



SPAFID
CONNECT

| | | |
|---|---|---|
| Informazione Regolamentata n. 20159-22-2020 | Data/Ora Ricezione 01 Ottobre 2020 00:12:01 | AIM -Italia/Mercato Alternativo del Capitale |
|---|---|---|

Societa' : ELES SEMICONDUCTOR EQUIPMENT
S.P.A.

Identificativo : 137575

Informazione
Regolamentata

Nome utilizzatore : ELESN01 - FRANCESCA ZAFFARAMI

Tipologia : REGEM; 1.2; 2.2

Data/Ora Ricezione : 01 Ottobre 2020 00:12:01

Data/Ora Inizio : 01 Ottobre 2020 00:12:02

Diffusione presunta

Oggetto : Consolidated Financial Statement as at 30
june 2020

Testo del comunicato

Consolidated Financial Statement as at 30 june 2020

ENG Version of Press Release N. 20159-20 of septembre 28,2020

PRESS RELEASE

- **APPROVED THE CONSOLIDATED HALF-YEARLY REPORT AS AT JUNE 30, 2020**
 - **NET RESULT UP BY ABOUT 6%**
 - **CONSOLIDATED REVENUES: Euro 8.70 million** (Euro 9.97 million as at June 30, 2019)
 - **EBITDA MARGIN: 16.9%** (17.1% as at June 30, 2019)
 - **EBIT Euro 0.63 million** (Euro 0.75 million as at June 30, 2019)
 - **NET RESULT: Euro 0.43 million** (Euro 0.41 million as at June 30, 2019)
 - **NET EQUITY: Euro 12.92 million** (Euro 12.50 million as at December 31, 2019)
 - **Adjusted NET FINANCIAL DEBT: Euro 1.76 million** (Euro 1.48 million as at December 31, 2019)
 - **R&D, strategic investments in R&D continue to be made in order to preserve technological leadership** (€ 0.93 million as at June 30, 2020, 10.7% of Revenues for the period).
 - **GUIDANCE FOR THE 2020 FINANCIAL YEAR CONFIRMED**
 - **Expected revenues as at December 31, 2020 between Euro 17 and 18 million.**
 - **EBITDA between 16.6% and 16.9% of revenues.**
 - **Adjusted NET FINANCIAL INDEBTEDNESS between Euro 1.3 and 1.4 million.**
 - **THE 2021 BUDGET WILL BE APPROVED AND COMMUNICATED BY NOVEMBER 2020.**
- WITHDRAWALS FOR FINANCIAL YEARS 2021 and 2022.**

Todi, September 28 , 2020 - The Board of Directors of ELES S.p.A. (the "**Company**" or "**ELES**"), a company listed on the multilateral trading system AIM Italia, and worldwide provider of solutions for the testing of semiconductor devices (*IC Integrated Circuits*) with **Automotive and Mission Critical** applications, today approved the Consolidated Half-Yearly Report at June 30 , 2020 prepared in accordance with IAS/IFRS and subject to limited audit by the Independent Auditors KPMG S.p.A.

The Board of Directors expressed satisfaction with the positive results of the first half of the current year, which are in line with the results expected from the budget approved on November 27, 2019, given the dynamics of demand for Semiconductor Equipment, which includes Semiconductor Equipment for semiconductor manufacturing as well as Test (wafer fab, test and assembly & packaging) in the period under review. This remained solid in the first half of the year (+19%), but with uneven dynamics both by geographical area and product type. Growth was driven by demand in the Foundry Equipment (wafer fab) and Memory IC Automated Test System sectors, particularly in Korea, Japan, Taiwan and China, linked to the increase in the Memory sector (concentrated in these geographical areas) and in the data center and communication infrastructure sectors, and has recorded a contraction in Europe (-22%) and in the remaining areas of the world (-31%) which have been affected by the reduction of semiconductor production capacity due to the lock-down and slowdown in the Automotive and Industrial sectors, and where the Company is more present.

Francesca Zaffarami AD of ELES declares: *"We are satisfied with the results achieved, the EBITDA Margin (16.9% vs. 17.1% at 06.30.2019) remained substantially unchanged, with a net result up 6% compared to the same period of the previous year. This result is even more positive considering the process of strengthening the organization in support of the development plan, whose economic impacts are not yet fully reflected in current results. The company's equity and financial position is solid, and allows us to be ready for an acceleration in the economic recovery and for the implementation of the Group's medium/long-term plans. Thanks to the resulting leverage capacity, the company is determined to pursue its growth strategy, both externally and organically".*

Sales revenues for the period amounted to 8,274 thousand Euro, against 9,764 thousand Euro as at June 30, 2019, with an overall decrease of 15% compared to the previous period.

Revenues from the Semiconductors line recorded a 15% decrease in the period. The reduction impacted in particular the sales of the Test System line, which recorded a 30% decrease compared to the previous period due to the postponement of certain investments (Capital Spending) by the Company's customers and the reduction in the test in production component, due to the drop in production plant volumes in the period of the spread of the Covid-19 pandemic; mitigated thanks to the Test Application component. Revenues from the *Electronic Control Unit* (ECU) line decreased by 18% during the period, due to the contraction in the Automotive sector created in 2019 as a result of dieselgate, only partially offset by the Industry and Defence (I&D) component.

The table below shows the breakdown of revenues by geographical area:

| (euro/1000) | 30 June 2020 | % | 30 June.2019 | % | Δ% |
|------------------------------|--------------|--------------|--------------|--------------|---------------|
| Europe | 2.778 | 33,6 | 3.776 | 38,7 | (26,4) |
| America | 738 | 8,9 | 401 | 4,1 | 84,0 |
| Asia | 1.425 | 17,2 | 3.420 | 35,0 | (58,3) |
| Total Foreign Revenue | 4.941 | 59,7 | 7.597 | 77,8 | (35,0) |
| Italy | 3.333 | 40,3 | 2.167 | 22,2 | 53,8 |
| Total Revenue | 8.274 | 100,0 | 9.764 | 100,0 | (15,3) |

The export incidence of sales is equal to 60% of revenues. The reduction compared to the previous period is of an exceptional nature as it is linked to the effects of the pandemic which led to a reduction in the operating levels of ELES customers' production plants.

The Gross Operating Margin ("Ebitda") is equal to Euro 1.40 million (Euro 1.67 million as at June 30 , 2019), in terms of percentage on revenues it is substantially unchanged compared to the same period of the previous year and is equal to 16.9% of revenues (17.1% of revenues as at June 30 , 2019); a clear sign of a Company that is able to adapt to changing market conditions. This result is even more positive considering that the company has begun to strengthen its organizational structure (the cost of which has had an impact of about 300 thousand Euro), whose economic results are not yet fully reflected in current results.

The Operating Result ("**Ebit**"), is equal to Euro 628 thousand (Euro 755 thousand as at June 30, 2019).

The **Net Result** for the period, taking into account current and deferred taxes, is equal to 434 thousand Euro, up by 6.3% compared to the previous period (408 thousand Euro as at June 30 , 2019).

The adjusted net financial debt goes to € 1.76 million, including the value of insurance policies, which the Company has recorded in the respective financial statements under non-current financial assets for an amount of € 638 thousand as at June 30, 2020.

Net financial debt amounted to €2.40 million. The value as at December 31, 2019 was € 2.09 million.

Consolidated Shareholders' Equity at June 30, 2020 amounted to € 12.92 million (€ 12.50 million as at December 31 , 2019).

Research and Development Activities

The R&D activity remains the area of greatest investment of the Company and **represents a determining factor for preserving the technological leadership** of the Company and for the implementation of the company's strategic plan, which is deployed according to the following guidelines:

- Introduction of a new concept of reliability R.E.T.E. (Reliability Embedded Test Engineering)
- Increased functional test coverage up to TOTAL TEST on TDBI platform (Test During Burn-In)
- Increased presence in the SoC Medium, High and Very High Power segments
- Enhancement offered for new Smart Power technologies
- Automation Solutions Development
- Market Development **ECU** (Electronic Control Unit) for Automotive, Aerospace & Defense applications

The company's development roadmap remains aimed at achieving the ultimate goal of Zero Defects for all semiconductor devices: maximum yield (ideally no defects) and minimum test cost.

It should be noted that on March 18, 2020 the competent Office issued the Research Report in relation to the patent application for an innovative "Adaptive Liquid Cooling" solution, able to manage power up to 1KW and to support the enhancement of the offer for SOC High Power segments. The Examining Office has recognized the industrial applicability, novelty and inventive activity of the same.

The qualification activities of the new solutions in collaboration with customers and the presentation activities (DEMO) to prospects continue. These solutions are being appreciated also in the China area where several pilot projects and DEMO have been launched during the period. During the period, the feasibility study aimed at integrating AI (Artificial Intelligence) and Machine Learning technologies in proprietary solutions was activated.

Significant facts of the period

In January, the Company started a further collaboration for the performance of Corporate Broking services in order to pursue maximum transparency and foster relations with the financial community.

On February 7th 2020, the Organization, Management and Control Model pursuant to Legislative Decree 231/2001 was adopted and a Supervisory Board was appointed as a monocratic body.

In March 2020, as part of the process of managerialization of its structure, the Company strengthened the first line with the entry of a *Chief Technology Officer* (CTO), called to continuously develop the potential of R.E.T.E. projects. (Reliability Embedded Test Engineering) and the reliability process for "zero defects", developing the *safety* area alongside the *reliability* one.

In April 2020, consistently with the strategy of penetration of the Chinese market, the structure was strengthened with the insertion of a Manager with significant previous experience in Asian markets.

COVID 19 pandemic - Actions implemented to safeguard business continuity

Starting from the second half of February 2020, the Coronavirus epidemic has spread in our country, which has progressively assumed the dimension of a pandemic. In the face of the restrictive measures that led to the suspension of certain activities, the Company remained operational as it is active in the Aerospace & Defense industry (a sector authorized under the measures issued) as well as in supply chain activities considered essential by regulatory measures.

Since the beginning of March 2020 in a preventive manner, the Company has adopted the measures issued by government authorities to counter the spread of the COVID-19 virus and allow employees to operate in a safe working environment.

Thanks to the investments made to strengthen the IT infrastructure and the initiatives carried out for the digitization of business processes, the Company has been able to encourage most employees to work from home (so-called Smart Working).

Strict protocols have also been adopted to regulate the flow of people and goods and activated sanitization interventions in all environments as well as daily sanitation operations.

The presence of workers has been divided into alternating shifts in order to ensure a greater safety distance.

Even during the phase of progressive loosening of restrictive measures (so-called Phase 2), the Company continued to encourage agile work and kept the solutions identified to reduce risk exposure for employees active.

The Company was able to minimize the impact of the redundancy fund (activated only for a limited time) ensuring, at national and international/world level, production continuity and to respect the delivery times of its solutions to customers.

As of the date of this press release, the virus is widespread worldwide; numerous European and non-European governments are applying extraordinary measures to limit the circulation of goods and people, as well as suspending economic activities. The continuation or tightening of these measures could have serious consequences for the entire economic system, national and international, especially in the various countries subject to these measures.

It should be noted that during the period, collaborations were established in the United States with two representatives covering areas where the Company is currently less present, such as the east coast, the central

area and Mexico. The cooperation with one of the most important suppliers of EDA Tool has been strengthened and has generated the sale of a test system at one of their partners in Asia to apply the NETWORK methodology also for projects that are outsourced.

The consolidation of the collaboration with an important American customer that during the period has expanded its ELES test systems to process a new line of communication devices continues. This project will generate the sale of additional systems for production in Asia in 2020.

As of June 30, 2020, the Group has not found any order cancellations by its customers, despite the difficult market environment, nor have any critical issues been reported by customers and/or suppliers.

However, during the first half of the year, some customers asked to change the timing of some orders due to the reduction in production as part of the measures aimed at preventing the spread of COVID-19 contagion.

Without prejudice to the above, as at June 30, 2020, it should be noted that the impact of the COVID-19 pandemic on the results for the first half of the 2020 financial year was not significant. With reference to the period from January 1st, 2020 - June 30th, 2020, the trend in revenues and margins is in line with the budget estimates for the first half of the 2020 financial year, as per the 2020-2022 business plan approved on November 27, 2019.

Significant events after the end of the period

The Company continues to maintain all the measures identified in the security protocol signed between the Government and Social Parties to combat the spread of the COVID-19 virus and allow employees to have a safe working environment; continuing to encourage work from home, starting a phase of gradual balancing between office and home.

We have been able to ensure, at national and international/world level, the continuity of production and technical assistance to customers also thanks to the investments made to strengthen the IT infrastructure and the initiatives carried out for the digitization of business processes.

In addition, there have been no impacts on the supply chain, where in case of criticality in the delivery times of goods, alternative codes have been identified or alternative suppliers have been activated, in accordance with internal procedures (Business Contingency Plan), aimed at minimizing unforeseen interruptions in supplies to activate alternative suppliers. The Company constantly monitors relations with customers and suppliers, and no difficulties or delays have been encountered in the delivery of orders.

In virtue of the above, Eles has managed to respect the delivery times of its products to customers.

The Company's economic and financial situation is solid also in consideration of the fact that in August the Company stipulated three new loans for a total amount of Euro 4,431 thousand for a duration of 6 years, taking advantage of the free guarantee of the Central Guarantee Fund as provided for by article 13 of decree no. 23 of April 8, 2020 for the implementation of the Company's medium-long term plans.

Until the end of July 2020, the sector studies assumed (i) with reference to VLSI (Very large-scale integration) devices a market growth in 2020 compared to 2019 of 7% and (ii) with reference to the IOT (Internet of things) sector an increase of 6% for 2020 compared to the previous year.

However, some sector studies in August showed that although the semiconductor sector had performed better than the remaining sectors of the economy, some signs of a slowdown were beginning to emerge, also due to the protracted COVID-19 pandemic. Specifically, worldwide semiconductor shipments were flat in May and June 2020 and Taiwan-based wafer foundries reported a combined decline in sales in July.

These effects were exacerbated by a number of specific events and, in particular, the ban of August 17, 2020 by which the Bureau of Industry and Security (BIS) of the U.S. government further restricted the access of Huawei Technologies (Huawei) and its non-U.S. affiliates to items produced by U.S. technology and software (the "**Ban**"). In addition to this, on the basis of the information available at the date of this press release, it seems that the government of the United States of America wants to extend the Ban also to other Chinese companies identified as alternative suppliers to overcome the aforementioned Ban.

As a result of the tightening of the Ban and the further threats described above, which are impacting the entire supply chain and the world semiconductors supply chain, the Company has begun an in-depth examination of the orders, opportunities and prospects for the current year.

As a result of this examination carried out with its prospects and customers, it emerged that:

- The Chinese market, while confirming the extreme interest in ELES solutions and continuing to make continuous comparisons to deepen its potential, is experiencing a blockage on the entire semiconductor chain, with a consequent revision of the investment policy. While the medium-long term growth prospects remain important, China must now completely redefine its supply chain and technology know-how;
- In addition, the latest restrictions are affecting the balance of the entire global semiconductor chain. The entire semiconductor device supply chain is seeing slowdowns and shifts;
- there is a continuing expansion of the regular process of converting order opportunities. In particular, some customers have communicated the postponement of some orders to 2021.

In this context of extreme randomness and given the continuation of the pandemic, on September 17, 2020 the Company revised its *guidance* for the year 2020. Since it is difficult to provide a precise forecast of the 2020 trend at the current date, the Company has conservatively estimated consolidated revenues between 17 and 18 million Euro for the year 2020. Today, the Board of Directors approved the updated *forecast* for the current year, which confirms what was already communicated on September 17, 2020 in terms of turnover and an EBITDA estimate for the current year of between 16.6% and 16.9% of revenues. Adjusted Net Financial Debt is estimated between 1.3 and 1.4 million.

The Company has not slowed down the process of strengthening its organization and continues to invest in research and development projects to allow the company to seize all opportunities related to current and future technological challenges, as well as projects aimed at improving efficiency and competitiveness.

On July 31, 2020 the first period of exercise "WARRANT ELES 2019-2024" ISIN code IT0005374258 ended with the exercise of no. 238,750 Warrants and the issue of no. 119,375 newly issued ordinary Eles shares, for a total value of Euro 238,750.

Outlook

Industry studies estimate that the current market environment (characterized by tensions between the United States of America and China) will not change the medium-long term prospects of the semiconductor sector. The 5G and AI (*Artificial Intelligence*) technologies, which require advanced SOCs, will be the protagonists of a medium-long term growth for semiconductors and therefore for their testing.

At present, once the necessary assessments have been made on the basis of the available information framework, the formulation of forecasts for the year remains complex as it depends, among other things, on the effects on the global economic system of the evolution of the COVID-19 pandemic and on the semiconductor market of the tightening of the sanctions adopted by the Government of the United States of America with reference to Chinese operators. Considering the instability of the market context, at the same meeting, the Board of Directors, while confirming the qualitative objectives of the 2020-2022 industrial plan, deemed the estimates for the 2021 and 2022 financial years made known to the market on November 27, 2019 to be no longer current. In this regard, the Company announces that the Board of Directors will meet by the end of November 2020 to approve the budget for the 2021 financial year, which will be communicated after this meeting. The exact date will be announced by updating the financial calendar.

Antonio Zaffarami, President of the Company states: *"The macroeconomic context, dominated by a climate of uncertainty, has led to a reshaping of the investment plans (Capital Spending) of our clients and an extension of the time needed to issue orders. The outlook for the sector remains positive, with demand for semiconductors stimulated by technological progress. The medium to long term guidelines are confirmed:*

- *Growth in consolidated markets through the development of new geographical areas and the acquisition of new customers.*
- *Technological development of the offer to ensure coverage of new market segments*
- *Entry into new markets.*

Thanks to its vision and ability to innovate the Company is in a good position to be a protagonist also in this scenario".

CONFERENCE CALL

By the month of October, the company will hold a conference call in order to illustrate the results of the period ended June 30, 2020, whose modalities of connection will be announced in a subsequent press release.

Attachments to the press release

- Consolidated Income Statement at June 30 , 2020, prepared in accordance with International Accounting Standards (IAS/IFRS)
- Consolidated Balance Sheet at June 30 , 2020 , prepared in accordance with International Accounting Standards (IAS/IFRS)
- Cash Flow Statement, prepared in accordance with International Accounting Standards (IAS/IFRS)

Further information:

Company: ELES S.p.A. | T +39 075 898 000 | investor_relation@eles.com

Nominated Adviser: BPER Banca | T +39 02 72 74 92 29 | eles@bper.it

Eles S.p.A. (Eles), founded in 1988, designs and manufactures semiconductor test solutions (SOC, MEMS and Memories). Eles produces universal test systems together with Engineering Services for reliability tests, having developed a co-engineering process with its customers aimed at guaranteeing 'Zero Defect' microelectronic devices. The Company also develops customised test applications for devices to be tested on its universal systems, along with the data management of test results. Eles counts among its customers multinational companies producing semiconductors and manufacturers of electronic modules for Automotive, Aerospace and Defense sectors. Eles' growth strategy is through internal growth by penetration of new markets, diversification of customers and improvement of existing solutions, as well as growth through acquisition for faster expansion overseas.

Consolidated Income Statement as at 30 June 2020

| PROFIT & LOSS <i>Thousands of Euro</i> | 30-Jun-20 | | 30-Jun-19 | |
|--|------------------|--------------|------------------|--------------|
| Sale revenues | 8.274 | 100 | 9.764 | 100 |
| Other revenues | 416 | 5,0 | 197 | 2,0 |
| Total Revenues | 8.690 | 105,0 | 9.961 | 102,0 |
| Material purchase & Changes in inventories | (3.573) | (43,2) | (4.187) | (42,9) |
| Service costs | (1.610) | (19,5) | (1.980) | (20,3) |
| Other operational costs | (1.995) | (24,1) | (1.924) | (19,7) |
| Personnel cost | (117) | (1,4) | (200) | (2,1) |
| EBITDA | 1.395 | 16,9 | 1.669 | 17,1 |
| Write-downs and depreciations | (734) | (8,9) | (883) | (9,0) |
| Accruals to provisions | (33) | (0,4) | (30) | (0,3) |
| EBIT | 628 | 7,6 | 929 | 9,5 |
| Financial revenues | 8 | 0,1 | 13 | 0,1 |
| Financing costs | (15) | (0,2) | (84) | (0,9) |
| Profits/Losses on exchange rates | 29 | 0,4 | (35) | (0,4) |
| EBT | 650 | 7,9 | 823 | 8,4 |
| Taxes | (216) | (2,6) | (241) | (2,5) |
| Net Profit of the Group | 434 | 5,2 | 582 | 6,0 |

Consolidated Balance Sheet as at 30 June 2020

| BALANCE SHEET <i>Thousands of Euro</i> | 30-Jun-20 | 31-Dec-19 | Δ% |
|--|------------------|------------------|----------------|
| Tangible assets | 3.854 | 3.942 | (2,2) |
| Intangible assets | 4.251 | 3.861 | 10,1 |
| Financial assets | 1.069 | 1.041 | 2,7 |
| Fixed assets | 9.174 | 8.843 | 3,7 |
| Inventory | 3.882 | 3.770 | 3,0 |
| Trade receivables | 5.905 | 4.270 | 38,3 |
| Trade payables | (3.462) | (2.674) | 29,4 |
| Operating working capital | 6.326 | 5.366 | 17,9 |
| Employee benefits | (612) | (590) | 3,7 |
| Provisions for non-current risks and charges | (257) | (264) | (2,8) |
| Deferred tax receivables | 285 | 318 | (10,4) |
| Deferred tax liabilities | (209) | (202) | 3,7 |
| Net claims/liabilities | 615 | 1.121 | (45,1) |
| Other current assets/liabilities | (178) | 382 | (146,7) |
| Net invested | 15.321 | 14.592 | 5,0 |
| Net Equity | (12.924) | (12.504) | 3,4 |
| Current financial assets | 198 | 198 | 0,0 |
| Current Debt | (2.168) | (2.837) | (23,6) |
| Long Term Debt | (4.701) | (5.602) | (16,1) |
| Cash and cash equivalents | 4.274 | 6.153 | (30,5) |
| Net financial position | (2.397) | (2.087) | 14,9 |
| Total sources | (15.322) | (14.591) | 5,0 |

Consolidated Cash Flow Statement at 30 June 2020

| Consolidation statement of cash flows (in thousands of euro) | 30 June 2020 | 30 June 2019 |
|---|----------------|--------------|
| Profit for the period | 434 | 408 |
| Adjustment for Amortisation | 734 | 883 |
| Change in Inventories | (112) | (377) |
| Adjustment for employee benefits | 116 | 69 |
| Change in Trade and other receivables | (1.635) | 44 |
| Change in current assets | (215) | (161) |
| Change in Tax | 592 | 124 |
| Change in Trade and other payables | 787 | (22) |
| Change in Provision | (12) | (404) |
| Change in current liabilities | 126 | (358) |
| Change in employee benefits | (115) | 11 |
| Change in DTL | 45 | 6 |
| Other changes in net working capital | 20 | (31) |
| Cash flows from operating activities | 765 | 193 |
| Acquisition of intangible assets | (954) | (628) |
| Acquisition of property, plant and equipment | (81) | (255) |
| Acquisition of financial fixed assets | (28) | (34) |
| Cash Flow from investing activities | (1.064) | (917) |
| Financial liability | (1.567) | 315 |
| Dividends paid | 0 | 0 |
| Other Change in Equity | (14) | 5.112 |
| Cash Flow from Financing activities | (1.581) | 5.427 |
| Cash Flow from financing activities | (1.880) | 4.703 |
| Cash and cash equivalents at 01 Jan. 2019 | 6.153 | 3.733 |
| Cash and cash equivalents at 31 Dec. 2019 | 4.274 | 8.436 |
| Increase (decrease) in cash and cash equivalents | (1.880) | 4.703 |

Fine Comunicato n.20159-22

Numero di Pagine: 14