

# Dear Shareholders...

During the 2020 fiscal year, higher value-add businesses such as semiconductor compounds and engineered substrates, along with health and pharmaceutical compounds, witnessed increased demand. As you know, 5N Plus continues to expand its business in these areas.

The demand for materials related to semiconductor applications was exceptionally strong in 2020, with medical and infrared imaging markets experiencing the majority of this pull. The contribution from these businesses enabled margin expansion in our company's earnings and notable improvement to the Adjusted EBITDA<sup>1</sup> when compared to the previous year.

We concluded 2020 with strong results that saw gross margin surge to 27.6% and Adjusted EBITDA to \$28.8 million (16.2% of revenue), despite reduced demand from businesses impacted by COVID-19 and historically low metal notations weighing on upstream activities.

During the fiscal year, our company generated \$24.9 million of cash flow, further strengthening the balance sheet while completing a series of investments supporting broader growth initiatives and enhancing overall operational agility.

## **2020 provided a sneak preview of new businesses under development.**

Over the past few years, we have meticulously worked to establish a strong foundation supporting our transition toward businesses with higher value-added activities. Our strategic transformation will improve margins and grow earnings to provide long-term value to our shareholders while reducing 5N Plus's risk exposure to commodity prices.

We proved the viability of this approach in 2020, providing a unique window into our company's future where high value, enabling materials dominate our product portfolio and serve as the catalyst for growth.

We have now begun the next phase of our strategic transformation by continuing to develop our growth initiatives organically and engage in M&A activities to expedite our growth trajectory. To that end, on March 30, 2021, we announced that we entered into an agreement with AZUR SPACE Solar Power GmbH (AZUR) pursuant to which 5N Plus would acquire all of the issued and outstanding shares of AZUR.

Based in Heilbronn, Germany, AZUR is the global leader in developing and manufacturing multi-junction solar cells based on III-V compound semiconductor materials for space and terrestrial concentrated

<sup>1</sup> See Non-IFRS Measures

photovoltaics (PV) applications. With nearly 60 years of leadership in space solar cell manufacturing based on epitaxy technology and supported by 119 families of patents, along with teams of highly skilled employees, AZUR has a proven track record of success.

## **We've built a unique value chain designed to penetrate high-margin and value-add sectors while building a deep, protective moat.**

5N Plus has organically expanded its value chain for specialty semiconductors, starting with the extraction of critical precursor materials from industrial by-products and transforming them to ultra pure semiconductor compounds which form the genesis of advanced materials. Our company has also expanded its value chain to include semiconductor crystals and wafer production based on these compounds. This has been a notable contributor to our positive earnings in 2020 and has positioned us to penetrate high-margin, value-add sectors of the future while establishing a unique source of competitive distinction for our company.

AZUR's scope of activities will significantly strengthen 5N Plus's growth along this value chain of critical semiconductor materials. The combination of our two businesses will allow 5N Plus, already a world leader in the family of IV and II-VI semiconductor materials, to expand into new markets for III-V compound semiconductor materials and wide-bandgap materials.

The transaction is expected to be accretive, creating a well-positioned synergetic ecosystem to unlock significant opportunities within a larger total addressable market (TAM).

## **The integration of AZUR and 5N Plus will form the foundation of our strategic transformation, creating a one-of-a-kind venture with a unique "specialty semiconductor triad" ecosystem.**

The post-integration ecosystem will encompass the three sites of Montreal, Canada; St. George, U.S.; and Heilbronn, Germany, with each site managing a specific portion of this unique platform. We will fully integrate with our AZUR colleagues, and Jürgen Heizmann, Managing Director of AZUR, will join our executive committee. These combined capabilities will culminate in sustainable supply chain infrastructure for critical semiconductor materials and ensure the competitiveness and security of supply to AZUR and 5N Plus's existing and future customers, including government agencies. The renewable energy, security and space markets will benefit from this transaction while simultaneously allowing our company to enter larger markets such as high-power electronics, electric mobility, rapid and wireless charging, data centers, advanced communication and more.

The acquisition of AZUR is the culmination of years of close collaboration and interaction between the two companies. What excites me the most is that the integration of AZUR and 5N Plus will create a one-of-a-kind ecosystem that fosters innovation while encompassing the full spectrum of critical steps required to sustainably position our specialty semiconductor business for applications in new and larger markets. We believe this transaction will not only benefit our company and employees, including the new colleagues from AZUR, but also our customers that rely on competitive, high quality materials that enable their industries. Together, we are perfectly poised to address larger markets and positively impact all involved – including our valued shareholders.

With gratitude, I would like to thank our shareholders for their continued trust in 5N Plus and support of the ongoing strategic transformation. I would also like to thank our customers for allowing us to play a critical role in their businesses. Finally, I extend my sincere gratitude to 5N Plus's employees who give their all to enable us to be who we are today. I look forward to 2021 and all the exciting developments that await.

**Sincerely Yours,**



**Arjang J. Roshan**

**President & Chief Executive Officer**



# Forward-Looking Statements and Non-IFRS Measures

Certain statements in this letter may be forward-looking within the meaning of applicable securities laws. Forward-looking information and statements are based on the best estimates available to the Company at the time and involve known and unknown risks, uncertainties or other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. A description of the risks affecting the Company's business and activities appears under the heading "Risk and Uncertainties" of the 5N Plus 2020 MD&A dated February 23, 2021, available on [www.sedar.com](http://www.sedar.com).

Forward-looking statements can generally be identified by the use of terms such as "may", "should", "would", "believe", "expect", the negative of these terms, variations of them or any similar terms. No assurance can be given that any events anticipated by the forward-looking information in this press release will transpire or occur, or if any of them do so, what benefits that 5N Plus will derive therefrom. In particular, no assurance can be given as to the future financial performance of 5N Plus. The forward-looking information contained in this presentation is made as of the date hereof and the Company has no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws. The reader is warned against placing undue reliance on these forward-looking statements.

EBITDA means net earnings (loss) before interest expenses, income taxes, depreciation and amortization. We use EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of certain expenses. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Adjusted EBITDA means EBITDA as defined above before impairment of inventories, share-based compensation expense, impairment of non-current assets, litigation and restructuring costs (income), gain on disposal of property, plant and equipment, foreign exchange and derivatives loss (gain). We use adjusted EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of certain expenses. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.