



HALF-YEAR RESULTS FOR FY 2015-2016

- **Strong growth and improved profitability in Electronics**
- **Group current operating income in positive territory**
- **Group net result affected by losses from the shut down of the solar activities and net financial expenses**
- **Improved cash position**
- **Management actively working on strengthening the balance sheet**

Bernin, France, November 18, 2015 – Soitec (Euronext Paris), a world leader in generating and manufacturing revolutionary semiconductor materials, today announced its audited (limited half-year review) consolidated results for the first six months of its 2015-2016 financial year.

“In the first half of FY 2015-2016, we achieved our sales growth targets in our core Electronics business together with a major improvement in its profitability. As a result, Soitec recorded current operating income in positive territory”, said Paul Boudre, Chairman and Chief Executive Officer of Soitec.

“Momentum in 200mm diameter wafer sales to the mobile and automotive markets remains strong. This growth is more than making up for the decline in 300mm diameter wafers for PC and gaming applications. For the third quarter of FY 2015-2016, we are reiterating our objective of sequential growth in Electronics sales of 5% at constant exchange rates. In addition, we are actively pursuing the shut down of the Solar activities and continuing to assess various strategic options for the Lighting and Equipment activities. Although we have improved our gross cash position in the first half, our equity remains at a low level. We continue to explore different scenarios to strengthen our balance sheet”, he added.

For the first half of FY 2015-2016, Soitec reported consolidated sales of 110.9 million Euros, a rise of 56.6% on the first six months of the previous financial year¹, representing growth of 30% at constant exchange rates.

Since Soitec halted most of its activities in the solar energy sector during the first half, the corresponding results are now recognized under discontinued operations below the operating income line.

¹ In accordance with the Group’s decision in January 2015 to withdraw from the solar activities, the related income and expenses are reported under discontinued operations. The FY 2014-2015 financial statements have thus been restated to ensure comparability with the H1 FY 2015-2016 financial statements.

The Electronics business segment now contributes 98% of consolidated sales. The increase in Electronics sales lifted the first-half gross margin to 24.0% (up from 4.9% in H1 FY 2014-2015).

A steep increase in subsidies recognized in the first half led to a 32.4% decline in net R&D expenses. Continuing cost reduction efforts resulted in a 4.0% decline in selling, general and administrative expenses. **Current operating income totaled 3.0 million Euros, compared with a loss of 25.3 million in the first half of FY 2014-2015.**

After 5.3 million Euros in non-recurring net operating expenses principally attributable to costs arising from the reorganization of Soitec's business portfolio, the **operating loss stood at 2.3 million Euros, compared with a loss of 26.8 million Euros in H1 FY 2014-2015.**

The Group recorded net financial expense of 15.9 million Euros, compared with a charge of 7.4 million Euros in H1 FY 2014-2015. While interest expenses remained stable at 9.0 million Euros, the deposit related to the bond issue of the Touwsrivier solar power plant in South Africa has been subject to an additional provision of 5 million Euros, in order to take account of the liquidation present value of this loan on the South African market. Furthermore, Soitec recorded a net foreign exchange loss (loss of 2.0 million Euros caused by fluctuations in the US dollar), compared with a net foreign exchange gain in H1 FY 2014-2015 (1.6 million Euros).

The net loss from discontinued operations came to 23.9 million Euros. This exclusively derived from the impact of the fluctuation in the exchange rates. Indeed, the 23.6 million Euros in provisions for restructuring costs booked in March 2015 accounts covered the net operating expenses.

Taking all these factors into account, Soitec recorded a net loss of 42.5 million Euros in the first half of the current financial year, compared with a net loss of 82.4 million euros in H1 FY 2014-2015.

Consolidated income statement

(in millions of Euros)	H1 FY 2015-2016	H1 FY 2014-2015 restated ¹	% change
Sales	110.9	70.8	+56.6%
Gross profit/(loss)	26.6	3.9	x6.8
<i>As a % of sales</i>	<i>(24.0%)</i>	<i>(5.5%)</i>	
Research and development expenses	(10.5)	(15.6)	-32.4%
Selling, general and administrative expenses	(13.1)	(13.6)	-4.0%
Current operating income/(loss)	3.0	(25.3)	
<i>As a % of sales</i>	<i>2.7%</i>	<i>(35.7%)</i>	
Other operating income and expense	(5.3)	(1.5)	
Operating income/(loss)	(2.3)	(26.8)	-91.6%
Net financial income/(expense)	(15.9)	(7.4)	
Income tax	-	-	
Share of loss of associates	(0.4)	(2.1)	
Net loss from discontinued operations	(23.9)	(46.1)	
Net income/(loss) (Group share)	(42.5)	(82.4)	-48.4%
Net earnings/(loss) per share (in Euros)	(0.16)	(0.43)	

Analysis by business segment

Electronics

The Electronics segment now includes all the income and expenses attributable to the Group's corporate functions.

In the first six months of FY 2015-2016, Electronics sales rose by 58.1% to 108.9 million Euros from 68.8 million Euros in H1 FY 2014-2015. At constant exchange rates, they grew by 31.2%. This top-line growth in the Electronics segment was driven primarily by higher sales of 200mm wafers (up 71.1%), as Soitec reaped the benefit of brisk demand for radiofrequency and power electronics applications in the mobile and automotive markets. Sales of 300mm wafers recorded weaker growth (24.5%) as certain products for PC and gaming markets were discontinued.

Gross profit increased from 3.5 million Euros (5.1% of sales) in the first half of FY 2014-2015 to 27.1 million Euros (24.9% of sales) in the first half of FY 2015-2016 with the Bernin I plant (200mm wafers) running at capacity, and despite the low level of capacity utilization at the Bernin II facility (300mm wafers).

Net R&D expenses declined significantly to 8.0 million Euros or 7.4% of sales, from 17.8% in the first half of the previous financial year since higher amounts of subsidies were recognized. While sales and marketing expenses

remained stable, general and administrative expenses were reduced by 9.1% through savings measures. All in all, selling, general and administrative expenses came to 11.1 million Euros or 10.2% of sales, down from 17.4% in the first half of the previous financial year. The Electronics segment's current operating income totaled 7.9 million Euros, compared with a loss of 20.7 million Euros in the first half of FY 2014-2015. Its operating income totaled 2.6 million Euros.

Results for the Electronics segment

(in millions of Euros)	H1 FY 2015-2016	H1 FY 2014-2015 restated ¹	% change
Sales	108.9	68.8	+58.1%
Gross profit/(loss)	27.1	3.5	x7.7
<i>As a % of sales</i>	<i>24.9%</i>	<i>5.1%</i>	
Research and development expenses	(8.0)	(12.2)	-34.4%
Selling, general and administrative expenses	(11.1)	(11.9)	-7.0%
Current operating income/(loss)	7.9	(20.7)	
<i>As a % of sales</i>	<i>(7.3%)</i>	<i>(30.0%)</i>	
Other operating income and expenses	(5.3)	(1.5)	
Operating income/(loss)	2.6	(22.2)	
EBITDA	15.0	(8.0)	
<i>As a % of sales</i>	<i>13.8%</i>	<i>(11.6%)</i>	

Other

The Other segment houses the Lighting and Equipment (Altatech) activities.

In the first half of FY 2015-2016, the Other segment's sales came to 2.0 million Euros, stable compared with H1 FY 2014-2015. Both Lighting and Equipment (Altatech) sales remained weak. The segment's gross loss came to 0.4 million Euros, compared with gross profit of 0.4 million Euros in H1 FY 2014-2015.

Given the 2.5 million Euros in net research and development expenses and 2.0 million Euros in selling, general and administrative expenses, another operating loss of 4.9 million Euros was recorded, compared with a loss of 4.7 million Euros in H1 FY 2014-2015.

Results for the Other segment

(in millions of Euros)	H1 FY 2015- 2016	H1 FY 2014- 2015 restated ¹	% change
Sales	2.0	2.0	+1.5%
Gross profit/(loss) <i>As a % of sales</i>	(0.4) <i>(22.3%)</i>	0.4 <i>19.7%</i>	
Research and development expenses	(2.5)	(3.4)	-25.3%
Selling, general and administrative expenses	(2.0)	(1.7)	+17.6%
Current operating income/(loss)	(4.9)	(4.6)	+6.0%
Other operating income and expenses	-	-	
Operating income/(loss)	(4.9)	(4.6)	+6.0%

Discontinued operations

The shut down of the solar activities continued, leading to a significant reduction in the workforce, lower expenditure and asset disposals. Given the progress made on shutting down the activities, the segment's results were recognized under discontinued operations. Soitec has indicated that the sale of the assets related to the Touwsvivier solar power plant in South Africa is not expected to go ahead until the end of FY 2015-2016. As a consequence and regarding likely times for completion of their disposal, the assets related to this power plant have been reclassified to financial assets within the scope of the continuing operations.

Cash generation

In the first half of 2015-2016, net cash generated by operating activities came to 1.1 million Euros. This broke down into 7.0 million Euros generated by continuing operations, offset by the 5.9 million euros used by the solar activities. To recap, net cash generated by operating activities came to 24.6 million Euros in the first half of FY 2014-2015 since the Group received 60.0 million Euros in payments related to the Touwsvivier solar power plant in South Africa.

The 3.9 million Euros in net cash used by investing activities related to continuing operations was thus covered by net cash generated by operating activities. In addition, the Group recorded 28.7 million Euros in proceeds from the sale of assets related to discontinued operations (sale of the San Diego building and two solar power plants). All in all, the net cash generated by investing activities and asset disposals totaled 24.8 million Euros in the first half of FY 2015-2016.

Soitec arranged 65.4 million Euros in new financing during the first half of FY 2015-2016. This consisted of a loan of 30 million Euros from Shin Etsu Handotai (SEH), a major wafer supplier and longstanding shareholder in the company, a loan of 15 million Euros from Bpifrance Participations, another shareholder, a loan of 9 million Euros from the CEA, Soitec's technology partner, and an 11 million finance lease.

During the period, Soitec repaid 19.7 million Euros in borrowings and paid 4.7 million Euros in interest (including 3.5 million Euros related to the 2018 OCEANE bond). Discontinued operations accounted for a total of 22.8 million Euros (including 16.0 million Euros related to the San Diego building) in repayments of borrowings.

Statement of cash flows

(in millions of Euros)	H1 FY 2015- 2016	H1 FY 2014- 2015 restated ¹
Net cash generated by operating activities	1.1	24.6
<i>Of which continuing operations</i>	<i>7.0</i>	<i>7.6</i>
Cash flow generated by/(used in) investing activities	24.8	(15.0)
<i>Of which continuing operations</i>	<i>(3.9)</i>	<i>(4.9)</i>
Net cash generated by/(used in) financing activities	22.2	(13.3)
<i>Of which continuing operations</i>	<i>40.3</i>	<i>(21.7)</i>
Effects of exchange rate fluctuations	0.0	2.8
<i>Of which continuing operations</i>	<i>11.5</i>	<i>11.3</i>
Change in net cash	48.1	(0.8)
<i>Of which continuing operations</i>	<i>55.0</i>	<i>(7.8)</i>

Balance sheet

The Group's cash and cash equivalents improved during the first half of FY 2015-2016 to reach 71.1 million Euros at September 30, 2015, up from 22.9 million Euros at March 31, 2015. The main factor underpinning this improvement was the financing arranged with its partners and/or shareholders Shin Etsu Handotai (SEH), Bpifrance Participations, the CEA and Realta Leasing. Soitec's debt increased from 173.0 millions Euros at March 31, 2015 to 217.3 million Euros at September 30, 2015. Its net debt remained almost unchanged compared with its March 31, 2015 level. It stood at 146.2 million Euros at September 30, 2015. Over the same period, Soitec's equity declined from 50.0 million Euros to 22.8 million Euros.

Outlook

For the third quarter of FY 2015-2016, Soitec is reiterating that it expects Electronics sales to grow by 5% (at constant exchange rates compared with the second quarter of FY 2015-2016). The mobile and automotive markets continue to drive 200mm wafer sales, which accounted for 77% of Electronics sales in H1 FY 2015-2016. Boosted by the demand for semiconductors for radiofrequency (RF) and power applications, the order book for the

200mm wafer plant is now almost full for the 2016 calendar year. In addition, Soitec will benefit from the additional production capacity of its partner in China, since Simgui's 200mm wafer plant is set to ramp up over coming quarters.

To harness the strong growth potential for consumer electronics, automotive and industrial applications, Soitec continues to deliver its 300mm fully depleted silicon-on-insulator (FD-SOI) wafers to foundry customers for qualification purposes and for the start of production at fabless customers. The first FD-SOI-based circuits are due to enter production in early 2016. Significant progress has been made in the FD-SOI ecosystem, as illustrated by the launch in July of GlobalFoundries' new 22FDX FD-SOI technology platform and the new products now expected to be launched in 2016. Soitec is also delighted that the major importance of FD-SOI technology for European competitiveness in cutting-edge nanoelectronics and in the solutions used for a wide array of mobile and automotive applications was recognized at the recent Franco-German digital conference on October 27.

While proceeding with implementation of its strategy in the Electronics segment, Soitec continues to evaluate its strategic options for the Lighting and Equipment activities. Furthermore, given the size of its debt and its inadequate equity base, Soitec is exploring various possible scenarios to strengthen its balance sheet.

Agenda

Soitec's half-year management report will be made available on its website in the coming days.

Its third-quarter FY 2015-2016 sales are due to be published after the market closes on January 18, 2016.

About Soitec

Soitec (Euronext, Paris) is a world leader in designing and manufacturing high performance semiconductor materials. The company uses its unique technologies to serve the electronics and energy markets. With 3,600 patents worldwide, Soitec's strategy is based on disruptive innovation to respond to its customers' needs for high performance, energy efficiency and cost competitiveness. Soitec has manufacturing facilities, R&D centers and offices in Europe, US and Asia. For more information, please visit www.soitec.com.

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Consolidated financial statements for the six months ended September 30, 2015

Consolidated income statement

(in thousand of euros)	September 30, 2015	September 30, 2014 (restated)
Sales	110,863	70,815
Cost of sales	(84,256)	(66,894)
Gross profit/(loss)	26,607	3,921
Sales and marketing expenses	(4,095)	(3,685)
Research and development expenses	(10,547)	(15,612)
Solar power plant project development costs	-	-
General and administrative expenses	(8,969)	(9,926)
Recurring operating income/(loss)	2,996	(25,301)
Other operating income	-	2,498
Other operating expenses	(5,290)	(4,004)
Operating loss	(2,295)	(26,806)
Financial income	6,054	4,028
Financial expense	(22,347)	(11,444)
Financial income/(expense)	(15,935)	(7,416)
Loss before tax	(18,230)	(34,222)
Income tax	(37)	(5)
Share of loss of associates	(404)	(2,118)
Net loss from continuing operations	(18,671)	(46,050)
Net loss from discontinued operations	(23,852)	(56,524)
Consolidated net loss for the period	(42,522)	(82,396)
Non-controlling interests	-	-
Net loss (Group share)	(42,522)	(82,396)
Basic net earnings/(loss) per share in euros	(0.18)	(0.43)
<i>Of which continuing operations</i>	<i>(0.08)</i>	<i>(0.19)</i>
<i>Of which discontinued operations</i>	<i>(0.10)</i>	<i>(0.24)</i>
Diluted net earnings/(loss) per share in euros	(0.18)	(0.43)
<i>Of which continuing operations</i>	<i>(0.08)</i>	<i>(0.19)</i>
<i>Of which discontinued operations</i>	<i>(0.10)</i>	<i>(0.24)</i>

Balance sheet

Assets (in thousand of euros)	September 30, 2015	March 31, 2015
Non-current assets :		
Goodwill and intangible assets	6,949	8,842
Capitalized development projects	2,041	2,226
Property, plant and equipment	145,231	156,736
Solar power plant projects	-	1,600
Deferred tax assets	-	-
Investments in associates	8,633	-
Non-current financial assets	26,100	5,739
Other non-current assets	18,526	28,961
Total non-current assets	207,481	204,104
Current assets:		
Inventories	33,995	33,073
Trade receivables	33,109	43,812
Other current assets	17,521	18,894
Current financial assets	1,448	1,311
Cash and cash equivalents	71,052	22,911
Total current assets	157,125	120,001
Assets held for sale	-	69,435
Assets from discontinued operations	15,376	-
Total assets	379,982	393,540
Equity and liabilities (in thousand of euros)		
	September 30, 2015	March 31, 2015
Equity:		
Share capital	23,130	23,119
Share premium	781,382	782,058
Treasury shares	(475)	(475)
Retained earnings	(785,640)	(737,473)
Other reserves	4,416	(17,270)
Group equity	22,813	49,958
Non-controlling interests	-	-
Total equity	22,813	49,958
Non-current liabilities:		
Long-term financial debt	157,921	123,552
Deferred tax liabilities	-	-
Provisions and other non-current liabilities	15,195	17,543
Total non-current liabilities	173,116	141,095
Current liabilities:		
Short-term financial debt	59,340	49,455
Trade payables	37,006	52,279
Provisions and other current liabilities	42,934	83,902
Total current liabilities	139,281	185,635
Liabilities held for sale	-	16,852
Liabilities from discontinued operations	44,772	-
Total liabilities and equity	379,982	393,540

Statement of cash flows

(in thousand of euros)	September 30, 2015	September 30, 2014 (restated)
Net loss from continuing operations	(18,671)	(36,345)
Net loss from discontinued operations	(23,852)	(46,050)
Consolidated net loss for the period	(42,522)	(82,395)
Elimination of non cash items:		
Share of profit/(loss) of associates	404	2,118
(Reversal)/Impairment of investments in associates	-	-
Depreciation and amortization expenses	13,517	17,561
Impairment charges and write-down of assets	335	506
Provisions, net	(1,492)	875
Provision for retirement indemnities	264	143
Loss on disposals of assets	(100)	(3,280)
Change in taxes	37	6
Financial result	15,936	7,416
Share-based payments	(259)	(95)
Impact of IFRIC 21 (included in operating income/(loss))	-	(532)
Non-cash items relating to discontinued operations	(1,010)	20,864
Total non cash items	27,631	45,579
<i>Of which continuing operations</i>	<i>28,641</i>	<i>24,715</i>
Increase/(decrease) in cash in:		
Inventories	(6,347)	(4,347)
Trade receivables	3,471	16,242
Other receivables	6,604	9,147
Trade payables	(9,931)	1,806
Other liabilities	3,267	(3,656)
Variation in working capital of discontinued operations	18,939	42,254
Variation in working capital	16,004	61,445
<i>Of which continuing operations</i>	<i>(2,936)</i>	<i>19,191</i>
Net cash generated by operating activities	1,113	24,630
<i>Of which continuing operations</i>	<i>7,033</i>	<i>7,561</i>
Purchases of intangible assets	(331)	(280)
Purchases of property, plant and equipment	(2,541)	(4,386)
Proceeds from sales of intangible assets and property, plant and equipment	144	5,694
(Acquisition) and disposal of financial assets	(1,179)	(3,664)
Acquisition of Reflexite	-	-
Capital contributions in associates	-	(2,247)
Investment/disinvestment flows from discontinued operations	28,707	(10,131)
Net cash generated by/(used in) investing activities	24,800	(15,014)
<i>Of which continuing operations</i>	<i>(3,907)</i>	<i>(4,883)</i>
Proceeds from shareholders: share capital increases and exercise of stock options	(1)	79,880
ABSAAR	(675)	-
Issuance of debt	65,363	-
Drawing on credit lines	-	7,200
Repayment of borrowings (including finance leases)	(19,668)	(99,502)
Interest received	58	69
Interest paid	(4,729)	(9,384)

Financing flows from discontinued operations	(18,153)	8,453
Net cash generated by/(used in) financing activities	22,195	(13,285)
<i>Of which continuing operations</i>	<i>40,348</i>	<i>(21,737)</i>
Effects of exchange rate fluctuations from continuing operations	(1,381)	3,134
Effects of exchange rate fluctuations from discontinued operations	1,414	(307)
Effects of exchange rate fluctuations	33	2,826
Change in net cash	48,141	(843)
<i>Of which continuing operations</i>	<i>55,014</i>	<i>(7,773)</i>
Cash at beginning of the period	22,911	44,728
Cash at end of the period	71,052	43,885