



SOITEC REPORTS FY'18 SECOND QUARTER REVENUES

- **Q2'18 revenues reached €73.3m, up 31% at constant exchange rates compared with Q2'17**
- **Further incremental growth recorded in Communication & Power 200-mm wafer sales compared with Q2'17**
- **300-mm wafer sales more than doubled versus Q2'17 thanks to strong performance achieved across all products**
- **New significant milestones reached in the adoption of FD-SOI technology**
- **FY'18 revenue growth still expected at around 25% at constant exchange rates and FY'18 Electronics EBITDA¹ margin² now expected around 25%**

Bernin (Grenoble), France, October 18, 2017 – Soitec (Euronext Paris), a world leader in designing and manufacturing innovative semiconductor materials, today announced consolidated revenues of 73.3 million Euros for the second quarter of FY'18 (ended September 30th 2017), up 29% compared with 56.7 million Euros in the second quarter of FY'17. This represents a 31% increase at constant exchange rates. On a sequential basis, second quarter FY'18 revenues were up 9% at constant exchange rates compared to the first quarter of FY'18.

For the first half of FY'18 as a whole, revenues reached 143.0 million Euros. Compared with the first half of FY'17, they were up 27%, or +26% at constant exchange rates, in line with the sales growth of around 25% at constant exchange rates expected for the full year of FY'18.

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.

Paul Boudre, Soitec's CEO, commented: *"As expected, after a strong start of our fiscal year 2018, sales growth has further accelerated during the second quarter as we posted a more than 30% increase in sales at constant exchange rates. Demand remains strong in Communication & Power 200-mm wafers. In the meantime, the growth of our Digital and Emerging SOI products has really gained momentum leading to the doubling of our 300-mm wafers sales. At the end of the first half of the year we are in line with our full year sales growth target as we continue to expect around 25% revenue growth at constant exchange rates. We are however raising our expectations regarding the Electronics EBITDA margin which we now see around 25%.*

"At the time when there is more and more evidence of the adoption of FD-SOI technology, we are very pleased with the signing of a long-term supply agreement with GlobalFoundries. On our side, to guarantee a secure, high-volume supply of FD-SOI technology we made a further commitment by making the decision to launch a FD-SOI pilot line in our Singapore plant, which comes on top of our ongoing investments in Bernin," added Paul Boudre.

Comments on second quarter FY'18 sales by business unit

Communication & Power

In the second quarter of FY'18, the demand for 200-mm wafers – radiofrequency (RF-SOI) and power electronics (Power-SOI) products – has been holding up well. The sales of RF 300-mm wafers which started to pick up in the first quarter of FY'18 maintained a good momentum in the second quarter of FY'18.

The RF-SOI product line is dedicated to the ever-growing needs of smartphones. It has become the solution of choice for switch and antenna tuners, as it helps coping with the rising number of frequency bands and higher data speed requirements of mobile communications.

The Power-SOI substrates are dedicated to the manufacture of power conversion circuits that are widely used in the automotive industry, but also, increasingly, in industrial and consumer applications (including white goods).

Digital

In the digital business unit, revenues have more than doubled in the second quarter of FY'18 compared to the second quarter of the previous year.

After the strong surge in the level of sales of SOI substrates for emerging applications recorded in the first quarter of FY'18, sales of Imagers and Silicon Photonics both remained at a high level in second quarter of FY'18. Demand for Imager-SOI is maintaining at this higher level driven by strong activity in image sensor segment. Demand for Photonics-SOI is supported by the needs for increasing data transmission speed in data centers for applications hosted in the Cloud.

Sales of FD-SOI wafers (fully depleted silicon-on-insulator) have made further progress compared to the first quarter of FY'18. FD-SOI is becoming a standard technology in high-volume consumer, IoT and automotive applications, offering the best power, performance, area and cost (PPAC) optimization of advanced planar technologies. End-products based on the FD-SOI technology which have already reached the market include connected watches, personal digital assistants and driver assistance systems.

Sales related to PD-SOI 300-mm wafers (partially depleted silicon-on-insulator) were actually higher than in the second quarter of FY'17. However, after the decline that occurred in the course of the fiscal year 2017 reflecting the drop in demand for ASICs, servers and networking applications, sales should remain more or less at the low current residual level, with no further significant rebound.

Second quarter FY'18 consolidated sales (unaudited)

	Q2'17	Q2'18	Q2'18/Q2'17	
(Euros thousands)			%	% at cst FX
200-mm	44,706	47,389	+6%	+7%
300-mm	10,676	23,743	+122%	+125%
Royalties and IP	1,314	2,214	+68%	+70%
Total revenues	56,697	73,345	+29%	+31%

Whilst 200-mm wafer sales enjoyed another solid performance in the second quarter of FY'18, the strong growth recorded in 300-mm wafer sales compared to the second quarter of FY'17 resulted in a further rebalancing of Soitec sales breakdown: indeed, 300-mm wafer sales raised from 19% of total sales in the second quarter of FY'17 to 32% of total sales in the second quarter of FY'18; consequently, the proportion of 200-mm wafer sales went down from 79% to 65% of total sales.

200-mm wafer sales

Sales of 200-mm wafers went up 7% at constant exchange rates in the second quarter of FY'18 compared with the second quarter of FY'17.

Demand for 200-mm wafers remained strong. The increase in the second quarter of FY'18 sales results fully from higher volumes. Whilst already operating at full capacity, the Bernin I 200-mm production site succeeded to marginally increase its output. However the main contribution to the volume increase came from the 200-mm wafers produced by Simgui's manufacturing facility in Shanghai, using Soitec's proprietary Smart Cut™ technology, which helped Soitec to better meet market demand for 200-mm SOI wafers.

On a sequential basis, sales of 200-mm wafers raised by 5% at constant exchange rates compared to the first quarter of FY'18.

For the first half of FY'18 as a whole, 200-mm wafer sales were up 6% at constant exchange rates compared to the first half of FY'17.

300-mm wafer sales

Sales of 300-mm wafers in the second quarter of FY'18 were up 125% at constant exchange rates compared with the second quarter of FY'17. This results from the combination of:

- a much higher level of sales of FD-SOI products;
- a sharp increase in Emerging SOI 300-mm products for new digital applications, both Imager-SOI and Photonics-SOI;
- higher sales in RF 300-mm wafers;
- an increase in sales from PD-SOI product line.

On a sequential basis, 300-mm wafer sales of the second quarter of FY'18 were 16% higher at constant exchange rates than in the first quarter of FY'18. The capacity utilization rate of Bernin II 300-mm production site has further increased in the second quarter of FY'18 and is still expected to reach around 50% towards the end of FY'18 / early FY'19.

For the first half of FY'18 as a whole, 300-mm wafer sales were up 102% at constant exchange rates compared to the first half of FY'17.

Royalties and intellectual property

Revenues from royalties and intellectual property (3% of total sales) reached 2.2 million Euros in the second quarter of FY'18, compared with 1.3 million Euros recorded in the second quarter of the previous fiscal year.

First half FY'18 consolidated sales (unaudited)

(Euros thousands)	H1'17	H1'18	H1'18/H1'17	
			%	% at cst FX
200-mm	87,384	93,922	+7%	+6%
300-mm	22,031	44,867	+104%	+102%
Royalties and IP	2,719	4,186	+54%	+52%
Total revenues	112,134	142,975	+27%	+26%

For the first half of FY'18 as a whole, revenues reached 143.0 million Euros. Compared with the first half of FY'17, they were up 26% at constant exchange rates.

New significant milestones reached in the adoption of FD-SOI technology

The FD-SOI ecosystem continues to strengthen and the use of FD-SOI technology is progressing. Multiple foundries, IDMs and fabless customers are engaged with a growing number of FD-SOI tape-outs and wafer starts. FD-SOI offers a unique value proposition for low-power applications, which makes it well suited for rapidly growing electronic market segments such as mobile processing, IoT, automotive and industrial. Significant milestones were reached in the adoption of FD-SOI technology in the course of the past few weeks including:

- GlobalFoundries and Samsung foundries are both currently working on the integration of additional options enabling the combination of data processing (FD-SOI) together with connectivity (RF option) and memory (eMRAM function) on a single FD-SOI technology-based chip;
- GlobalFoundries announced the availability of its radio frequency/analog PDK (22FDX®-rfa) solution for the next-generation wireless and IoT chipsets and its mmWave PDK (22FDX®-mmWave) solution for emerging high-volume applications such as 5G, automotive radar, WiGig, SatComm and wireless backhaul. GlobalFoundries also announced the availability of eMRAM technology on its 22nm FD-SOI (22FDX®) platform providing embedded memory solution for broad consumer and industrial applications (controllers, data centres, Internet of Things and automotive);
- Samsung Electronics, who also announced derivatives that include RF and eMRAM, taped out its first eMRAM test chip based on 28FDS process technology.
- So far, Samsung has taped out more than 40 products based on the FD-SOI process for various customers in connection with applications dedicated to IT networks and servers, consumer goods, Internet of Things and automotive;
- GlobalFoundries and Samsung both announced new partnerships with design firms Synopsys and Cadence.

Key events of the second quarter of FY'18

Successful early amortization of 2018 OCEANEs

In August, Soitec announced the successful early amortization of all the outstanding OCEANEs issued by the Company on September 18, 2013 and expiring on September 18, 2018. The holders of the OCEANEs had the option either to exercise their shares allocation right or to receive a cash reimbursement of their OCEANEs, at par value plus accrued interests since the last interest payment date. Almost all the OCEANEs holders have opted for shares allocation, leading to an increase of the Company's share capital by about 3.48%. This process gave

Soitec the opportunity to early reduce its debts by €41.8 million, to reinforce its equity by nearly the same amount, and to have a positive net cash position.

Capex plan

Since the beginning of FY'18, Soitec has been going ahead with the 40 million Euros investment at Bernin II aimed at progressively increasing FD-SOI production capacity from 100,000 to 400,000 FD-SOI wafers (300mm) per year whilst Bernin II full capacity will remain at 650,000 wafers per year. The project is progressing well. As a reminder, these capex will be spread between FY'18 and FY'19.

In September, Soitec announced that it was launching a pilot line to produce FD-SOI wafers in its Singapore wafer fab. This is the first stage in beginning FD-SOI production in Singapore and providing multi-site FD-SOI substrate sourcing to the global semiconductor market in order to address long-term demand for FD-SOI wafers. The decision to launch this FD-SOI line in Singapore is based on direct customer demand. Soitec plans to get full qualification at the customer level in the first half of 2019 and then increase capacity in line with market commitment. This investment to launch a pilot line in Singapore is worth approximately US\$40 million, to be spent over a 24-month period.

FD-SOI wafers long-term supply agreement signed with GlobalFoundries

In September, Soitec announced it has entered into a five-year agreement with GlobalFoundries to ensure the volume supply of state-of-the-art fully depleted silicon-on-insulator (FD-SOI) wafers. This agreement extends the current partnership to provide a solid foundation for both companies to strengthen the FD-SOI supply chain and help ensure high-volume manufacturing. For Soitec, this agreement represents a long-term commitment from a key strategic customer involving very significant wafer volumes. It reflects GlobalFoundries' strong confidence in Soitec as the company is building the required capacity to serve the growing FD-SOI demand.

Changes to Soitec's governance organization

In July, Soitec changed its governance with the dissociation of the duties of the Chairman of the Board of Directors and those of the Chief Executive Officer, in line with best practice. Victoire de Margerie - an independent director of Soitec since the AGM held on July 26th, 2017 - has been elected as Chairman of the Board of Directors whilst Paul Boudre remains in charge of the executive management of the Company as Chief Executive Officer.

Outlook

Based on the strong performance achieved in the first half of FY'18, Soitec confirms expecting FY'18 sales to grow by around 25% at constant exchange rates whilst it is now expecting FY'18 Electronics EBITDA¹ margin² to be around 25%, including the impacts of its hedge accounting policy implemented since April 1, 2017.

Soitec reminds that it has put in place a forex hedging policy aimed at covering the business transactions recorded in the balance sheet as well as any future transactions deemed to be highly probable. Using derivative products, whether forward sales or options, the company's policy is to hedge at the end of any given fiscal year a very significant part of its expected US-dollar-denominated commercial transactions for the next two years. At the end of FY'17, Soitec had hedged the bulk of its forecasted US-dollar-denominated sales until the end of FY'19 at an average rate of 1.09 US\$ for 1 Euro in FY'18 and of 1.13 US\$ for 1 Euro in FY'19.

Disclaimer

This document was prepared by Soitec (the "Company") on October 18, 2017 in connection with the announcement of the sales figures of the second quarter of FY'18.

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 Document de Référence 2017-2018 registered by the Autorité des marchés financiers (the "AMF") (the "Document de Référence"). Copies of the French version of the Document de Référence are available through the Company and may also be consulted on the AMF's website (www.amf-france.org) and on the Company's website (www.soitec.com).

Your attention is drawn to the risk factors described in Chapter 4 of the Document de Référence. This document contains summary information and should be read in conjunction with the Document de Référence. In the event of a discrepancy between this document and the Document de Référence, the Document de Référence shall prevail.

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Agenda

First half FY'18 results are due to be published on November 29th, 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.

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Appendix

Consolidated sales (Q1 and Q2 FY'18 unaudited)

Quarterly sales (Euros thousands)	Q2		Q3		Q4		Q1		Q2	
	'16	'17	'16	'17	'16	'17	'17	'18	'17	'18
200-mm	43,030	44,706	44,219	47,896	42,463	47,215	42,677	46,534	44,706	47,389
300-mm	10,715	10,676	13,097	13,366	17,995	21,266	11,355	21,124	10,676	23,743
Royalties and IP	1,053	1,314	1,593	1,806	4,975	2,026	1,405	1,973	1,314	2,214
Total revenues	54,799	56,697	58,908	63,068	65,432	70,506	55,437	69,630	56,697	73,345

Quarterly sales (vs previous year)	Q2'17		Q3'17		Q4'17		Q1'18		Q2'18	
	change reported	change at cst FX								
200-mm	+3.9%	+4.3%	+8.3%	+6.6%	+11.2%	+7.3%	+9.0%	+5.6%	+6.0%	+7.1%
300-mm	-0.4%	-0.0%	+2.1%	+0.4%	+18.2%	+14.0%	+86.0%	+80.2%	+122.4%	+124.8%
Royalties and IP	+24.8%	+25.2%	+13.4%	+11.6%	-59.3%	-60.7%	+40.4%	+36.1%	+68.4%	+70.2%
Total revenues	+3.5%	+3.8%	+7.1%	+5.4%	+7.8%	+4.0%	+25.6%	+21.7%	+29.4%	+30.8%