing adoption of our FD-SOI technology by end-customers. In the meantime, we are benefitting from the sustained success of our RF-SOI technology and more particularly from the ramp-up of RF 300-mm as confirmed by recent announcements made by some foundries. Last but not least, we enjoyed a strong operating performance at our various production sites, leading us to upgrade our Ebitda margin guidance for the full year.”***

## **Second quarter FY'19 business review by business unit**

### ***Communication & Power***

Sales of products for radiofrequency applications have been growing steadily quarter after quarter as the content of RF-SOI based products in smartphones is increasing. The demand for handling greater volumes of data at faster speeds is leading to the adoption of advanced communication protocols, including LTE, LTE-Advanced and LTE-Advanced Pro. This translates into a higher number of frequency bands, which in turn results in more RF-SOI content and greater RF complexity. The latest generation of smartphones include multiple antennas which require a new type of RF module called MIMO (Multi Input Multi Output) 4x4 to be able to handle multiple antennas and significantly multiply the content of RF-SOI with more Switches, LNA's (Low Noise Amplifiers) and Power Amplifiers.

In this context, the strong increase in sales of RF-SOI wafers in the second quarter of FY'19 compared to the second quarter of FY'18 has essentially been supported by sales of RF-SOI 300-mm wafers that are suitable for more advanced processes and that are increasingly complementing Soitec's RF-SOI 200-mm offering. On a sequential basis, sales of RF-SOI 300-mm wafers remained at the same high level as in the first quarter of FY'19.

Sales of Power-SOI products have also been regularly growing over the past few quarters, with another double-digit sequential growth recorded in the second quarter of FY'19. This product line enables high reliability, energy-efficiency and cost-effectiveness in transceivers integrated circuits for the automotive industry, industrial applications as well as for consumer and white goods.

### ***Digital***

In the digital business unit, the single-digit sequential growth recorded in FY'19 second quarter sales essentially comes from a further strong increase in sales of FD-SOI (fully depleted silicon-on-insulator) wafers for processors and connectivity system-on-chips. This shows evidence of the growing adoption of the FD-SOI technology with products manufactured by multiple foundries at the 65nm, 28nm and 22nm nodes. Today, more than 100 end-customers are engaged in designing, testing and qualifying products using FD-SOI. This technology provides

strong value across many applications such as automotive (ADAS, Infotainment, Radar/ Lidar), smartphones (5G components for handsets and base stations), IOT and Home (wireless communication, single chip SOC, Edge Computing / AI Processors, ISP for security cameras) and the Cloud (cyber currency, blockchain processing).

The level of sales of Imager-SOI substrates, which provide the highest level of performance in 3D imaging for consumer application, was lower in the second quarter of FY'19 due to inventory management by Soitec's customers, after a very strong first quarter. Facial recognition based on this 3D IR imaging is gaining traction on the market and is now offered on multiple smartphones models.

The supply of Photonics-SOI for silicon-based optical transceivers is supported by the demand for increasing data transmission speed and cost-effective optical transmissions required for the new generation of data centers and telecommunications network. The level of Photonics-SOI sales has increased in the second quarter of FY'19 compared to the first quarter of FY'19 but remains lower than in the second quarter of FY'18 due to quarter to quarter demand fluctuation in an overall growing segment.

Sales related to PD-SOI wafers (partially depleted silicon-on-insulator), Soitec's legacy digital technology that is still used for ASICs, servers and networking applications, are significantly higher in the second quarter of FY'19 than in the second quarter of FY'18 as well as on a sequential basis.

## Second quarter FY'19 consolidated sales (unaudited)

	Q2'18	Q2'19	Q2'19/Q2'18	
(Euros thousands)			<i>change reported</i>	<i>change like-for-like<sup>1</sup></i>
200-mm	47,389	<b>51,150</b>	<b>+8%</b>	<b>+11%</b>
300-mm	23,743	<b>41,261</b>	<b>+74%</b>	<b>+78%</b>
Royalties and other revenues	2,214	<b>2,547</b>	<b>+15%</b>	<b>-26%</b>
<b>Total revenues</b>	<b>73,345</b>	<b>94,957</b>	<b>+29%</b>	<b>+31%</b>

Compared to the second quarter of FY'18, 200-mm wafer sales enjoyed an 11% growth on a like-for-like basis<sup>1</sup> whereas 300-mm wafer sales have grown by 78% like-for-like<sup>1</sup>. This resulted in a further rebalancing of Soitec wafer sales breakdown: 300-mm wafer sales rose from 32% of total sales in the second quarter of FY'18 to 43% of total sales in the second quarter of FY'19; consequently, the proportion of 200-mm wafer sales went down from 65% to 54% of total sales.

### **200-mm wafer sales**

In the second quarter of FY'19, sales of 200-mm RF-SOI and Power-SOI wafers went up 11% on a like-for-like basis<sup>1</sup> compared with the second quarter of FY'18. Driven by Power-SOI wafers sales, this increase reflects a combination of slightly higher volumes, a more favorable product mix as well as price increases.

Sales coming from the outsourced production of 200-mm wafers have been higher than in the same period last year. This was partially offset by slightly lower volumes sold from Soitec's Bernin I production site. Indeed, benefiting from a strong demand, Soitec has decided to focus on higher value-added products.

On a sequential basis, sales of 200-mm wafers were flat like-for-like<sup>1</sup> compared to the first quarter of FY'19.

### **300-mm wafer sales**

In the second quarter of FY'19, sales of 300-mm wafers were up 78% on a like-for-like basis<sup>1</sup> compared with the second quarter of FY'18. This results from higher volumes, but also, to a lesser extent, from a better combined mix and price effect. By product type, the sales increase essentially reflects a very strong surge in sales of both FD-SOI and RF-SOI 300-mm wafers which are clearly the two most important components of 300-mm wafer sales. Sales of PD-SOI product line were also up.

On a sequential basis, 300-mm wafer sales of the second quarter of FY'19 were 4% higher on a like-for-like basis<sup>1</sup> than in the first quarter of FY'19. The capacity utilization rate of Bernin II 300-mm production site, which reached more than 50% towards the end of FY'18, has further increased in the first half of FY'19 thanks to higher volumes of both FD-SOI and RF 300-mm wafers. It currently stands well above 60%.

### **Royalties and other revenues**

Revenues from royalties and intellectual property reached 1.6 million Euros compared to 2.2 million Euros achieved in the second quarter of FY'18.

Other revenues, amounting to 1.0 million Euros, came from the first consolidation of Frec|n|sys, acquired in October 2017, and Dolphin Integration assets, acquired in August 2018 (*please see below more information about Dolphin Integration assets acquisition in the key events of the second quarter of FY'19*).

Overall, total Royalties and other revenues reached 2.6 million Euros, down 26% on a like-for-like basis vs. the second quarter of FY'18, i.e. at constant exchange rates and excluding the above described scope effect.

## First half FY'19 consolidated sales (unaudited)

(Euros thousands)	H1'18	H1'19	H1'19/H1'18	
			change reported	change like-for-like <sup>1</sup>
200-mm	93,923	<b>102,038</b>	<b>+9%</b>	<b>+13%</b>
300-mm	44,867	<b>80,595</b>	<b>+80%</b>	<b>+87%</b>
Royalties and other revenues	4,186	<b>4,262</b>	<b>+2%</b>	<b>-21%</b>
<b>Total revenues</b>	<b>142,976</b>	<b>186,896</b>	<b>+31%</b>	<b>+36%</b>

For the first half of FY'19, revenues reached 186.9 million Euros, up 36% on a like-for-like basis<sup>1</sup> compared with the first half of FY'18.

200-mm wafer sales were up 13% on a like-for-like basis<sup>1</sup> compared to the first half of FY'18 while 300-mm wafer sales were up 87% on a like-for-like basis<sup>1</sup>.

## Key events of the second quarter of FY'19

### ***Acquisition of Dolphin Integration assets through a new entity formed with MBDA***

On August 21<sup>st</sup>, 2018, Soitec announced the acquisition of Dolphin Integration assets through a dedicated entity that is 60% owned by Soitec and 40% owned by MBDA, a European group jointly owned by Airbus, BAE Systems and Leonardo specialized in designing and producing missiles and missile systems. Dolphin Integration has been fully consolidated into Soitec's financial statements since then. The ambition of the two shareholders is to develop Dolphin Integration into a leading provider of energy efficient semiconductor design and silicon IP solutions.

Dolphin Integration is an industry recognized provider of semiconductor design, silicon IP and SoC (System-On-Chip) solutions for low power applications. Headquartered in Grenoble, Dolphin Integration employs 155 people, including 130 design engineers.

Dolphin Integration's skillset will allow Soitec to provide a full IP and service offering related to energy efficient solutions for chip design on FD-SOI. This is a major differentiating factor for FD-SOI and it is expected to be a key accelerator of FD-SOI adoption in major market segments.

## ***New milestones reached by the ecosystem in the ramp-up of RF-SOI 300-mm technology***

On June 27<sup>th</sup>, 2018, TowerJazz announced a ramp for its RF-SOI 65nm process in its 300-mm Japanese production site. This announcement was supported by the signing of an agreement with Soitec guaranteeing the supply of tens of thousands RF-SOI 300-mm wafers.

On September 25<sup>th</sup>, 2018 GlobalFoundries announced that its mobile-optimized 8SW 300-mm RF-SOI technology platform has been qualified and entered in production. GlobalFoundries has indicated that several of its clients were currently engaged for this RF-SOI 300-mm process, tailored to accommodate aggressive LTE and Sub-6 GHz standards for front-end module applications, including 5G IoT, mobile device and wireless communications. According to GlobalFoundries, 8SW platform delivers significant performance, integration and area advantage with up to 70% power reduction and 20% smaller overall die size compared to the previous generation.

## **Outlook**

Soitec reiterates its FY'19 sales guidance. FY'19 sales are still expected to grow by more than 35% on a like-for-like basis<sup>1</sup>. In the meantime, supported by strong operating performance at its Bernin I and Bernin II production sites as well as good progress being made in the qualification of its 300-mm pilot line at its Singapore facility, Soitec is upgrading its FY'19 Electronics EBITDA<sup>2</sup> margin<sup>3</sup> guidance which is now expected to reach around 30% against around 27% previously expected.

## **Disclaimer**

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## **Agenda**

First half FY'19 results are due to be published on November 28<sup>th</sup>, 2018, 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.

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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 € 62,762,070.50, 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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## Appendix

Consolidated sales (Q2 FY'19 unaudited)

Quarterly sales (Euros thousands)	Q2		Q3		Q4		Q1		Q2	
	'17	'18	'17	'18	'17	'18	'18	'19	'18	'19
200-mm	44,706	<b>47,389</b>	47,896	<b>49,355</b>	47,215	<b>49,136</b>	46,534	<b>50,889</b>	47,389	<b>51,150</b>
300-mm	10,676	<b>23,743</b>	13,366	<b>24,938</b>	21,266	<b>36,495</b>	21,124	<b>39,335</b>	23,743	<b>41,261</b>
Royalties and other revenues	1,314	<b>2,214</b>	1,806	<b>1,677</b>	2,026	<b>6,055</b>	1,973	<b>1,714</b>	2,214	<b>2,547</b>
<b>Total revenues</b>	<b>56,697</b>	<b>73,345</b>	<b>63,068</b>	<b>75,969</b>	<b>70,506</b>	<b>91,686</b>	<b>69,630</b>	<b>91,938</b>	<b>73,345</b>	<b>94,957</b>

Quarterly sales (vs previous year)	Q2'18		Q3'18		Q4'18		Q1'19		Q2'19	
	change reported	change like-for-like <sup>1</sup>	change reported	change like-for-like <sup>1</sup>	change reported	change like-for-like <sup>1</sup>	change reported	change like-for-like <sup>1</sup>	change reported	change like-for-like <sup>1</sup>
200-mm	+6.0%	<b>+7.1%</b>	+3.0%	<b>+8.8%</b>	+4.1%	<b>+13.9%</b>	+9.4%	<b>+16.4%</b>	+7.9%	<b>+10.6%</b>
300-mm	+122.4%	<b>+124.8%</b>	+86.6%	<b>+97.1%</b>	+71.6%	<b>+87.8%</b>	+86.2%	<b>+98.2%</b>	+73.8%	<b>+78.0%</b>
Royalties and other revenues	+68.4%	<b>+70.2%</b>	-7.2%	<b>-2.0%</b>	+198.9%	<b>+227.0%</b>	-13.1%	<b>-7.5%</b>	+15.1%	<b>-26.2%</b>
<b>Total revenues</b>	<b>+29.4%</b>	<b>+30.8%</b>	<b>+20.5%</b>	<b>+27.2%</b>	<b>+30.0%</b>	<b>+42.3%</b>	<b>+32.0%</b>	<b>+40.5%</b>	<b>+29.5%</b>	<b>+31.3%</b>