



SOITEC ANNOUNCES HALF-YEAR RESULTS FOR 2013-2014

Berlin, France, November 20, 2013 – Soitec (Euronext), world leader in generating and manufacturing high performance semiconductor materials for electronics and energy, announced today its audited consolidated results for the first six months of its 2013-2014 financial year.

In the first half of the year, the Group posted consolidated sales of 91.0 million Euros, down 30.1% compared to the first six months of last year, taking into account an unfavorable 3.9% decrease in the dollar / euro exchange rate. The Group posted a current operating loss of 71.9 million Euros the first half of the year compared to a current operating loss of 70.2 million Euros in the first six months of last year. The Group continues with its Soitec 2015 program aimed at lowering its cost base. After write-down of assets, impairment charges, restructuring expenses and net financial expenses, the net first half year result (Group share) shows a loss of 159.9 million Euros against a loss of 132.3 million Euros in the first half of 2012-2013.

Operating cash flow was negative at 85.1 million Euros, mainly due to financing of Solar deliveries to its major project in South Africa (i.e. temporary working capital requirements of 37.2 million Euros).

The Group's cash available resources amounted to 117.0 million Euros at the end of September 2013 excluding restricted cash dedicated to its South African project which totaled 84.8 million Euros. The restricted cash shall be accessible as soon as 50% of the 44 MW capacity will be installed and connected. As of September 31, 2013 over 20 MW or 45% have been produced, shipped, erected and await testing and grid connection.

Financial highlights

(Euros millions)	H1 2012-2013	H1 2013-2014
Sales	130.2	91.0
Gross profit	(12.8)	(31.4)
<i>As a percentage of sales</i>	<i>(9.8%)</i>	<i>(34.5%)</i>
Research and Development	(28.8)	(15.3)
Selling, General and Administrative expenses	(26.9)	(24.2)
Solar projects development costs	(1.6)	(1.1)
Current operating income / (loss)	(70.2)	(71.9)
<i>As a percentage of sales</i>	<i>(53.9%)</i>	<i>(79.2%)</i>
Other operating expenses	(56.3)*	(69.3)**
Operating income / (loss)	(126.4)	(141.2)
Net financial income/(expense)	(5.5)	(18.7)
Income tax	-	-
Net loss (Group Share)	(132.3)	(159.9)
<i>As a percentage of sales</i>	<i>(101.6%)</i>	<i>(175.7%)</i>
EBITDA	(36.5)	(44.1)
<i>As a percentage of sales</i>	<i>(28.03%)</i>	<i>(48.5%)</i>
Net earnings per share	(1.08)	(1.06)

*of which 51.3 million Euros for Electronic Segment and 5.0 million Euros for Solar Energy Segment

**of which 18.8 million Euros for Electronic Segment and 50.5 million Euros for Solar Energy Segment

Segment Analysis

Operating segments have been revised in a manner consistent with the new internal reporting provided to the Executive Team who are responsible for allocating resources and assessing performance. The Group now operates under three segments: Electronic, Solar Energy and Lighting. It has also elected to report corporate headquarters support functions within "Other segment".

Electronic Segment

(Euros millions)	<u>H1 2012-2013</u>	<u>H1 2013-2014</u>
Sales	126.0	89.9
Gross profit	7.6	1.6
<i>As a percentage of sales</i>	<i>6.0%</i>	<i>1.8%</i>
Research and Development	(13.2)	(5.3)
Selling, General and Administrative expenses	(11.5)	(10.4)
Current operating income / (loss)	(17.1)	(14.1)
<i>As a percentage of sales</i>	<i>(13.6%)</i>	<i>(15.7%)</i>
<i>Other operating expenses</i>	<i>(51.3)</i>	<i>(18.8)</i>
Operating Income / (Loss)	(68.4)	(32.9)

On the back of the ongoing transition from PC to smartphone products, digital sales declined by 50.3% to 33.8 million Euros while RF and other small diameter sales declined slightly down by 4.1% at 51.9 million Euros. Reported gross margin came from 7.6 million Euros (6.0% of sales) in the first half 2012-2013 to 1.6 million Euros (1.8% of sales) in the first half 2013-2014 despite the sales decline and low current capacity utilization.

Net Research and Development efforts have been refocused on strategic programs (i.e. F2D and FD3D SOI) and benefited from higher funding. Net Research and development totaled 5.3 million Euros, or 5.9% of sales, compared to 13.2 million Euros for the first half-year of 2012-2013 or 10.5% of sales. Compared to first half last year, SG&A costs were reduced by 10% at 10.4 million Euros.

Current operating margin remains negative at 14.1 million Euros compared to a loss of 17.1 million Euros for the first half of last year. The Electronic Division has recently started to implement new cost cutting actions including workforce reduction on Bernin site with a cost saving target up to 17 million Euros. A one time charge for an amount of 18.8 million Euros for goodwill impairment, restructuring expenses and tool set writedown expenses has been booked.

Solar Energy Segment

(Euros millions)	<u>H1 2012-2013</u>	<u>H1 2013-2014</u>
Sales	4.2	0.7
Gross profit	(20.5)	(33.2)
<i>As a percentage of sales</i>	<i>N.S</i>	<i>N.S</i>
Research and Development	(9.5)	(8.5)
Selling, General and Administrative expenses	(8.4)	(7.8)
Solar Project development costs	(1.6)	(1.1)
Current operating income / (Loss)	(40.0)	(50.6)
<i>As a percentage of sales</i>	-	-
<i>Other operating expenses</i>	<i>(5.0)</i>	<i>(50.5)</i>
Operating Income / (Loss)	(45.0)	(101.1)

The Solar division's financials include costs related to the production of almost 20 MW for the major South African project, but not the related sales and profits. Such recognition of sales and profits are pending the approval from Department of Energy.

R&D efforts dedicated to the development and commercialization of a next generation high efficiency solar cell started to pay back as Soitec recently announced a new world record in conversion efficiency of its proprietary four junction solar cell. After only over three years of research, Soitec reached a new record of 44.7% conversion efficiency.

The current operating loss increased from 40.0 million Euros to 50.6 million Euros. A total non current charge of 50.5 million Euros has been recorded relating to impairment, restructuring expenses and certain tool set write-off in Freiburg following the reorganization initiatives as part of the Soitec 2015 program.

Lighting Segment

(Euros millions)	<u>H1 2012-2013</u>	<u>H1 2013-2014</u>
Sales	-	0.4
Gross profit	-	-
<i>As a percentage of sales</i>	-	-
Research and Development	(6.1)	(1.3)
Selling, General and Administrative expenses	(0.3)	(0.7)
Current operating income / (loss)	(6.4)	(1.8)
<i>As a percentage of sales</i>	-	-

The lighting segment was created last year as the R&D costs to support the Group's strategic positioning on Lighting markets became significant. Current efforts are focused on developing advanced substrates to address the future high growth market of solid state lighting.

Current operating loss decreased from 6.4 million Euros to 1.8 million Euros, which includes 3.9 million Euros in subsidiaries. Soitec has been awarded access to the BRIGHT Research and Development program supported by the French authority.

Other segment

(Euros millions)	<u>H1 2012-2013</u>	<u>H1 2013-2014</u>
Sales	-	-
Gross profit	-	-
<i>As a percentage of sales</i>	-	-
Research and Development	-	(0.1)
Selling, General and Administrative expenses	(6.7)	(5.3)
Current operating income / (loss)	(6.7)	(5.4)
<i>As a percentage of sales</i>	-	-

The Other segment represents general corporate support functions.

Deliveries to major project in South Africa reached 45%.

In the first half-year, total negative EBITDA was 44.1 million Euros out of which Solar Energy division accounted for 43.3 million Euros. The cash flow generated from operations was negative at an amount of 85.1 million Euros but included 37.2 million Euros allocated to working capital requirements for the South African project.

With strategic investments in its Solar Division now completed, net cash flow devoted to investment strongly decreased from 97.5 million Euros to 30.3 million Euros.

The Group had at its disposal at the end of September 2013 cash available resources amounting to 117.0 million Euros after successfully completing a capital increase and convertible refinancing. Restricted cash related to its South African project which totaled 84.8 million Euros shall be available when 50% of the 44 MW solar plant capacity will be installed and connected.

Net cash position stated at (200.8) million Euros compared to (66.6) million Euros end of March 2013. Restated from restricted cash and debt (i.e. CPV1 Listed Bond - 1 billion ZAR) related to its South African project Net cash position should be stated at (41.8) million Euros.

Positive momentum but conservative short-term outlook – almost flat sequential sales in H2 Electronic - first significant sales in Solar activities and cost cutting programs leave potential for upside in H2

In the Electronics sector, Soitec has devised SOI-based solutions which address both planar and non-planar designs for 20 nm nodes and below, these solutions have yet to be adopted on a large scale in order to offset the current trend observed for traditional digital 300mm SOI markets. ST Microelectronics' recent announcements concerning fully-depleted SOI-based design wins demonstrate the positive momentum for Soitec's technological solutions, but needs to translate into mass adoption by several other industry players in order to generate sufficient revenue for Soitec, directly or from royalties paid by its licensees. SOI supply chain has been significantly reinforced when Shin Etsu Handotai with whom Soitec renewed its license agreement has now been enlarged.

Considering the general economic uncertainty, the semiconductor industry is however cautious about accelerated adoption of new technologies. As a consequence, activity is anticipated to remain soft in the Electronics division in the coming quarters with visibility limited to the second half of the current financial year. This limited visibility for digital sales outlook will be partially offset by the strong continuous adoption of Soitec technologies for RF and mobility applications. Electronic sales for the second half of the 2013-2014 financial year are thus expected to be flat on a sequential basis.

In the second half, strong sequential growth guidance for solar revenue remains linked to the South African green-light from Department of Energy on change of control which will trigger revenue recognition. As already stated, failing which such green-light shall not allow to record sales revenue in H2. Based on current time line and potential shift in closing transactions, some contributions from other current projects could be postponed and are not totally secured to have a significant revenue contribution for the Solar Energy division until the end of the current fiscal year. The Group is carefully monitoring any specific milestones which could negatively impact the implementation of its PPAs or should not satisfy the ultimate commissioning dates attached to them.

Based on the anticipated growth from its Electronic and Solar Energy divisions and continuous cost cutting measures including the additional 17 million Euros of savings recently initiated by the Electronic division as well as further initiatives across all organizations the Group confirms it is on track to achieve Soitec 2015 objective to return to positive Ebit margin over 2015-2016 financial year.

The Group anticipates that its consolidated results for the full-year 2013-2014 will show EBIT margin remaining negative. Based on most updated forecast total available cash resources end of March 2014 should remain almost unchanged compared to its level end of September 2013. The group continues to pursue opportunities for increasing its liquidity position from asset monetization and additional credit lines.

Agenda

Half year management report shall be available on Soitec's web site on November 25th.

The sales for the third quarter of the 2013-2014 fiscal year will be published on January 20, 2014, after the closing of the Paris stock exchange.

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About Soitec

Soitec (Euronext Paris) is an international manufacturing company, at the heart of generating and manufacturing extreme performance semiconductor materials. Soitec's products encompass substrates for micro and nanoelectronics (most notably SOI : Silicon On Insulator) and concentrating photovoltaic systems (CPV), and company's core technologies Smart CutTM, Smart StackingTM and ConcentrixTM, as well as expertise in epitaxy make it a world leader. Soitec delivers enhanced performance and energy efficiency to a broad range of applications including consumer and mobile electronics, telecommunications, automotive electronics, lighting products and solar power plants for large scale utilities. Soitec has manufacturing plants and Research and Development centers in France, Singapore, Germany, and the United States.

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Consolidated financial statements for the 6 month period ended September 30, 2013

Consolidated income statement

(in thousand Euros)	September 30, 2013	September 30, 2012
Sales	90 992	130 243
Cost of sales	(122 384)	(143 091)
Gross profit	(31 392)	(12 848)
Selling and marketing expenses	(8 700)	(8 154)
Research and development expenses	(15 254)	(28 831)
Solar project development costs	(1 136)	(1 592)
General and administrative expenses	(15 456)	(18 750)
Current operating loss	(71 939)	(70 175)
Other operating income	2 687	-
Other operating expenses	(71 977)	(56 260)
Operating loss	(141 230)	(126 435)
Financial income	13 520	8 598
Financial expense	(32 211)	(14 060)
Net financial expense	(18 691)	(5 462)
Loss before income tax	(159 921)	(131 897)
Income tax	(4)	-
Consolidated net loss for the period	(159 925)	(131 897)
Share of loss of associates	(305)	(441)
Net loss	(160 230)	(132 338)
Non-controlling interests	(194)	-
Net loss (Group share)	(160 037)	(132 338)
Basic net earnings per share in Euros	(1.06)	(1.08)
Diluted net earnings per share in Euros	(1.06)	(1.08)

Comprehensive income

(in thousand Euros)	September 30, 2013	September 30, 2012
Net loss	(160 230)	(132 338)
Exchange gains/(losses) on conversion of foreign operations	(8 808)	4 666
Items of total comprehensive income/ (loss) re-classifiable to the income statement	(8 808)	4 666
Actuarial gains/(losses) on pensions and other post-retirement benefits	-	-
Items of total comprehensive income/ (loss) not re-classifiable to the income statement	-	-
Income and expenses recognized directly in equity	(8 808)	4 666
Total comprehensive loss for the period	(169 039)	(127 672)
Non-controlling interests	(176)	-
Total comprehensive loss for the period (Group share)	(168 862)	(127 672)

Consolidated balance sheet

Assets (in thousand Euros)	September 30, 2013	March 31, 2013
Non-current assets :		
Goodwill and intangible assets	19 317	56 069
Capitalized development projects	2 782	2 968
Property, plant and equipment	310 634	340 583
Deferred project costs	12 421	16 284
Deferred tax assets	-	-
Investments in associates	-	14 150
Non-current financial assets	506	3 601
Other non-current assets	23 887	18 730
Total non-current assets	369 547	452 385
Current assets :		
Inventories	81 819	66 236
Trade receivables	27 026	42 414
Solar power projects	14 273	-
Other current assets	36 973	25 140
Current financial assets	86 323	2 937
Cash and cash equivalents	117 049	130 127
Total current assets	363 464	266 855
Total assets	733 013	719 240

Equity and liabilities (in thousand Euros)	September 30, 2013	March 31, 2013
Equity:		
Share capital	17 249	12 263
Share premium	704 326	641 233
Treasury shares	(478)	(478)
Retained earnings	(425 496)	(270 661)
Other reserves	4 585	8 736
Group equity	300 185	391 093
Non-controlling interests	(218)	(119)
Total equity	299 968	390 974
Non-current liabilities :		
Long-term financial debt	161 087	139 663
Deferred tax liabilities	-	-
Provisions and other non-current liabilities	14 199	13 133
Total non-current liabilities	175 286	152 796
Current liabilities :		
Short-term financial debt	156 733	56 999
Trade payables	48 729	57 593
Provisions and other current liabilities	52 297	60 879
Total current liabilities	257 759	175 470
Total liabilities	733 013	719 240

Statement of changes in equity

(in thousand Euros)	Number of shares	Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Group equity	Non-controlling interests	Total equity
March 31, 2012	122 128 392	12 213	641 663	(478)	(67 120)	6 233	592 511	-	592 511
Exchange gains/(losses) on conversion of foreign operations	-	-	-	-	-	4 666	4 666	-	4 666
Actuarial gains/(losses) on pensions and other post-retirement benefits	-	-	-	-	-	-	-	-	-
Total income and expenses for the period directly recognized in equity	-	-	-	-	-	4 666	4 666	-	4 666
Loss for the period	-	-	-	-	(132 338)	-	(132 338)	-	(132 338)
Total comprehensive income/(loss) for the period	-	-	-	-	(132 338)	4 666	(127 672)	-	(127 672)
Stock options, warrants and free shares	184 451	18	-	-	(18)	-	-	-	-
ABSAAR transactions	-	-	(1 286)	-	-	-	(1 286)	-	(1 286)
Share-based payments	-	-	-	-	1 273	-	1 273	-	1 273
Other items	-	-	-	-	(39)	-	(39)	-	(39)
September 30, 2012	122 312 843	12 231	640 378	(478)	(198 242)	10 899	464 787	-	464 787

(in thousand Euros)	Number of shares	Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Group equity	Non-controlling interests	Total equity
March 31, 2013	122 626 743	12 263	641 233	(478)	(270 661)	8 736	391 093	(119)	390 974
Exchange gains/(losses) on conversion of foreign operations	-	-	-	-	(4 673)	(4 152)	(8 825)	17	(8 808)
Actuarial gains/(losses) on pensions and other post-retirement benefits	-	-	-	-	-	-	-	-	-
Total income and expenses for the period directly recognized in equity	-	-	-	-	(4 673)	(4 152)	(8 825)	17	(8 808)
Loss for the period	-	-	-	-	(160 037)	-	(160 037)	(194)	(106 512)
Total comprehensive loss for the period	-	-	-	-	(164 710)	(4 152)	(168 862)	(176)	(169 038)
Stock options, warrants and free shares	582 040	58	-	-	(58)	-	-	-	-
Proceeds from share issue	49 283 512	4 928	66 533	-	-	-	71 461	-	71 461
Share capital increase expenses, net	-	-	(3 440)	-	-	-	(3 440)	-	(3 440)
Impact of early partial repurchase of 2014 OCEANE	-	-	-	-	(1 863)	-	(1 863)	-	(1 863)
Equity component of new compound financial instruments (2018 OCEANE)	-	-	-	-	13 208	-	13 208	-	13 208
Transactions with non-controlling interests	-	-	-	-	105	-	105	78	183
Share-based payments	-	-	-	-	(1 517)	-	(1 517)	-	(1 517)
September 30, 2013	172 492 295	17 250	704 326	(478)	(425 496)	4 584	300 185	(218)	299 968

Statement of cash flows

(in thousand Euros)	September 30, 2013	September 30, 2012
Consolidated net loss for the period	(160 230)	(132 338)
Elimination of non cash items :		
Share of profit /(loss) of associates	305	441
Impairment of shares accounted for under the equity method	13 211	-
Impairment of goodwill	30 668	-
Depreciation and amortization expenses	28 905	30 971
Impairment charges and write down of assets	17 756	55 620
Provisions, net	9 090	2 452
Provision for retirement indemnities	524	349
Profit/ (loss) on disposals of assets	103	(753)
Income tax charge	4	-
Cost of financial debt	18 689	5 461
Share-based payments	(1 517)	1 273
Total non cash items	117 738	95 814
Increase / (decrease) in cash in :		
Inventories	(18 813)	(5 787)
Solar power projects	(7 498)	-
Trade receivables	15 431	2 387
Other receivables	(13 019)	15 086
Trade payables	(11 212)	1 364
Other liabilities	(7 453)	(13 895)
Variation in working capital	(42 564)	(845)
Net cash generated by/ (used in) operating activities	(85 056)	(37 369)
Purchase of intangible assets	(1 807)	(8 459)
Capitalization of Solar project development costs	(1 631)	-
Purchase of tangible assets	(28 584)	(88 590)
Proceeds from sales of tangible and intangible assets	1 096	739
(Acquisition) and disposal of financial assets	(84 850)	2 921
Capital contribution in a subsidiary accounted for under the equity method (JV Reflexite Optical Technology)	(1 047)	(4 147)
Net cash generated by/ (used in) investing activities	(116 823)	(97 536)
Proceeds from share capital increases and exercise of stock options	68 022	1
Repurchase of ABSAARS	-	(1 286)
Issuance of bonds	172 580	-
Drawing on credit lines	26 015	20 001
Repayment of borrowings (including finance leases)	(65 356)	(5 503)
Interest received	4 537	2 351
Interest paid	(14 234)	(10 276)
Net cash generated by/ (used in) financing activities	191 564	5 288
Effects of exchange rate fluctuations	(2 762)	769
Change in net cash	(13 078)	(128 848)
Cash at beginning of the period	130 127	259 804
Cash at end of the period	117 049	130 956