REFERENCE DOCUMENT

2016-2017

INCLUDING THE ANNUAL FINANCIAL REPORT

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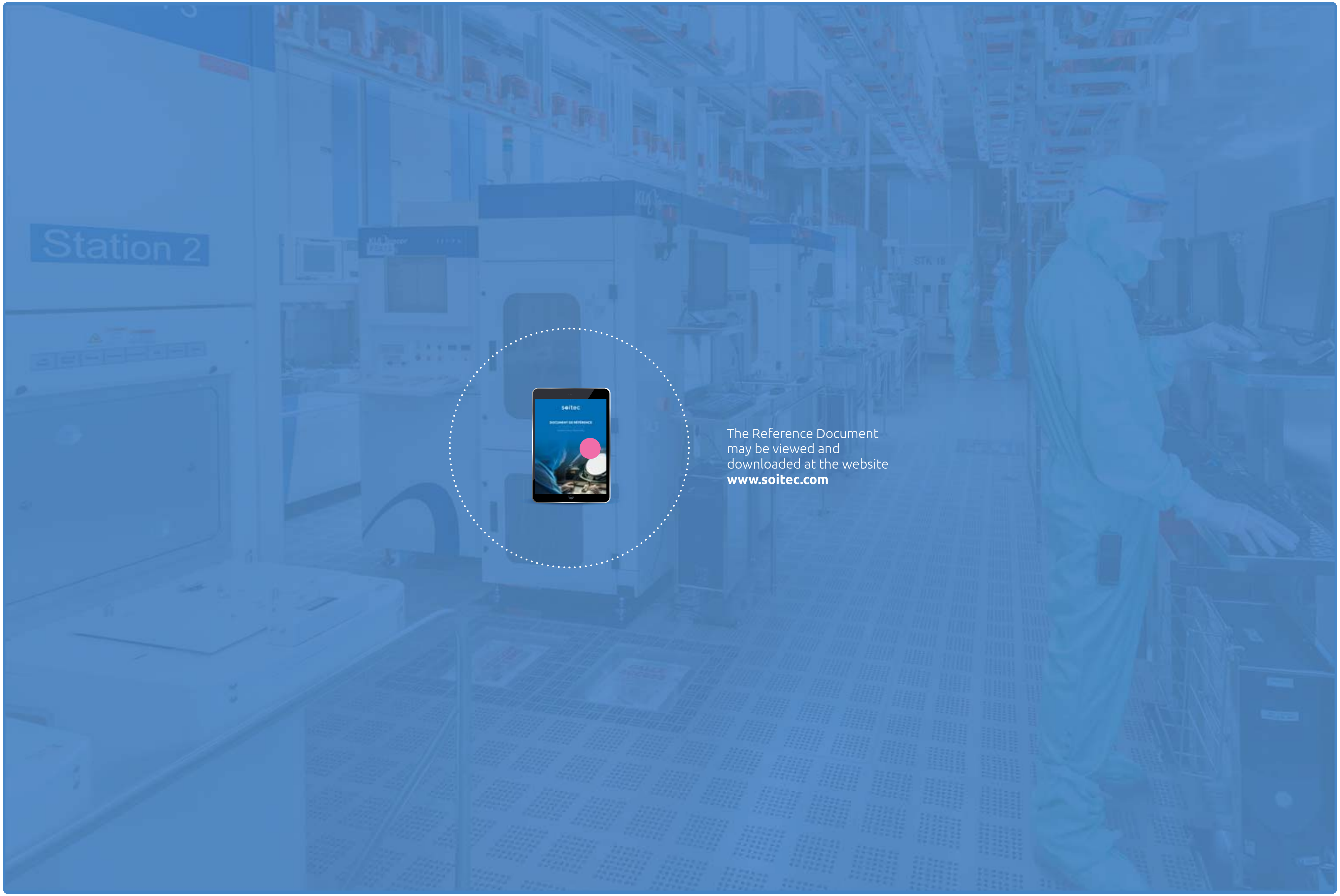

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REFERENCE DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

The Company's business operations and financial position is described in the French version of the Company's Document de Référence 2016-2017 registered by the Autorité des marchés financiers (the "AMF") (the "Document de Référence") under visa no. D.17-0720 dated July 4, 2017. Copies of the French language 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 in French language. In the event of a discrepancy between this document and the Document de Référence in French language, the Document de Référence in French language shall prevail.

The translation contained in this document has not been independently verified and is provided solely for the convenience of English-speaking users. No representation, warranty or undertaking, express or implied, is made as to, and you may not rely on, the fairness, accuracy, completeness or correctness of the information and opinions contained in this document compared to the Document de Référence in French language. Neither the Company, nor its shareholders or any of their respective subsidiaries, advisors or representatives, accept any responsibility or liability whatsoever for any loss arising from the use of this document or its contents or in connection whatsoever with this document.

CONTENTS

The numbering of the paragraphs below corresponds to the outline provided in Appendix I of Commission Regulation (EC) no. 809/2004 of April 29, 2004.

The components of the annual financial report are indicated in the table of contents by the RFA *icon.*

INTERVIEW

WITH THE CHAIRMAN & CEO

From recapitalizing our balance sheet to producing solid operational performance, the 2016-2017 fiscal year has highlighted the success of Soitec's strategic refocusing on Electronics and opens the way toward growth that should accelerate and improve in terms of profitability

Ladies, Gentlemen and Shareholders,

From recapitalizing our balance sheet to producing solid operational performance, the 2016-2017 fiscal year has highlighted the success of Soitec's strategic refocusing on Electronics and opens the way toward growth that should accelerate and improve in terms of profitability. By withdrawing from our Solar and Lighting businesses, while simultaneously capitalizing on our positioning in Electronics, we have effectively reconstructed a business plan that is both comprehensible and unifying. I want to thank each of our employees for supporting this move and contributing to its success.

This refocusing effort needed to be bolstered by a stronger balance sheet at the beginning of the year. Two strategic shareholders, CEA Investissement, a subsidiary of our technological partner CEA, and NSIG, a Chinese industrial investment group specialized in the semiconductor sector, have taken a stake in Soitec's capital. Bpifrance, our traditional partner, has increased its stake. The commitment of these three partners showed the way forward to all of our shareholders, who solidified their positions by subscribing to a capital increase with preemptive subscription rights.

In all, we raised around €150 million in shareholders' equity, €110 million of which went to debt reduction, whereas we kept back €40 million to finance investments to spur growth. Since the end of the first quarter, we have thus strengthened our shareholding structure, and we benefit from a solid balance sheet and restored financial leeway.

In the same period, we were able to take advantage of sustained demand for our 200 mm wafers used in radio frequency applications and power applications for the mobile electronics and automobile markets. I would like to mention that in the area of radio frequency, Soitec is now present in all smartphones produced throughout the world.

On the industrial level, after having streamlined our cost structure, we continued to improve productivity in our Bernin I facility dedicated to 200 mm wafers. Although this plant was already producing at full capacity, we managed to further increase volumes produced through better efficiency from our equipment and heightened yields.

In contrast, the Bernin II plant producing 300 mm wafers went through an atypical year. The first few months were marked by a steep, albeit expected, decline in sales of Partially Depleted Silicon on Insulator wafers (PD-SOI) for integrated circuits, servers and network applications. In contrast, the second half of the year featured a strong surge in sales of our new category of 300 mm substrates: Fully Depleted Silicon on Insulator wafers (FD-SOI), wafers for radio frequency, photonic and imager applications and more. The production capacity utilization rate of Bernin II, which had fallen to 14% in the second quarter, rose to 29% in the last quarter.

Overall, thanks to strong sales in 200 mm wafers and growth in our new generations of 300 mm wafers, sales increased by 4% excluding exchange rate impact, and we were able to continue improving operating profitability. We were also able to produce net profits for the year. We expect growth in sales of around 25% at constant exchange rates for 2017-2018, and we believe that the EBITDA margin for Electronics will be at least 20%.

Our confidence in these prospects is based on the relevance of our products, which address market requirements for consumer electronics products in terms of performance, low power consumption, reliability and streamlining of costs. Our innovative substrates bring value to electronics systems in high volume markets for automobile applications, the Internet of Things, smartphones and data centers.

An illustration of the use of FD-SOI technology by the semiconductor industry is the fact that several marketed products already use this technology, including connected watches, personal assistants, driver assistance systems, and others. Our major strategic customers have made commitments to build FD-SOI capacity and to extend the scope of the technological road map of FD-SOI. We therefore decided to increase the capacity to produce FD-SOI wafers at our Bernin II site and announced that we intend to reopen the Singapore facility.

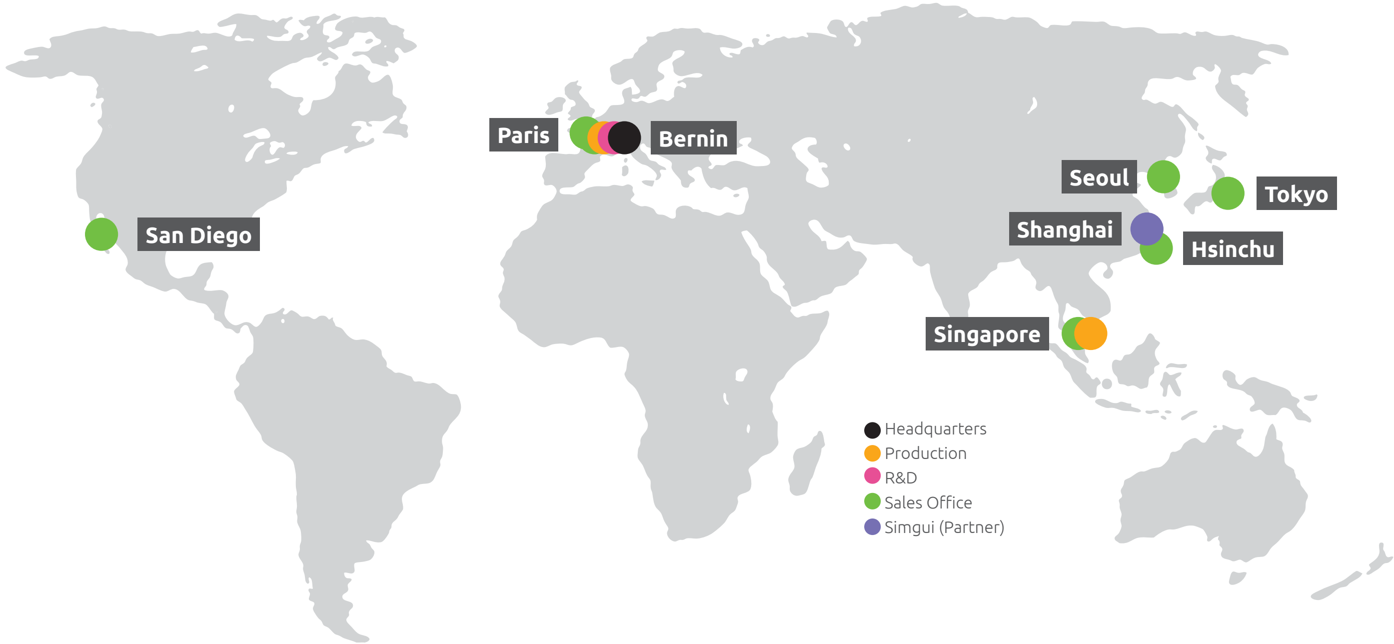
Soitec faces the future with confidence. Our sustainable and profitable growth strategy is based on the promising outlook for our FD-SOI technology and more generally on the development of markets for consumer electronics products. We are now working with our customers regarding their requirements for 2025 and beyond, in the area of augmented reality, radio frequency or 5G networks, for example.

Thank you for your continued trust,

Paul Boudre
Chairman & CEO

SOITEC AN OVERVIEW

Locations



Soitec is the leading producer worldwide of equipment for innovative semi-conductors dedicated to the electronics markets

Background

1992	1997	1999	2002	2003	2004	2006
Birth of a start-up	Transition to industrial scale	Introduction on the stock market and first production site	Bernin II, beginnings of the 300 mm line	Opening to new materials	First establishment in Asia	New applications for the Smart Cut™ technology

Key figures

Consolidated revenue 2016-2017

€ 245.7 M

93%
of sales
take place
internationally

40
customers

4
production
lines

950
employees

3,000
patents

70%
of employees are managers, engineers and technicians

100%
of smartphones use the RFSOI technology by Soitec

20 billion
RF integrated circuits use RF-SOI wafers by Soitec

50 billion
potential devices for the Internet of things

6 billion
chips in the automobile sector use Power-SOI wafers by Soitec

2007 – SOI takes on the world

2008 – Production in Asia begins

2010 – Move into the solar market

2015 – Refocus on core business and new corporate structure

2016 – Restructuring of the balance sheet by two capital increases

PERSON RESPONSIBLE

1

1.1. Person responsible for the Reference Document

Mr Paul Boudre, Chairman and CEO.

1.2. Declaration by the person responsible for the Reference Document

I hereby certify, after taking all reasonable measures to this end, that the information contained in this Reference Document gives, to my knowledge, a true and fair view of the situation and does not include any omission likely to alter the scope.

I certify that, to my knowledge, the financial statements are drawn up in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and results of the Company and all companies included in the consolidated group, and that the management report included in this Reference Document (see reconciliation table) presents a true and fair view of business developments, results and financial position of the Company and companies included in the consolidated group and a description of the main risks and uncertainties they face.

I have obtained from the statutory auditors an assignment completion letter in which they state that they audited the information on the financial position and statements given in this Reference Document and have also read the entire Reference Document.

The historical financial information presented in this Reference Document is the subject of a statutory auditors' report, featuring in Chapter 20.3.1.3.

The historical financial information as at 31 March 2016 incorporated by reference in the Reference Document 2015-2016 filed with the AMF on 4 July 2016 under number D.16-0665, was the subject of statutory auditors' report featuring on page 109 of the Reference Document 2015-2016, which contains the following observation: "Without qualifying our opinion, we draw your attention to note 2.2.1. "Continuity of operations" of the consolidated financial statements which mentions the refinancing operations that occurred after the end of the financial year, which in particular enabled the Group to prepare its consolidated financial statements retaining the principle of continuity of operations." and a statutory auditors' report featuring on page 111 which contains the following observation: "Without qualifying our opinion, we draw your attention to the paragraph "Introduction: Continuity of operations" of the note of the appendix pertaining to the "Accounting rules and methods and notes to the Balance Sheet" which mentions the refinancing operations that occurred after the end of the financial year, which in particular enabled the Company to prepare its annual financial statements retaining the principle of continuity of operations."

The historical financial information as at 31 March 2015 incorporated by reference in the Reference Document 2014-2015 filed with the AMF on 10 June 2015 under number D.15-0587, was the subject of statutory auditors' report featuring on page 116 of the Reference Document 2014-2015, which contains the following observation: "Without qualifying our opinion, we draw your attention to note 2.2.1 of the consolidated financial statements which explains the assumptions underlying the continued application of the principle of continuity of operations of the Group." and a statutory auditors' report featuring on page 119 which contains the following observation: "Without qualifying our opinion, we draw your attention to the Introduction "Continuity of operations" of the note of the appendix relating to "Accounting rules and methods and notes to the Balance Sheet" which explains the assumptions underlying the continued application of the principle of continuity of operations of the Group and the refinancing terms given in the approved conciliation agreement combined with the additional measures mentioned in the note on the post-year-end events."

On 4 July 2017
Paul Boudre
Chairman and CEO

2

STATUTORY AUDITORS

Principal statutory auditors

KPMG represented by Jacques Pierre and Stéphane Devin

Tour EQHO, 2, avenue Gambetta, 92066 Paris La Défense Cedex

- Date of first appointment: 25 July 2016
- Expiration date of this appointment: The Shareholders' Ordinary General Meeting called to approve the financial statements for the year ending 31 March 2022.

Ernst & Young Audit represented by Nicolas Sabran

Tour Oxygène, 10-12, boulevard Marius-Vivier-Merle, 69393 Lyon Cedex 03

- Date of first appointment: 25 July 2016
- Expiration date of this appointment: The Shareholders' Ordinary General Meeting called to approve the financial statements for the year ending 31 March 2022.

Alternate statutory auditors

Salustro Reydel (alternate for KPMG)

Tour EQHO, 2, avenue Gambetta, 92066 Paris La Défense Cedex

- Date of first appointment: 25 July 2016
- Expiration date of this appointment: The Shareholders' Ordinary General Meeting called to approve the financial statements for the year ending 31 March 2022.

Auditex (alternate for Ernst & Young Audit)

1-2, place des Saisons, 92037 Paris La Défense Cedex

- Date of first appointment: 25 July 2016
- Expiration date of this appointment: The Shareholders' Ordinary General Meeting called to approve the financial statements for the year ending 31 March 2022.

SELECTED FINANCIAL **INFORMATION**

3

This Chapter presents the selected financial information for the 2016-2017 fiscal year.

The 2016-2017 fiscal year was marked by the successful restructuring of the Group's balance sheet and equity, with positive operating income of €19.5 million (7.9% of revenue – a strong improvement) and a net profit of €8.4 million (versus a net loss of -€72.2 million in 2015-2016).

Total consolidated revenue was up 5% to €245.7 million in 2016-2017 (up 4% at constant exchange rates compared to the previous year). This reflects strong sales of 200 mm wafers for the mobility markets (RF-SOI substrates – radiofrequency application for the growing needs of mobile telephony) and the automotive sector (Power-SOI substrates – power applications).

Operating income was positive at €19.5 million, compared to a loss of €7 million in the previous year, notably due to the combined effect of growth in sales volumes of 200 mm wafers, improvements in industrial performance, and lower Other operating expenses.

The net profit came to €8.4 million, reflecting positive results from continuing operations in Electronics of €7.2 million and a small positive impact of discontinued operations.

Consolidated income statement

(In € million)	2014-2015 (restated)	2015-2016 (published)	2015-2016 (restated)*	2016-2017
Revenue	171.6	233.2	233.2	245.7
Gross margin	26.6	62.2	62.2	77.4
Current operating income (loss)	(22.9)	22.4	22.4	27.7
Other income and operating expenses	(22.3)	(29.4)	(29.4)	(8.2)
Operating income (loss)	(45.2)	(7.0)	(7.0)	19.5
Net result from discontinued operations	(201.8)	(38.6)	(38.6)	1.1
NET PROFIT (LOSS) (GROUP SHARE)	**(258.7)**	**(71.7)**	**(72.2)**	**8.4**

* *Error correction on a charge to be paid in the amount of €0.6 million.*

As at 31 March 2017, available cash amounted to €109 million compared to €49 million at the end of March 2016. The capital increases of April-May 2016 allowed to restore equity and to reduce financial debt (repurchase of a portion of convertible bonds and repayment of bridge loans).

Balance sheet

(In € million)	31 March 2015 (restated)	31 March 2016 (published)	31 March 2016 (restated)*	31 March 2017
Cash	22.9	49.1	49.1	109.3
Current assets	84.8	90.3	90.3	90.2
Non-current assets	201.7	159.9	159.9	161.0
Assets held for sale and related to discontinued operations	84.1	25.9	25.9	29.1
TOTAL ASSETS	**393.5**	**325.1**	**325.1**	**389.6**
Operating liabilities	109.5	96.8	97.5	105.9
Financial liabilities	168.3	218.9	218.9	120.9
Equity	50.0	(7.1)	(7.8)	149.1
Liabilities related to discontinued operations	65.8	16.5	16.5	13.7
TOTAL LIABILITIES	**393.5**	**325.1**	**325.1**	**389.6**

* *Correction through equity of a charge to be paid in the amount of €0.8 million.*

Cash flow from operational activities was positive for 2016-2017 in the amount of €31.6 million. It was comprised of positive cash flow of €39.3 million from the Electronics division, offset by negative cash flow of -€7.7 million from discontinued operations.

Cash flow statement

(In € million)	31 March 2015	31 March 2016	31 March 2017
Cash flow generated by (used in) operating activities	(0)	(12.5)	31
Cash flow generated by (used in) investing activities	(29)	27	(2)
Cash flow generated by (used in) financing activities	(4)	12	32
Effects of exchange rate fluctuations	11	(1)	(1)
CHANGE IN NET CASH POSITION	**(22)**	**26**	**60**

RISKS FACTORS **ANALYSIS**

4

The Company has conducted a risk analysis of factors that may have a significant negative effect on its business activities, financial position, profit or ability to achieve its objectives, and it considers that there are no other significant risks apart from those presented below.

4.1. Risk related to the Company's business

4.1.1. Operational risks in the Electronics segment

> *Sensitivity of the Electronics segment's results to changes in technology trends and to the development of new vertical integration models*

The semiconductor sector includes rapidly changing technologies and standards as well as frequent new product launches. It is also known for the succession of technology nodes for fine etching used by microprocessor manufacturers to install their circuits on silicon wafers. These technological leaps lead to constraints for our clients, who may have difficulties taking them on, which could result in a decrease in demand for our products. Within the domain of microprocessors that require a high level of performance and that have a low level electricity use (servers, laptop computers, tablets, smartphones, gaming consoles), the semiconductor industry has entered into an uncertain area as it pertains to technological choices for the next generations of products.

Most of the revenue from the Electronics segment during the fiscal year came from sales of 200 mm-diameter wafers for RF-SOI and Power-SOI applications, and from sales of 300 mm-diameter wafers. Even though the Company is confident in its ability to adopt its FD-SOI (Fully-Depleted SOI) technology, the foundries have not confirmed this adoption, and their use by end clients who manufacture the chips is not assured as of now.

In its position as supplier of raw materials to the foundries, the Company depends on end users to adopt the technological solutions proposed in cooperation with the foundries. Beyond technical performance, the degree to which the technologies developed by the Company are adopted depends on their cost in comparison to other technical solutions available on the market. End users, like the foundries, may decide at any time to postpone or even abandon their SOI projects if they consider that the price-performance ratio is not favorable in relation to the solutions offered by the Company, or for specific reasons that are unrelated to the Company's product features. This is all the more pronounced during periods of transition from one technical node to another, given the investments made, which is the case today with the choice between planar technology and 3D. In particular, the adoption of FD-SOI by end clients is not guaranteed, and if adopted, the time frame for strong progression of this technological solution is not certain; the future growth of the Company in the semiconductor market may be called into question, which could bring the Company's economic and financial viability into question.

In addition to the sensitivity of the Electronics segment's results to the technological changes described above, the concentration trends observed in the semiconductor sector (acquisitions of Altera by Intel, of Freescale Semiconductors by NXP Semiconductors, of NXP Semiconductors by Qualcomm, of Broadcom by Avago Technologies, and then Brocade Communications Systems by the new Broadcom) could lead to the development of new integrated production models in which producers of bulk silicon could also have the capacity to produce SOI, like the conglomerate that resulted from the acquisition of SunEdison Semiconductor Limited by GlobalWafers Co. Ltd.

The consequences of these new vertical integration models for the Company's competitive position are uncertain and could pose a threat for the Company.

> *Sensitivity of the profits from the Electronics segment to client demand*

The semiconductor sector is marked by rapid changes in clients' outlooks or unforeseen accumulation of inventory in the supply chain due to changes in end users' demands and macroeconomic conditions. This phenomenon is intensified for RF-SOI products due to fierce competition that results in pricing pressure for the sale of SOI wafers produced by the Company and/or a loss of its market share.

A large part of the profit in the Electronics segment comes, not from long-term supply contracts regarding set quantities, but rather from contracts for supplying finished products on the basis of sales predictions coming from key clients. Therefore, the industry is regularly required to implement capacity investments, hire personnel and build up raw material and finished product inventory to meet a demand that could potentially drop substantially.

However, terms and conditions of sale include clauses that may reduce this risk (automatic billing of products after a set length of inventory time, minimum advanced notice before adjusting consumption forecasts, take-or-pay penalties in cases where capacity investments may be at stake). Additionally, the Company endeavors to limit risk by negotiating symmetrical conditions for the supply of raw materials, reducing the time of its production cycle and standardizing its products to meet the demand of several clients through shared infrastructure and identical stored references.

Contractual agreements between the Company and its key clients do not include non-standard clauses, the implementation of which could have a significant impact on its business or its growth. But even in cases where the general terms and conditions of sale or other previously negotiated contractual agreements provide for the application of penalties in the event of a major review of clients' consumption forecasts, the Company may be required to waive these penalties to protect its relations with its clients or take into account standard practices in the sector.

Lastly, there is a lag between the announcements made by the end users in regard to their potential medium-term strategic choices, and these choices translate in orders from the suppliers of these end users, which adds to the difficulty for the Company to anticipate changes in its order booklet.

> *Cyclical aspect of the semiconductor industry and inventory management*

The cyclical nature of the semiconductor industry has a significant impact on demand for silicon and new products using the most advanced technology, such as SOI. A downward cycle in the semiconductor industry may have a significant impact on the demand for the Company's products, which could lead to a de facto drop in its revenue and profit. Its inability to sell its products may have a significant negative impact on its inventory, revenue and earnings.

Although the Company currently considers its inventory to be in line with the current economic climate, this is still marked by an overall economic uncertainty that may lead to lower demand than estimated.

Current forecasts relating to the Company's business remain nuanced due to the uncertainties relating to the technological transition underway and the time frame for adopting FD-SOI (Fully-Depleted SOI) technology (see section entitled "Sensitivity of the Electronics segment's profits to technological changes and to the development of new vertical integration models"). In order to put weight behind the success of strategic foundry clients, FD-SOI wafer sales have been recorded throughout the year (for retail electronic products, cars and industry), without the corresponding contribution being significant. Therefore, the Company must reconcile the increase in demand observed in the domain of radiofrequency applications with the marked uncertainties in FD-SOI technology.

Impact of short-term changes on the Electronics segment's profits

Within the framework of its strategy for industrial leadership, the Company carried out major investments to respond to the anticipated changes in demand. These investments figure on the profit and loss statement as fixed depreciation costs and operating expenses.

During the 2016-2017 fiscal year, the Company estimates that more than 50% of its operating costs in the Electronics segment may be treated as fixed. Faced with major uncertainties related to current changes in technology (see section entitled Sensitivity of the Electronics segment's profits to technological changes and to the development of new vertical integration models"), the Company must maintain a level of investment that is compatible with the favorable changes in demand for SOI wafers for radiofrequency applications, the current production capacities of which are close to saturation, and for developing the FD-SOI solution.

In this context, the cost-reduction measures put in place by the Company must be combined with the urgent need to have sufficient production means to satisfy growth in the radiofrequency applications business and a potential rebound in the FD-SOI solution business (which should lead the Group to undertake major investments in capacity for the 2017-2018 period).

Any sudden unfavorable change in demand may have a significant impact on the Company's profits given the difficulties in immediately reducing its fixed costs without definitively compromising its future in the semiconductor domain.

4.1.2. Risks relating to the Group discontinuing the solar energy business

The Group's decision to refocus on its core business and withdraw from the Solar Energy business led the Company to present Solar Energy Business financial results as discontinued operations in the financial statements as of 31 March 2017.

As stated in paragraph 4.1.2. of Chapter 4 of the 2014-2015 Reference Document, some risks and obligations remain from specific contractual commitments that have been entered into within the scope of the solar plant projects, which are off-balance-sheet commitments. These commitments may be as long as five years for malfunctioning equipment, and as long as 25 years for energy production performance.

As a result, the Company bears a risk of indemnification under these warranties and will have to maintain a small organization responsible for monitoring and managing them. A provision to cover known risks, compensation risks and costs related to dissolving the business was recognized and reviewed in the financial statements of 31 March 2017, taking into consideration certain assumptions.

Although they are reviewed at regular intervals, it is still possible that the costs of the closings or disposals will ultimately differ from the assumptions used.

In addition, dissolving the Solar Energy business may triggers delay in the elaboration and release processes of the audited statutory financial statements of the local affiliates, and could make the Group bear significant additional costs resulting from the tax treatment related to potentially abandoning receivables held by the Company from operating subsidiaries running this business. Although the Group is actively exploring avenues to minimize these costs, the Group cannot in any way guarantee that it will be able to do so.

4.1.3. Industrial, regulatory or environmental risks

Use of hazardous products

The manufacturing process implemented by the Company includes the use of chemicals that could be a safety hazard for people as well as hazardous for the natural environment. They include products currently used in the microelectronic industry such as hydrofluoric acid, hydrochloric acid, ammonia, various liquid solvents, hydrogen chloride, gaseous ammonia, dichlorosilane and hydrogen for gases, arsenic and phosphorus for solids as well as substrates for III-V materials such as gallium arsenide and indium phosphide.

The Company complies with local laws and regulations relating to the use and storage of these chemicals as well as the disposal of Hazardous Waste, which is required after use.

An internal procedure related to managing chemicals ensures a preliminary approval by the Health and Safety/ Environmental Department prior to introducing new chemicals at each site.

The Company has effective material resources to combat any chemical risks from work accidents (bodily injury) or industrial incidents (spills/leaks). The Company may also rely on an IOP (internal operation plan) crisis management structure implemented by the Group and based on the internal intervention teams specifically trained to take action in this type of scenario.

All of this ensures the proper management of the chemical risks; nevertheless, the Company does not exclude any risk that may have unfavorable consequences on the health of people, the environment, its brand image, its profits and its financial situation.

The importance of research and development efforts for the Group

The Company allocates a large portion of its revenue to research and development. This research and development effort partly depends on financial and tax incentives that may be called into question and increase the impact of these expenses on operating income in the future.

With the Group refocusing on electronic operations, some of these financial incentives available to the Group for its research and development work concerning Smart Cell technology may be called into question, in whole or in part.

Finally, some contracts that the Company has entered into contain stipulations that aim to improve returns on its products in the long term, resulting in increased compensation. If the Company has a difficult time satisfying these contractual commitments, it may have a negative effect on its profits and operating income.

4.2. Legal risks

The Company is involved in certain lawsuits described in paragraph 5.6. below.

4.2.1. Competition and technological risks

> *The semi-conductor market is highly competitive and marked by particularly quick technological developments*

The silicon substrate industry is able to respond to the stakes related to the consumer electronics market, characterized by:

- growing consolidation;
- talent for innovation;
- reduction of market launch times for new products.

The need for regular reduction in manufacturing costs puts significant pressure on the players in the sector. Beyond technical performance, the degree to which the technologies developed by the Company are adopted depends on their cost in comparison to other technical solutions available on the market. End users, like the foundries, may decide at any time to postpone or even abandon their SOI projects if they consider that the price-performance ratio is not favorable in relation to the solutions offered by the Company, or for specific reasons that are unrelated to the Company's product features.

This is all the more pronounced during periods of transition from one technical node to another, given the investments made, which is the case today with the choice between planar technology and 3D. The acceptance of Smart Cut™ technology by silicon leaders in license contracts entered into with the Company is a factor for developing this technology with the foundries, and allows the existence of several supply sources for SOI substrates and contributes to virtuous competition. Also, the Company's main competitor for SOI products, Shin-Etsu Handotaï, is also a sub-licensee who participates in developing the market. Likewise, during the 2013-2014 fiscal year, the settlement of the dispute between the Company and SunEdison, Inc. (formerly called MEMC) was accompanied by a cross-license agreement giving each company access to a patent portfolio concerning the SOI substrates held by the co-signatory (press release dated 26 November 2013).

The Company remains confident about maintaining its competitive position and the competitiveness of its technology, but cannot rule out that this may be weakened in the long term, with adverse impacts on its earnings. Indeed, the Company's technologies currently in the RF-SOI and Power-SOI market, which make up most of its revenue, could be replaced by more cost-effective technologies.

In addition, the semiconductor industry is in consolidation phase and is increasingly focusing on turning toward a production capacities outsourcing model (foundries). As a consequence, the market of the foundries that offer their production capacities to the semiconductors players is very competitive, with dominant position on certain technological nodes. As a result, the success of FD-SOI is closely tied to commercial successes of the foundries' which support FD-SOI technology, but which are not those which are in dominant position on the nodes currently in commercial exploitation. Several factors besides the technological value of FD-SOI could come into play in the success of its business development: marketing and business strategies of the foundries supporting FD-SOI technologies toward fabless companies, their financial health, the technological and business competition of the dominant foundries, etc.

4.2.2. Industrial property

The Company is committed to protecting its industrial property.

Some patents protecting the techniques used in manufacturing the Company's products are owned by the CEA-Leti or other organizations which are responsible for protecting them. The Company holds several exclusive licenses for CEA patents used in Smart Cut™ and Smart Stacking™ terminologies. Smart Cut™ designs technology protected by a portfolio of several thousand patents. Even though the first patent in the Smart Cut™ portfolio became part of the public domain during the 2012-2013 fiscal year, the Company does not identify as a major risk the expiration of the initial patents regarding this technology.

With over two hundred patents filed per year worldwide, the Company is frequently listed as one of the 50 most active French companies in terms of patent filing (source: *Palmarès 2016 des déposants de brevets published by l'Observatoire de la propriété intellectuelle* – https://www.inpi.fr/sites/default/files/inpi_statistiques_palmares_2016.pdf)

This policy also extends to the protection of its trademarks (e.g., Soitec, Smart Cut™ or Smart Stacking™).

The Company strengthens and expands its intellectual property each year in the key technological sectors of its current and future activities. In fact, the continued increase in patents has enabled the Company to maintain a competitive edge on the market.

For example, at the end of 2012, the Company announced the renewal of the license agreement originally granted to Shin-Etsu Handotaï in 1997 for manufacturing SOI substrate. Additionally, at the beginning of 2013, the Company announced the license agreement for Smart Cut™ technology entered into with Sumitomo Electric, for manufacturing GaN substrate. At the end of 2013, the Company granted a Smart Cut™ technology license to SunEdison Inc., and in 2014, to Shanghai Simgui Technology Co. Ltd.

The absence of sufficient protections, the invalidation of the circumvention of patents licensed to or owned by the Company, or an alleged infringement of third-party rights, may have negative impacts on its business and financial position. Likewise, in order to protect its technologies and ensure its rights are respected, the Company may file lawsuits through the courts, if necessary. This type of litigation involves large costs and significant personnel commitment for a long period of time, and may also have a negative impact on the Company's business and financial position. In addition, the Group cannot rule out the possibility that litigation may result in a patent being canceled or the Company needing to pay royalties to a third party.

4.2.3. IT risk

As an industrial company operating in the high-tech industry and expanding internationally, the Company relies heavily on its information system for all its business activities. Because of this, the Company can be exposed to threats such as cyber attacks of any kind aiming to impact the industrial businesses, to steal sensitive information for non-authorized use, or to attempt fraud.

Although the Company complies with best practices in this area (such as ISO 27000) and rolls out organizational technical and human resources (with a sharp focus on personnel training) to ensure that its information system is properly managed and secured, the Company cannot rule out any risk that could have adverse consequences on the systems or data it is responsible for, its brand image, its results, its financial position or its regulatory obligations.

4.3. Risk of dependence on third parties

4.3.1. Dependence on key clients

> *Risks relating to the concentration of clients in the semiconductor sector*

The concentration of clients is a typical characteristic for semiconductor sector suppliers. This concentration is combined, in the case of the Company, with the phenomenon of market capture related to the technological choices put out by its key clients.

Although the Company is aiming to balance its client structure over time by gradually moving to new clients during large volume production phases using the substrates supplied to them, there is no assurance of achieving this in the short term. Likewise, the Company is dependent on the technological choices of its clients' customers. Even if these technological choices are unfavorable to the technical solutions for the Company's substrate products, there would be an immediate effect on the Company's business volume with its key clients.

During the 2016-2017 fiscal year, the Company's top client only accounted for 21% of revenue in the Electronics segment (versus 19% the previous year) and its second-largest client 11% (versus 10% for the previous year). Eight clients generated over 5% of revenue in the Electronics segment, down from nine the previous year, and all together they accounted for 80% of sales in the segment (as was the case last year).

The expected penetration of FD-SOI (Full-Depleted SOI) technology may, once again result, in the adoption phase, in a concentration of the client portfolio for the Electronics segment. To reduce its exposure, the Company seeks to introduce products in its Electronics segment for new applications (radiofrequency, potency, photonics).

> *Risks related to the quantification of key client final markets in the Electronics segment*

The Company had no direct information to quantify the expected impacts of key client launches (or of their customers) on the Electronics segment of new products on their respective markets. The Company's business forecasts may consequently be challenged by a different assessment and/or a review by their clients of their own forecasts.

It should be noted that the Company adapts its sales forecasts according to indications from its clients with regard to their SOI wafer needs, provided that the wafer inventory that the Company has placed at client sites only represents a few weeks of their expected consumption.

If demand for 300 mm products (PD-SOI, radiofrequency, photonics and imagers) is confirmed, the Company could have to make additional capacity investments in future fiscal years. Financing for these new investments remains to be defined, but should include the Company soliciting the financial markets in the coming years, in line with what the Company has done in the past.

> *The risk of Electronics segment client insolvency*

The concentration of the client portfolio in the Electronics segment is not synonymous with a significant credit risk. In the Electronics sector, the average payment period for key clients is less than 60 days.

The risk of non-payment is reduced because the Company's clients include large international groups in the microelectronic industry.

The Company has not seen a significant default of payment in its Electronics segment during the last three fiscal years. Furthermore, the Company has implemented internal follow-up and monitoring procedures for its payment default risks and, generally, for managing credit risk.

Nevertheless, these procedures may not guarantee the Company protection against the insolvency of one or more of its clients. Should such an event occur, there would be a negative impact on the Company's earnings and financial position.

4.3.2. Dependence on partners

> *Dependence on silicon suppliers and the impact on the Company's earnings*

Given the cyclical nature of the semiconductor industry and the consequences of silicon consumption, the Company may have problems obtaining supplies in the event of a sharp increase in demand, which would be detrimental to its business.

If global demand for silicon exceeds the capacity of the few suppliers of crude silicon, it could lead to substantial price increases or to the Company not being able to supply enough silicon to meet the demand of the Company's customers.

As part of the partnerships entered into with silicon suppliers, specifically Shin-Etsu Handotaï (SEH), the latter has agreed to supply the raw materials that the Company could need. As part of its supply agreement with SEH, which remains in effect until 2023, the Company has agreed to do its best to obtain 60% of its supply needs from SEH. Volumes and financial terms and conditions with these supplies are renegotiated every year.

Nevertheless, the Company retains the right to buy from other suppliers, which ensures other supply sources in the event of a problem, and control over its purchase price.

The price of silicon is adjusted on a half-yearly basis with key suppliers. Repercussion in the sale price of a price adjustment for silicon is set out in the agreements signed with the key clients, so that the Company may guarantee a strict consistency, with it being specified that the length of the production cycle and the amount of inventory of primary materials is less than three months of consumption. SOI often being in direct competition with the Company's clients' bulk silicon, a long-term difference between the purchase price of the raw materials and the sale price of finished products is unlikely.

The silicon costs represent between 40% and 50% of the cost price for an SOI wafer, higher than that of other consumable materials and other kinds of costs. To sustainably reduce the cost of silicon in its cost price, the Company has implemented a strategic cost-reduction program using an internally developed process, entirely dedicated to using raw materials more efficiently.

The Company is confident in its capacity to successfully implement this strategic program, but nevertheless it cannot exclude that an increase in the price of primary materials may have a significant impact on earnings.

> *Dependence on Shanghai Simgui Co. Ltd.*

In October 2016, Shanghai Simgui Co. Ltd., the Company's industrial partner based in Shanghai, successfully finalized initial client qualifications for its 200 mm SOI wafers.

Industrial production should now be able to ramp up and enable the Company to have additional capacity to meet its clients' needs and continue to enjoy strong sales growth in 200 mm wafers.

It is worth highlighting that growth in demand of 200 mm wafers can only be supplied by Simgui Co. Ltd.'s plant in China, since the Company's 200 mm wafer plant in Bernin is already operating at maximum capacity.

However, the Company is uncertain about whether or not Shanghai Simgui Co. Ltd. will be able to produce the expected quantities and qualities. If Shanghai Simgui Co. Ltd. were to fall short, this would have a significant impact on the Company's earnings.

Recoverable amount of non-current assets

The value of the Group's non-current assets is distributed among several cash generating units (CGUs). At year-end on 31 March 2015, the Company performed impairment test procedures on each of the CGUs based on updated business plans, which led to recognizing non-current asset depreciation.

These tests were updated during the 2016-2017 fiscal year, and no additional impairment was recorded. The basic assumptions, as well as the amount of losses, are laid out in notes 2.4.G and 3.4 in the Appendix of the notes to the consolidated financial statements, shown in Chapter 20.3. of the Company's 2016-2017 Reference Document.

Business continuity plan

The continuity plan has been completely revised and reinforced for better adaptation for a multi-site organization. The operational risk chart has been updated and finalized. It identifies and works on several scenarios concerning the key risks that may affect the Company's business at the Group level and at the local level. The implementation of a new business continuity plan for Bernin is underway to reinforce the methods currently in place. This continuity plan is tested out every year via an operational exercise.

In order to anticipate risks that may lead to operations being interrupted, the Company has prevention and protection methods that guarantee business continuity. The methods implemented allow for securing the supply and delivery to the clients.

As part of the prevention program established with its insurers, the Company is working to reduce risks at its production site and their potential impacts on business continuity. However, the Company's 200 mm and 300 mm production is carried out at a single site in Bernin. Therefore, if the entire site experiences a prolonged outage, the Company will be unable to supply its customers for a prolonged period of time.

4.4. Market risks

The data presented below comes from the audited financial statements as of 31 March 2017.

4.4.1 Interest rate risk

The Group's long- and medium-term financial debt is partly contracted at a variable rate and partly at a fixed rate.

As of 31 March 2017, the Group does not hold any hedging instruments for financial debt:

(In € thousand)	31 March 2017	31 March 2016
Financial debt:	(120,860)	(218,939)
Fixed rate	(64,494)	(167,205)
Variable rate	(56,366)	(51,734)

Floor clauses were included in 2015 and in 2017 in connection with floating-rate bank loans: in the event Euribor is negative, the bank will continue to receive interest based on 0% Euribor. The fair value of this floor as of 31 March 2017 was estimated at -€154 thousand.

A 1% increase in interest rates applied to floating-rate debt and investments would have led to a decrease of approximately €564 thousand in financial income.

A 1% drop in the interest rate applied to part of the debt and variable-rate investments would have led to an increase in financial profit by approximately €564 thousand.

4.4.2. Foreign exchange risk

The Group's objectives are to hedge foreign exchange risk on commercial transactions recognized on the balance sheet and on highly probable future transactions. The Group's foreign exchange risk policy for future commercial transactions carried out in dollars is to cover a majority of the foreign exchange risk for the next two years at the end of the fiscal year via derivative instruments based on operating budgets. Identified foreign exchange risks are covered by futures sales or through options, to reduce EUR/USD exchange exposure as much as possible. The useful life of these instruments is in line with the Group's settlement flows. Additionally, the Group's policy is not to use instruments for speculative purposes. EUR-ZAR foreign exchange risk is still not covered.

The Group remains exposed to book currency translation risk since it publishes its consolidated financial statements in euros.

The conversion rates used to convert the subsidiaries' financial statements whose operating currency is different from the euro have the following exchange value in euros:

	Average rate		Closing rate	
Currencies	**31 March 2017**	**31 March 2016**	**31 March 2017**	**31 March 2016**
US Dollar	0.914414	0.904962	0.935366	0.878349
Yen	0.008429	0.007502	0.008365	0.007819
South African Rand	0.072536	0.058280	0.070223	0.059571

Impact of the change in the dollar/euro exchange rate on the Group's earnings

Most transactions on the semiconductor market are carried out in US dollars. In addition, nearly all of the revenue in the Electronics segment is invoiced in USD, likewise for silicon purchases, which account for between 40% and 50% of production costs. Other costs, which mostly correspond to local resources in Bernin, are mainly invoiced in euros.

The US dollar appreciated by 1% compared to the euro between the 2015-2016 fiscal year and the 2016-2017 fiscal year. The Group shows that for the Electronics segment, the 31.5% gross profit for the 2016-2017 fiscal year will be at 29.7% if the euro/dollar parity stays at the same level as the previous year.

The Company has been able to re-establish its access to currency hedging instruments in order to cover its commercial transactions in USD by using forward sales and options with maturities that range up to 26 months.

Level of exposure to foreign exchange risk

The level of exposure to foreign exchange risk is described in note 5.4.3. of the Appendix of the notes to the 2016-2017 consolidated financial statements shown in Chapter 20 of the Company's 2016-2017 Reference Document.

The table below shows the net positions in euros and foreign currency (financial line items on the consolidated balance sheet by transaction currency):

(In € thousand)	EUR	JPY	USD	NTD	SGD	KRW	ZAR	CNY	31 March 2017
Assets	145,280	1,025	57,166	28	454	511	28,090	4,559	237,114
Liabilities	(202,360)	(2,290)	(30,934)	-	(2,055)	(87)	(2,753)	(7)	(240,486)
Net position before hedging	(57,080)	(1,265)	26,232	28	(1,601)	424	25,337	4,552	(3,372)
Financial hedging instruments of financial position items	-	-	22,449	-	-	-	-	-	22,449
Net position after hedging	(57,080)	(1,265)	3,783	28	(1,601)	424	25,337	4,552	(25,821)

The following table shows the unrealized gains on existing financial instruments as at 31 March to cover exchange rate risks:

		31 March 2017		31 March 2016	
(In € thousand) **Type of contract**	**Currency**	**Market value (net)**	**Hedged position**	**Market value (net)**	**Hedged position**
Hedge of statement of financial position items (trade receivables):		**(870)**			
of which forward sale	USD to EUR	(870)	22,449	-	3,514
Cash flow hedges:		**707**			
of which eligible for hedge accounting:		3,388			
• Forward sale	USD to EUR	637	101,955		
• Options	USD to EUR	2,751	114,115		
of which not eligible for hedge accounting:		(2,681)			
Options	USD to EUR	(2,681)	114,115		
TOTAL HEDGING		**(162)**		**-**	

Market value was estimated using one or more commonly used models.

Due to the Group's foreign exchange risk hedging policy presenting a substantial annual need over the next two years, changes in USD exchange rates should continue to have a minimal impact on profit.

As of 31 March, a 10% impairment of the euro compared to the US dollar, to the South African rand, to the Japanese yen and to other currencies in which assets and liabilities are held could result in an additional gain of €3.4 million.

An appreciation of 10% of the euro in relation to these currencies as of 31 March would result in an additional loss of €2.8 million.

In both cases, the impact of the South African Rand accounts for approximately 80% of the total impact calculated.

4.4.3. Liquidity risk

The Group recorded net income of €8.4 million over the 2016-2017 fiscal year, and presented shareholders' equity of €149 million at year-end.

As of 31 March 2017, the Group had €109.3 million in cash, compared with €49.1 million as of 31 March 2016.

Available cash mainly comes from a capital increase carried out in May 2016, followed by a capital increase maintaining preemptive subscription rights finalized in June 2016. The proceeds from these operations were partially allocated to the repayment of the bridge loans due in May 2016 (detailed description in Chapter 10.3. of the Company's 2015-2016 Reference Document) and to the partial repurchase of the convertible bonds (OCEANE) maturing in September 2018; the balance was reserved for investments in capacity to meet the growing volume of FD-SOI.

Net debt (financial debt minus cash) improved significantly to total €11.6 million as of 31 March 2017, compared to €169.9 million at the end of March 2016. Refocusing on the Electronics business segment should generate positive cash flows from its operating activities, and repaying a large part of the financial debts will significantly reduce financial expenses.

Based on the above, the Group considers that it will be able to continue operations for the next twelve months in 2017-2018 (from 1 April 2017, through 31 March 2018). Thus, the consolidated financial statements have been established on the basis of a going concern.

The table below shows the breakdown of financial liability of the Group by date:

	Less than one year		From 1 to 2 years		From 2 to 3 years		From 3 to 5 years		Longer than five years		Total	
(In € thousand)	Nominal	Interest	Nominal	Interest	Nominal	Interest	Nominal	Interest	Nominal	Interest	Nominal	Interest
Financing lease agreement:												
Furnishing financing lease agreement:	6,196	420	978	28	-	-	-	-	-	-	7,174	448
Borrowings:												
Bond: OCEANE 2018	-	2,824	41,829	1,413	-	-	-	-	-	-	41,829	4,237
Other borrowings and debts:												
Authorized credit line used	6,399	432	974	338	47,360	132	1,633	5	-	-	56,366	907
Redeemable advances	875	-	1,159	-	844	-	1,151	-	9,331	-	13,360	-
Financial suppliers	369										369	-
Derivative financial instruments – liabilities	2,048	-	1,665	-	22	-	-	-	-	-	3,735	-
Trade payables and other debts	56,155										56,155	
TOTAL FINANCIAL LIABILITIES	**72,042**	**3,676**	**46,605**	**1,779**	**48,226**	**132**	**2,784**	**5**	**9,331**	**-**	**178,988**	**5,592**

Confirmed credit lines

In 2012, the Group signed confirmed credit lines with its banking partners for a total amount of €72 million to mature on 31 March 2017 and which are depreciated over five years. One of these credit lines was restructured for an amount of €8 million to be repaid on 31 August 2014. The amount outstanding at 27 May 2015, i.e., €37.2 million, was restructured in the form of credit lines repayable in full (principal and interest) at maturity in November 2019. These credit lines carry a commitment fee of 0.15% to 0.40%, and a utilization fee ranging from Euribor +0.60% to Euribor +1.00% depending on the facility.

Within the framework of the mobilization of receivables on the research tax credit and CICE, the Group signed credit lines with BPI for a total amount of €19.2 million to mature between September 2017 and September 2021. These credit lines carry a commitment fee of 0.30%, as well as a utilization fee of 1-month Euribor +0.70%.

4.4.4. Credit risk

The financial instruments on which the Group potentially incurs a credit risk are mainly cash, liquid assets subject to restrictions and accounts receivable.

The Group has implemented a cash flow management policy with the objective of optimizing its investments in short-term and low risk financial instruments. The Group's liquid assets are mainly invested with large international financial institutions.

The Group markets its products to actors in the semiconductor industry mainly located in the United States, Asia and Europe. As of 31 March 2017, the Group has eight clients that accounted for more than 5% of the Electronics segment's revenue; together, they accounted for 80% of revenue. As of 31 March 2016, the Group had nine clients accounting for more than 5% of the Group's revenue; together, they accounted for 76% of restated revenue.

The Group frequently evaluates its clients' credit risk and financial position and makes provisions for potential losses on receivables that cannot be recovered. The amount of these losses remained within the limits forecast by Management.

4.4.5. Equity risk

The Group does not hold any non-consolidated investments or investments traded on a regulated market.

4.4.6. Risks relating to the materiality of off-balance sheet commitments

The Group has contractual commitments for its ongoing operations, which are more precisely described in note 5.2. of the Appendix to the 2016-2017 consolidated financial statements shown in Chapter 20 of the Company's 2016-2017 Reference Document.

4.5. Hedging of insurance risks

In addition to the means of prevention and protection deployed, the Company has a comprehensive insurance program, notably providing coverage for:

- risks of property damage and loss of business;
- risks related to the transport of goods;
- risks related to environmental damage;
- risks of the financial consequences of civil liability which could be incurred due to its operation or due to the movement of its products around the world.

Other insurance policies are taken out for smaller risks.

The Group's policy for risk management and insurance corresponds to the following objectives:

- spreading the risk over different first-tier insurance companies;
- subscribing to Group insurance policies to permit consistency of transferred risks and purchased insurance coverage, as well as to improve economies of scale, taking into account the specific character of the Group's businesses;
- putting in place deductibles adapted to the size and capacity of each insured entity.

> *Damages to goods and operating losses*

Assets are covered by the insurance policies of "All risks except" type. These policies are adapted to different production sites and include regular visits by our insurers' appraisers to adjust the amounts of the coverage and the excesses in relation to the reality of risks.

The combined deductibles "property damage" and "loss of business" are adjusted to the site, and operating losses are usually insured for periods of eighteen months. This program integrates the "additional operating costs" guarantee and a guarantee of "deficiency of suppliers and/or clients."

> *Transporting merchandise*

For freight forwarding, the Group's policy for managing risk and insurance leads it to underwrite insurance policies providing cover for its goods over the whole of its supply chain, from suppliers to clients.

> *Civil liability for environmental harm*

The guarantee "Civil liability for damage to the environment" covers our production site in France.

> *Civil liability*

"Civil Liability" insurance is intended to cover the liability of the Company both during the operation of the business, and after delivery of products or within the framework of defense in criminal proceedings and appeals. This insurance is taken out for all production and distribution sites with the same insurance companies. These policies take into account the specificities of each production site as well as the risks relating to different geographic areas where the products are delivered.

> *Civil liability of senior executives and corporate officers*

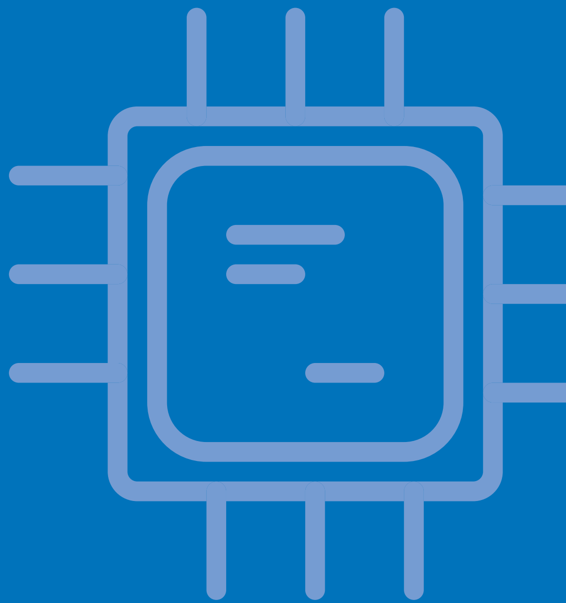
"Senior executive and corporate officer liability" insurance aims to cover all senior executives and corporate officers in the Company as well as its subsidiaries against the financial consequences of third party civil liability incurred due to mismanagement or professional misconduct while carrying out their duties.

> *Covering risks of fraud and malicious acts*

"Fraud and Malicious Acts" insurance aims to cover financial damage of the Company and its subsidiaries resulting from a fraudulent act (such as abuse of trust, fraud, forgery and use of forged documents, counterfeiting or falsification of checks or theft) or acts of hostility (such as introducing a computer virus) committed by their agents or by third parties, as well as any expenditure that could be incurred from this.

INFORMATION ON THE COMPANY

5



5.1. History and development of the Company

5.1.1. Company's name and trading name

The Company's corporate name is Soitec. The Company's trading name is SOITEC or Soitec.

5.1.2. Company's place and number of registration

The Company is registered with the Grenoble Trade and Companies Register under number 384 711 909 RCS Grenoble.

Its business activity code is 2611Z.

5.1.3. Company's date of incorporation and term

The Company was formed on 27 February 1992.

The Company's term is set at 80 years with effect from its registration date with the Trade and Companies Register, except in case of early winding-up or extension. As the Company was registered on 11 March 1992, its legal personality will expire on 11 March 2072.

5.1.4. Company's registered office, legal form and regulations

The Company's registered office is located at Parc Technologique des Fontaines – Chemin des Franques, 38190 Bernin, France. The Company's telephone number is +33 (0)4 76 92 75 00.

The Company is incorporated in the form of a French joint stock corporation with a Board of Directors (French *Société Anonyme à Conseil d'Administration*). It is governed by French laws and notably by the legal and regulatory provisions of the French commercial Code.

5.1.5. Major events in the development of the Company's business

> *1992 – Creation of a start-up*

André-Jacques Auberton-Hervé and Jean-Michel Lamure, engineers at CEA-Leti, Grenoble *(Commissariat à l'énergie atomique/Laboratoire d'électronique et des technologies de l'information),* founded Soitec to produce SOI (Silicon-on-Insulator) and use, on an industrial scale, the Smart Cut™ process invented in 1991 in a laboratory by Michel Bruel.

> *1997 – Transition to industrial scale*

With the development of the first SOI applications in a laboratory and the implementation of a pilot line for its Smart Cut technology (1996), Soitec proved the potential of its technology. A strategic partnership was formed with the Japanese company Shin-Etsu Handotaï (SEH), the leader in the silicon industry. The decision to build an initial production plant in Bernin, near Grenoble, was made.

> *1999 – Stock market listing and first production site*

Soitec was listed on the *Nouveau Marché of the Paris Stock Exchange* (which has since become Euronext Paris) and inaugurated Bernin I, the largest SOI production center in the world. Its production capacity increased in stages to 800,000 200 mm and smaller diameter wafers a year. The Company employed over 100 people, compared to four when it was formed.

> *2002 – Bernin II, the start of the 300 mm*

Soitec saw the fruition of its efforts to develop its technology on 300 mm wafers with the opening of the Bernin II production plant, which can produce 720,000 wafers a year. For the first time, revenue broke the €100 million barrier.

> *2003 – Launch of new materials*

With the takeover of the assets of Picogiga International, a specialist in technologies for III-V compound materials, Soitec started to open up its Smart Cut technology to materials other than silicon. The first gallium nitride (GaN)-on-insulator substrate was scheduled to be manufactured starting the following year.

> *2004 – First site opened in Asia*

Soitec opened a commercial subsidiary, Soitec Asia, in Tokyo. The next year, an office was opened in Taiwan. The Company now had more than 500 employees.

> *2006 – New applications for Smart Cut technology*

The R&D NanoSmart project, which started with the CEA-Leti, aims to develop new applications for Smart Cut technology. €200 million were invested over five years. The acquisition of TraciT Technologies, a specialist in molecular adhesion and mechanical-chemical thinning, coincided with the objective to expand markets.

> *2007 – SOI set to conquer the world*

SOI production continued to ramp up: for the first time, Soitec broke the 1,000-employee barrier. André-Jacques Auberton-Hervé, Chairman and CEO of Soitec, was elected Chairman of the SOI Industry Consortium, which is comprised of around 30 of the world's largest manufacturers and research laboratories in the promotion of SOI.

> *2008 – Start of production in Asia*

Soitec manufactured its first SOI wafers in Asia at its Pasir Ris production site in Singapore. This unit features 4,000 sq. m of clean rooms and in time can attain a capacity of 800,000 300 mm wafers per year.

> *2010 – Entry on the solar market*

Soitec acquired 80% of Concentrix Solar, one of the world's leading suppliers of concentrated photovoltaic systems, and entered the booming market of the solar industry. A partnership was signed with the American company Johnson Controls Inc. for the joint development of solar farms. The first solar farms were installed in the United States, South Africa and the Middle East.

> *2011 – Acquisition of Altatech Semiconductor*

Soitec acquired Altatech Semiconductor, which specializes in the development of high performance equipment for semiconductor production.

> ***2015 – A refocusing on Electronics, the Company's core business. The Company's governance structure changed: the duties of the Chairman of the Board of Directors were separated from those of the Chief Executive Officer on 16 January and then were recombined on 11 September.***

> ***2016 – The Company restructures its balance sheet with two capital increases totaling €151.9 million The Board of Directors is made up of 13 members.***

> ***2017 – A successful financial turnaround***

The major events in the development of the Company's business in the 2016-2017 fiscal year were covered by press releases and posted online on the Company's website (see Chapter 24.2.).

5.2. Capital expenditure

The objective of the Company's capital expenditure policy is to keep production capacity in line with the demand expressed by customers or anticipated by the Company while assuring the profitability of the capital expenditure.

In general, the Company launches a new production line when over 80% of the capacity of the existing lines is used. Most of the production equipment used by the Company is standard equipment in the semiconductor industry. Therefore, there is little risk of a supply or support outage. The manufacturing lead times of the equipment suppliers are generally six to nine months. The same equipment is used in the research and development clean room for the development and pre-industrialization of new products. Finally, capital expenditures on information systems remain high (automated production management, logistic flows) even though the Company has been using the cloud more.

5.2.1. Main capital expenditures in the 2016-2017 fiscal year

During the past year, capital investments in industrial equipment were kept low, under €7 million. Most of the new expenditures were made at the Bernin site with the objective of increasing and adapting production capacity of 200 mm wafers intended for the power and radio frequency markets, bringing production capacity of the Bernin I line to 850,000 units per year. Capital expenditures on the Bernin II line remained limited at less than 15% of total expenditure, pushing production capacity of 300 mm wafers for Fully-Depleted SOI to over 100,000 wafers per year. These two values depend on the product mix and yields, which are impacted by the ever-changing technical specifications required by customers. The impact of these parameters on capacity can be significant.

5.2.2. Main expected capital expenditures

Depending on how demand increases, major capital expenditures could be made at Bernin II to increase production capacity of 300 mm wafers for Fully-Depleted SOI. Certain expenditures will be made to support production of small wafers with a view to maintaining the capability of the 200 mm wafer production line in Bernin I. The Company also plans to invest in equipment intended for the development of the next generations of products designed for digital applications.

Total capital expenditure currently planned for 2017-2018 is expected to amount to around €35 million. The amount may be higher if the increase in demand for 300 mm wafers for the Fully-Depleted SOI speeds up.

Reference should also be made to note 3 of the appendix to the consolidated financial statements shown in paragraph 20.3.1.2. of this Reference Document, and to note 3 of the appendix to the consolidated financial statements beginning on page 84 of the Annual Report for the fiscal year ending 31 March 2016, and submitted in the form of a Reference Document to the AMF on 4 July 2016, under number D.16-0665, and note 3 of the appendix to the consolidated financial statements shown beginning on page 90 of the Annual Report for the fiscal year ending 31 March 2015, submitted in the form of a Reference Document to the AMF on 10 June 2015, under number D.15-0587, for additional information on the capital expenditures made by the Company.

5.3. Soitec's CSR strategy

Since 2015, Soitec's CSR strategy has been closely linked to the Transformation project. More details on this guiding change are provided below. It will help understand the actions and processes that have been undertaken and are presented throughout this report.

Soitec is integrating its CSR strategy fully into its business. Decisions and reflections are guided by this commitment to achieve a fairer, more sustainable and more equitable world.

Soitec's CSR strategy breaks down traditionally into three major sustainable development areas: People, Planet, Ethical business.

- **People**
  During 2016-2017, a deep-seated change in managerial practices was initiated, several collective agreements were implemented, progress was achieved in the area of diversity – especially regarding disabilities – and social dialogue was strengthened. Rolling out the transformation is in itself a specific element of the implementation of CSR.
  This information is available in Chapter 17, "Employees."
- **Planet**
  The Grésivaudan Valley in France is the cradle of Soitec's history, one of the most beautiful regions in the country, yet one of the most polluted. Soitec is therefore all the more attentive when it comes to the planet. Indeed, the Company found itself faced with extreme situations in this regard during the year just ended.
  This information is available in Chapter 5.4., "Environmental information."
- **Ethical business**
  The products Soitec develops occupy a central position in upheaval of daily life on the planet in the medium term, and this makes the Company sensitive to a complex ecosystem with numerous customers and positioning well upstream in the value chain, with specialized products made from rare resources. This interaction with the region gives the Company reason for devoting attention to developing talent, not only at Soitec, but in the economic regions surrounding its location as well. To better preserve the environment in which Soitec operates, the Company is attached to acting on the global scale in accordance with its demanding social and ethical principles, which are detailed in a Code of Conduct shared by all of our employees. This information is available in Chapter 5.5., "Societal and ethical information."

All the information on Soitec's CSR is also available in the Company's CSR report.

FOCUS: THE TRANSFORMATION PROJECT

In January 2015, Soitec implemented a change of strategy by refocusing on its original business, microelectronics.

Under this change, the new management team initiated a complete change in the functioning of the Company, which it named the Transformation Project and which represents a cultural, managerial and digital transformation. The Transformation involves the fundamental aspects of the Company, its ways of working to gain in simplicity and agility and to give everyone the power to act in order to develop autonomy at all levels of the organization. This Transformation is a driver for improving Soitec's efficiency and performance. It aims to make the Company a lasting entity where it is good to work. This change aims for the long term, striving to change the Company's corporate culture.

This transformation is based on four pillars: simplicity, trust, responsibility and freedom of action.

One of the first specific changes implemented was the establishment of the initiatives system. It is presented in this introduction because it is the source of several changes, innovations that are discussed later in the report.

One initiative is a subject addressed by a group of employees for a given issue. All employees may create an initiative on a subject directly concerning their workstation, or more broadly, touching on the work environment or organization in the Company.

The initiatives are grouped under five themes:

- the management system;
- simplification of the processes;
- living together;
- transparency and communication;
- management style.

This initiative system gives substance to the principle of freedom of action and taking responsibility, since all employees, regardless of their position, are free to identify a subject for review, with no prior approval, and are responsible for moving it forward. It brings out ideas conceived in the field, in a process that is participatory, steeped in goodwill and tending toward decentralized responsibility. In this process, the Group can legitimately implement the actions it identifies. Each initiative progresses at its own pace, depending on the availability of its members and the complexity of the subject.

Another element is the repetitive aspect of solutions that have been found. In these initiatives, groups are encouraged to test and experiment with solutions without waiting for perfect results, continuing to improve them as they are used.

These initiatives are used to deal with projects together, with determined and motivated staff at all hierarchical levels of the Company. They can be used to find specific solutions in a constructive manner for subjects that had been critical for several months or even years.

The system is completely transparent: all employees can access the same level of information on all subjects. A weekly "initiatives review" is held during which all interested employees get together, and the initiative leaders discuss the progress of their project. An initiatives website was also created: it hosts all files related to each initiative, and they are available to everyone. There is also a dedicated area on our Company's social network where people can share ideas.

Key figures: Since the beginning of the project through the end of March 2017, 34 initiatives have been set up: 16 were successfully completed, and presently have changed corporate life, and 11 are still under way. 7 were never completed. Some 200 employees participated in one or several of these initiatives. In 2016-2017 in particular, 10 new initiatives were launched.

These initiatives are an innovation toward a new way of working, while retaining the objective of implementing specific actions. The initiatives process has made it possible to put the principles of assuming responsibility and freedom of action to full-scale tests and thus influence corporate culture. Through this system of initiatives, subjects are suggested by employees themselves and sponsored by a member of the Executive Committee. As such, they are the ambassadors of change, who exert a much greater impact than if it had been management that had initiated the change.

5.4. Environment

5.4.1. An organized management system

Soitec has been committed to sustainable development from very early on.

As early as 2001, Soitec obtained ISO 14001 certification, to which it added ISO 50001 certification in 2015. An environmental and energy management system makes it possible to accurately and regularly assess the Company's environmental impact and to implement continuous improvement actions.

5.4.2. Continuous awareness raising among employees

Convinced that employee engagement requires awareness, Soitec conducts yearly actions with its employees to discuss environmental and energy issues. Here is what has been achieved in 2016-2017:

5.4.2.1. A presentation on the environment during the welcome session for new employees

A welcome session is systematically organized for new hires and outside companies. During this session, one of the presentations aims to inform them about the safety and environmental risks present at the Bernin site, as well as the actions taken to reduce energy consumption.

5.4.2.2. A training course on Energy and the Environment

A two-hour environmental/energy awareness training is carried out with new hires. This training course educates them about the environmental regulations applicable to the site and shows them the prevention and protection measures put in place to avoid any environmental pollution.

5.4.2.3. A “Midi Soitec” dedicated to energy

“Midis Soitec” are a product of the Transformation initiative “Let’s rethink internal communications.” These in-house seminars are led by one or more employees on a topic that is relevant to Soitec: a project, application, product, a tip or trick, etc. These events aim to better connect everyone, to break down department silos, and to encourage information sharing. Four “Midis Soitec” were held in the 2016-2017 fiscal year.

One of these was dedicated to energy: “Energy: it’s easy” was a seminar on understanding Soitec’s energy consumption and the Company’s plans to better manage and reduce it.

5.4.2.4. A video on better waste sorting

To improve the sorting of paper waste in offices, an awareness video was created by Soitec employees to explain the rules for the sorting and recovery of paper waste.

5.4.2.5. Environmental brochure

An environmental brochure that was produced in 2016 is available on the Soitec website. Starting from the 2016-2017 fiscal year, this brochure was replaced by this CSR report.

5.4.3. Limiting pollution at the site

5.4.3.1. Atmospheric discharges

Characteristics and prevention

The main gaseous discharges from the site originate from:

- production activity related to the use of various chemicals which may include:
  - liquid products: hydrochloric acid, hydrofluoric acid, ammonia, isopropyl alcohol, slurry, acetic acid, etc.
  - gaseous products: hydrogen chloride, ammonia, etc.

  Such products are responsible for the emission of pollutants: volatile organic compounds, chlorides, fluorides, ammonia, etc.
- boilers that emit nitrogen oxides, carbon monoxide and carbon dioxide.

Three types of prevention have been put in place:

- collection: the site has two extraction networks:
  - a network for collecting effluents carrying acid and toxic gases,
  - a network for collecting effluents carrying basic gases.

These different gases are treated in gas scrubbers specific to the type of effluent.

- Treatment: gaseous effluents are neutralized by spraying water and reagent in the scrubbers. The polluted wash water is recovered and is then either treated at an internal neutralization station or eliminated at an approved external treatment center. Some concentrated toxic gases are treated as soon as they exit equipment through scrubbers.
- Monitoring chimney discharge:
  - gaseous discharges from scrubbers are monitored quarterly by an approved body for the following parameters: acidity (H+), alkalinity (OH-), volatile organic compounds (VOCs), fluorine and inorganic fluorine compounds (HF), ammonia (NH_3), hydrogen chloride and other inorganic gaseous chlorine compounds. The results of the measurements taken are sent quarterly to DREAL,
  - gaseous discharges from boilers are monitored every three years by an approved body for the following parameters: dust, sulfur dioxide (SO_2), NOx in NO_2 equivalent. The results of these measurements are regularly checked by the competent authorities.

Results for fiscal year 2016-2017

In March 2017, an ammonia flow exceedance was recorded at the Bernin 1/Bernin 2 chimney. A causal analysis did not reveal the reason for this exceedance. However, this exceedance has not had a significant impact on the natural environment.

		Regulatory limit value		Number of measures	Annual average			Number of exceedances	
		Flows (g/h)	Concentration (mg/m³)		Discharge point	Flows (g/h)	Concentration (mg/m³)	Flows (g/h)	Concentration (mg/m³)
2016-2017	**Acidity**	50	0.5	4	Chimney B1/B2	0	0	0	0
	Alkalinity	850	10			35.2	0.15	0	0
	NH_3	500	10			238.2	1.65	1	0
	COV	1,700	20			380	1.03	0	0
	HCl	300	5			34.6	0.15	0	0
	HF	110	1			19	0.08	0	0
	Acidity	10	0.5	4	Chimney Bidg. K	0	0	0	0
	Alkalinity	100	10			2.7	0.12	0	0
	NH_3	100	10			6.1	8.35	0	0
	COV	350	20			200	0.27	0	0
	HCl	100	5			3.7	0.15	0	0
	HF	30	1			0.85	0.04	0	0
	Acidity	30	0.5	4	Chimney Bidg. 3	0	0	0	0
	Alkalinity	500	10			5.3	0.04	0	0
	NH_3	1,000	10			12.5	1.5	0	0
	COV	900	20			172.5	0.11	0	0
	HCl	300	5			49.75	0.43	0	0
	HF	50	1			4	0.035	0	0
	Acidity	10	0.5	4	MOCVD heat extractor	0	0	0	0
	Alkalinity	130	10			0	0	0	0
	NH_3	100	10			0.22	4.4	0	0
	COV	270	20			40.5	0.02	0	0
	HCl	60	5			0.9	0.1	0	0
	HF	10	1			0	0.015	0	0

** VOC: volatile organic, compounds, NH_3: ammonia, HCI: hydrochloric acid; HF: hydrogen fluoride.*

5.4.3.2. Aqueous discharges

Characteristics and means of prevention

The different aqueous discharges from the site are sewage water (effluents from toilets and kitchen facilities), industrial effluents (effluents from production and technical facilities) and rainwater discharges.

Various means of prevention have been put in place at the site based on the type of discharge.

Sewage water discharge

Internal sewage water is collected by a separative network connected to the communal sewage network. Domestic wastewater is then treated by the Montbonnot wastewater treatment plant (SIZOV).

Industrial wastewater discharge

Concentrated industrial effluents are recovered in tanks and treated externally. Diluted industrial effluents are collected in internal neutralization stations. Diluted industrial effluents are neutralized by passing them through four successive neutralization tanks where the injection of an acidic or basic reagent returns the effluent's pH to neutral before final discharge into the communal network. A blocking tank diverts and stores the effluent in case of a malfunction of a neutralization station and thus avoids the discharge of a non-compliant effluent into the communal network. Bernin's communal industrial wastewater system discharges into the Isère.

Finally, discharges from the station are monitored as follows:

- continuous monitoring of pH, temperature and flow;
- monitoring every six hours of the ammonia nitrogen;
- daily self-checks for chemical oxygen demand (COD), fluoride (F-), total phosphorus (P) and ammonia nitrogen ($N-NH_4$) parameters;
- weekly monitoring of biological oxygen demand over five days;
- monthly check for total hydrocarbons (HC) and suspended solids (SS);
- comparative analyses of self-checks carried out once a year by an accredited laboratory;
- unplanned and planned checks by local authorities;
- results sent monthly to DREAL and the Bernin Town Hall;
- there is a signed agreement between Soitec and the Bernin Town Hall authorizing the discharge of industrial effluent into the communal network.

Rainwater discharge

Rainwater from rooftops and car parks is collected in two separate networks. Hydrocarbon separators have been installed to filter rainwater from car parks and traffic areas. Rainwater is then discharged into the site's three storm basins before joining the communal network or seeping into the ground.

Analyses of hydrocarbon concentration, water temperature and pH are carried out once a year on each of the two networks.

Results for fiscal year 2016-2017

		Regulatory limit value					Annual average		Number of exceedances	
		Flows *(kg/d)*		Concentration *(mg/l)*						
		Monthly mean	Daily max	Monthly mean	Daily max	Number of measures	Flows *(kg/h)*	Concen-tration *(mg/l)*	Flows *(kg/h)*	Concen-tration *(mg/l)*
2016-2017	**DBO5**	32	78	10	20	52	8.1	3.2	0	0
	COD	96	234	30	60	365	16.1	6.75	0	0
	Fluorides	22	46	7	12	365	12.61	5.17	0	0
	Total hyd.				0.1	12		0.1	0	0
	SS	16	39		10	365	5.75	2.2	0	0
	Ammonium	32	58	10	15	365	24	9.89	1	6
	Phosphora	3	19	1	5	365	0.63	0.27	0	0
	pH	5.5 < pH < 8.5				365	5.5 < pH < 8.5			0

For the 2016-2017 fiscal year, six exceedances of the average monthly concentration and one exceedance of the average monthly flow of ammonia nitrogen were recorded.

Following a causal analysis, it was determined that one of the gas scrubbers, whose function is to trap the ammonia vapors contained in the exhaust discharge, showed abnormal flow toward the neutralization station due to a leaking valve.

The scrubber was brought back into compliance in February 2017 and thanks to this action the industrial wastewater discharge reverted to the values set by the prefectoral decree.

> 5.4.3.3. Prevention of soil pollution

Soil pollution at Soitec may come from the following sources:

- vehicles in traffic areas and car parks;
- leaks in chemical product storage systems;
- leaks during storage and decanting;
- chemicals or when transporting products on-site;
- water used for fire extinguishing.

To limit the risks, the Bernin site has several means of prevention:

- a rainwater collection system with oil separators is installed under the surface of traffic areas and car parks;
- the distribution of concentrated chemical products is done in dual-envelope conduits with leak detection;
- chemicals are stored in holding tanks made with a waterproof resin resistant to corrosive attacks;
- there is:
  - a leak detection system in the chemical holding tanks,
  - a sealed unloading area for storing and decanting chemicals,
  - valve closures in the rainwater networks to protect against accidental spills,
  - water catchment basins for Bernin 1, Bernin 2 and Bernin 3,
  - organization and procedure for emergencies;
- on-site firefighters are trained to deal with leaks of chemical products;
- an IOP (internal operating plan) is in place with exercises conducted each year;
- risks relating to work by external companies are managed through prevention plans. Safety inspections are organized by the contractors and site inspections by its firefighters.

> 5.4.3.4. The amount of provisions and guarantees for environmental risks, provided that such information is unlikely to cause serious harm to society in an ongoing dispute

Soitec has never recorded an industrial or environmental pollution incident critical to its human and natural environment. Nevertheless, and in order to comply with the Decree of 31 May 2012, relating to the methods to determine and update the amount of financial guarantees, Soitec recorded provisions for hazards and pollution: a proposal to provide €339,000 of financial guarantees for this purpose was sent to DREAL in December 2013, and will be sent to the Prefect before the end of July 2019.

> 5.4.3.5. Measures to prevent, reduce and repair discharges into the air, water and soil seriously affecting the environment

Due to the storage and use of hazardous substances and preparations, the Bernin site is classified as low-threshold Seveso.

As such, the Seveso 3 Directive and the regulations relating to this type of facility apply to it.

Soitec has therefore carried out hazard studies for this site to identify sources of risk, possible accident scenarios, their effects on people and the environment, and their likelihood of occurrence.

Soitec has studied six major accident scenarios that could lead to one or more dangerous phenomena. These scenarios have led to the definition of the risk control measures (or safety barriers) that are currently in place. These are sets of technical or organizational elements necessary and sufficient to functionally ensure a reduction of the probability of an accident and a limitation of its effects and consequences.

These scenarios have shown that Soitec's Bernin site cannot be the cause of accidents likely to trigger consequences outside of the facility's walls, nor does it have a domino effect on a nearby facility.

Hazard studies are also an indispensable basis for drawing up emergency preparedness plans, called "internal operating plans" (IOPs). To implement its IOP, Soitec has a team of in-house firefighters, a technical team and a crisis management unit that can be mobilized 24/7.

This IOP organization is tested annually to assess its level of performance in a continuous improvement process.

Since 2010, Soitec has also implemented a major accident prevention policy (MAPP). Awareness and training actions are regularly deployed at Soitec to ensure that its MAPP is appropriated at all levels, from management to operational staff, as well as by outside subcontractors and service providers.

5.4.3.6. Taking into account noise disturbances and all other forms of pollution specific to an activity

The main activities contributing to the increase in noise levels are:

- inside technical facilities: refrigeration units, fresh air treatment plants, boiler rooms, ventilators for air recyclers, electrical rooms, etc.
- outside: cooling towers, exhaust fans

The site is subject to the Decree of 23 January 1997, and to the requirements of the Prefectoral Decree authorizing its operation. The operation of the entire site must meet:

- a maximum noise level at the site property line of 60 dB(A) during the day and 50 dB(A) at night in the regulated emergence areas (points 1 and 2) and 70 dB(A) during the day and 60 dB(A) at night in the uninhabited areas (points 3 and 4);
- a maximum emergence[(1)] of 5 dB(A) during the day and 3 dB(A) at night (points 5 and 6).

Results

Noise measurement campaigns are carried out by an approved organization every three years or following the installation of new facilities or the significant modification of existing ones. The last measurement campaign was carried out in the previous fiscal year, in March 2016.

Measurement of sound levels in regulated emergence areas:

- daytime compliance (<5 dB(A)),
- nighttime compliance (<3 dB(A)),

Measurement of ambient sound levels at the property line:

- daytime compliance (<70 dB(A) or <60 dB(A)),
- nighttime compliance (<60 dB(A) or <50 dB(A)),

Detailed results of the March 2016 measurement campaign

(1) Emergence: Difference between site noise levels in operation and during idle periods.

Property line

Measuring point	Période[1]	Calculated ambient level (dB(A)) [1]	Permissible ambient level (dB(A))	Compliance
1	day	57	60	YES
	night	49	50	YES
2	day	47.5	60	YES
	night	45	50	YES
3	day	57	70	YES
	night	56	60	YES
4	day	64.5	70	YES
	night	59	60	YES

Emergence [2]

Measuring point	Period	Calculated ambient level (dB(A)) [1]	Regulated emergence (dB(A))	Compliance
5	Day	2	5	YES
	Night	1	4	YES
6	Day	0	5	YES
	Night	0	4	YES

(1) 2016.
(2) Emergence: Difference between site noise levels in operation and during idle periods.

The site is not responsible for discernible noise levels outside the property lines. Projects requiring the installation of on-site facilities are subject to a study to determine whether these facilities are likely to emit noise and increase the perceived level at the property line. Based on the study's results, measures will be put in place to keep the noise level at the property line unchanged.

5.4.4. Better management of waste and sustainable use of resources

> 5.4.4.1. Waste management

The characteristics of waste and the resources employed

The main categories of waste generated at the site are:

- non-hazardous waste (NHW): cardboard, paper, wood, plastics, glass, etc.
- solid hazardous waste (SHW): batteries, solids contaminated by chemical products, etc.
- liquid hazardous waste (LHW): hydrofluoric acid, ammonia, isopropyl alcohol, etc.

Sorting is necessary to recover waste. The resources in place to optimize sorting are:

- an on-site waste platform for sorting NHW;
- premises for recovering SHW;
- optimized segregation of LHW;
- sorting containers set up within the site's various premises;
- internal audits of Soitec staff and subcontractors;
- staff education.

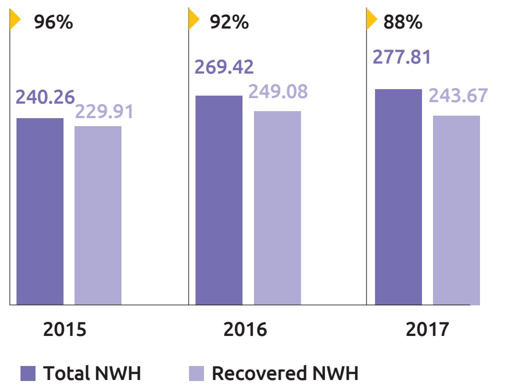
Several processes are in place to ensure the proper recovery or destruction of waste after it leaves the site:

- creation of waste tracking slips;
- external audits of our waste treatment providers;
- sending of an annual summary of waste generation to DREAL.

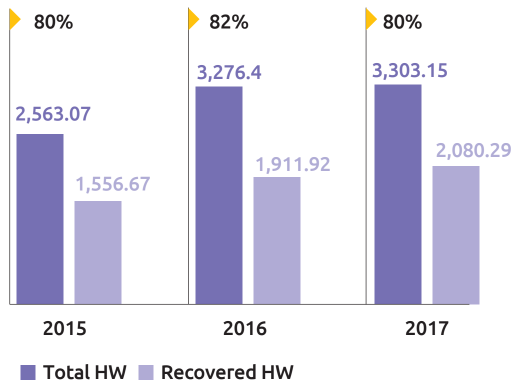
All waste is recycled, recovered or disposed of in approved centers.

Results and improvement actions

Percentage of recovered NHW



Percentage of recovered HW



Reducing waste at the source

Different actions have been undertaken according to the types of waste:

- polypropylene plastic chocks: they are collected and used by one of our raw material suppliers;
- paper: recycled paper is used and staff are encouraged to use double-sided printing. In 2016 the emphasis was on paper sorting in offices. An educational video was produced by Soitec employees on the rules for sorting and recycling waste;
- packaging: reusable containers for the transport of finished products have been implemented to reduce the tonnage of packaging waste.

Improving the recovery of particular forms of waste

Non-hazardous waste

Many types of NHW other than paper, cardboard and plastic are recycled:

- plastic containers which contained unclassified chemical products;
- stainless steel and aluminum waste;
- plastic cups;
- wooden pallets;
- food packaging;
- plastic bottle caps and bottles, aluminum cans. Bottle caps are donated to the charity *Les bouchons d'Amour*.

The printer fleet has been streamlined and staff are encouraged to reduce paper use.

An overall waste management service has been set up and a person assigned to handle waste sorting is present on-site.

Solid and liquid hazardous waste

IPA (isopropyl alcohol) is regenerated and reused as a reagent in the ONDEO treatment facility in Crolles.

Concentrated ammonia is incinerated with energy recovery which is used for heat at the chemical facility at Pont-de-Claix.

WEEE (waste electrical and electronic equipment) is recycled through the charity *Solidarité Enfance*.

We are working daily with the waste management service provider to achieve continual improvement in reducing transport of bulk hazardous waste to approved treatment centers.

Reducing waste volume

The Bernin site has:

- two cardboard and NHW compactors to reduce the volume of transport needed for such waste;
- an evaporator/concentrator to reduce the volume of bulk ammonia and fluoride HW. The concentrate is sent for incineration with energy recovery, and the distillate is sent to a site neutralization facility.

The management of the waste storage platform is optimized to sort waste as well as possible.

5.4.4.2. Combating food waste

At the Company restaurant, waste is sorted by the users, and biowaste is sent for methanization.

The restaurant operator has conducted several awareness campaigns on bread waste. For the last two years, there has been a charge for the second piece of bread.

Over the 2017-2018 fiscal year, two days will be set aside for the topics of the environment and energy, with employee workshops devoted to food waste.

5.4.4.3. Sustainable use of resources

Water consumption and supply in accordance with local constraints

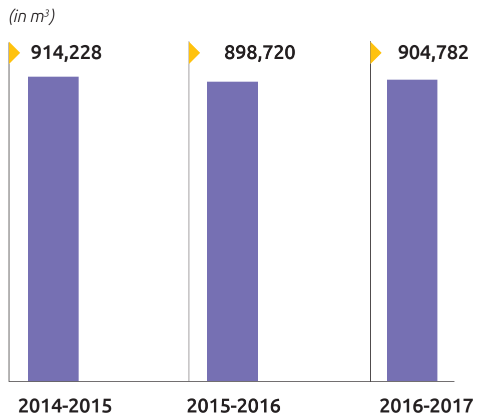
Soitec's water comes from the public drinking water supply managed by the town of Bernin. Bernin has three 900 m^3 tanks to provide water to the companies present downstream from the *Chemin des Franques*. This represents 86% of the volume delivered to the town.

The tanks are supplied by SIERG waters, coming from the Romanche water catchment of the underground alluvial aquifer located in the towns of Vizille and Saint-Pierre-de-Mésage. SIERG withdraws 49% of the authorized flow from these waters. The amount taken is offset by river seepage. SIERG has a security capture on the Olle at Oz-en-Oisans basin.

Technically, SIERG's current water distribution network functions effectively and its yield is excellent.

Pursuant to a prefectoral order, the annual maximum withdrawal from the public water network is 1,350,000 m^3.

Water consumption



Consumption of raw materials

To manufacture its products for its customers, Soitec uses silicon, sapphire, lithium tantalate, chemicals and gas and, for shipping, cardboard, tape, foam, pallets and reusable containers. Silicon, which is the main raw material used, is not subject to any risk of shortages due to its inherent composition.

To recycle the unused wafers exiting the SOI line by cleavage, Soitec has a so-called refresh process. This consists of polishing and cleaning these wafers to give them a level of defects, uniformity and thickness equivalent to the initial wafers that Soitec buys from its suppliers. They are thus reintroduced to the SOI line to undergo a new manufacturing cycle.

This process has a dual purpose for Soitec: to increase profitability and preserve the silicon raw material.

Waste silicon is sold to solar energy manufacturers to make solar panels.

At the supply chain level, new, smaller packages have been approved to consolidate more products into the same volume shipped, which has reduced overall transport volume by one-third.

Data pertaining to raw materials quantities are confidential and are therefore not provided in this report.

Energy consumption and measures taken to improve energy efficiency and use of renewable energies

As part of the energy management system, an energy review is carried out annually. For 2016-2017, the energy review highlighted the following significant energy uses (SEUs):

- heat production;
- cold production;
- production of ultrapure water (UPW);
- production equipment;
- air recyclers.

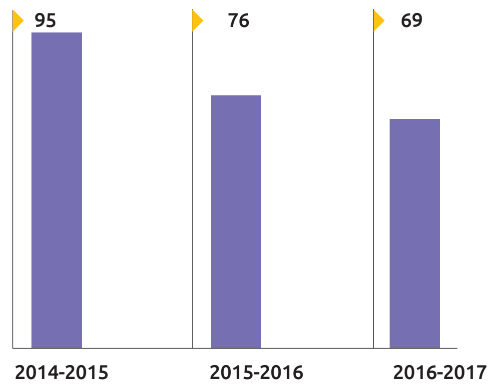
Several actions were carried out on these SEUs during the year:

- variable speed drives were installed on the recyclers at Bernin 1 and Bernin 3, and on the PCW (process cooling water) pumps at Bernin 1. This has led to a 1% reduction in the site's electricity consumption;
- the burners of the Bernin 1 boilers have been replaced; the efficiency of the boilers has thus been improved by 15%;
- the operation of the Bernin 1 cooling units has been optimized; the efficiency of these cold units was improved by 7%;
- hydrogen generators are being installed on the Quantum furnaces of Bernin 1, resulting in a 15% gain to date on the current energy consumption of these furnaces;
- employees were educated during a "Midi Soitec" dedicated to energy (see Chapter 5.4.2. "Continuous awareness raising among employees").

Numerous actions have been carried out since the implementation of the energy management system and its ISO 50001 certification in November 2015. Today, they allow us to control our energy consumption and not be penalized by Soitec's volume growth.

The chart below shows that the energy consumed to manufacture one production unit has decreased significantly over the last three years.

Consumption KWh/production unit



In 2016-2017, at confirmed isoperimeter:

- gas consumption decreased by 5.6%;
- electricity consumption decreased by 2.2%.

This represents an equivalent primary energy performance of 3.35%, higher than the 3% target set for the year.

5.4.5. Regulating impacts on climate change

> 5.4.5.1. Greenhouse gas emissions

Soitec's carbon footprint report was updated in December 2015 and sent to the Isère Prefecture. In order to comply with the Decree of 25 January 2016, relating to the IT system for sending greenhouse gas emission reports, Soitec's 2015 carbon footprint report was recorded on the ministry's IT platform. It relates to the limits set by Law no. 2010-788 of 12 July 2010, relating to the National Commitment to the Environment and complies with the specifics described in the implementing decree no. 2011-829 of 11 July 2011.

The tables below refer to the measurements taken from 1 January 2014, to 31 December 2014. Therefore, only scopes 1 and 2 (direct and indirect emissions relating to electricity and heat consumption) are recognized as follows:

Direct greenhouse gas emissions

Scope 1 emissions

Categories of emissions	Types of emissions	Total *(tCO2e)*	Uncertainty *(tCO₂e)*	Uncertainty *(%)*
Direct greenhouse gaz Scope 1 emissions	Fossil fuel heating, etc.	3,818	270	7.1
	Vehicle fuel	94	15	16
	Refrigerant fluids and medical gases	326	96	29.4
	TOTAL	**4,238**	**287** (1)	**6.8** (2)

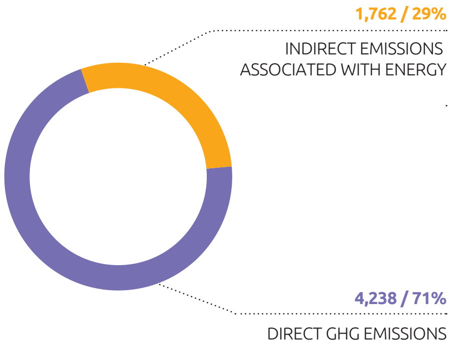
(1) The total corresponds to the square root of the sum of the squares of each uncertainty.
(2) The total corresponds to the total uncertainty in tCO_2e divided by the total emissions.

Indirect greenhouse gas emissions

Scope 2 emissions

Categories of emissions	Types of emissions	Total *(tCO2e)*	Uncertainty *(tCO₂e)*	Uncertainty *(%)*
Indirect emissions associated with Scope 2 energy	Electricity	1,762	279	15.8
	TOTAL	**1,762**	**279**	**15.8**

GHG Summary: GHG emissions by scope, in tCO_2e and as %



The results of Soitec's Bilan Carbone™ (carbon balance sheet) resulted in developing a three-year action plan:

Action plan proposal		Emissions	Weight	Degree of implementation	Reduction potential by scope	Curtailment 2017	Residual 2017	Maximum reduction potential by scope	Maximum reduction
No.	**Description of the action**	**tCO_2e**	**%**	**Difficult (5) Medium (3) Easy (1)**	**%**	**tCO_2e**	**tCO_2e**	**%**	**tCO_2e**
	Total	**6,000**			**8%**	**489**	**5,511**	**11%**	**675**
1.x	**SCOPE1.P1: Fixed combustion sources**	**3,818**	**64%**		**10%**	**389**	**3,429**	**13%**	**512**
1.1	Awareness raising of staff and users on energy savings			1	1%	38		2.0%	76
1.2	Implementation of energy consumption monitoring indicators, Smé actions			1	1%	38		3.0%	115
1.3	Use the compressor cooling to preheat the UPW B2 water			3	3.4%	129		3.4%	130
1.4	Modification of the clean room parameters			5	4.8%	184		5%	191
2.x	**SCOPE1.P2: Mobile combustion sources**	**94**	**2%**		**2%**	**2**	**92**	**4%**	**4**
2.1	Widespread use of video-conferencing			1	1%	1		2%	2
2.2	Driver awareness and training. Eco-driving course			1	1%	1		2%	2
4.x	**SCOPE1.P4: Direct fugitive emissions**	**326**	**5%**		**1%**	**3**	**323**	**2%**	**7**
4.1	Checks and regular maintenance of the air conditioning			1	1%	3		2%	7
6.x	**SCOPE2.P6: Supply of electricity**	**1,762**	**29%**		**5%**	**95**	**1,667**	**9%**	**153**
6.1	AHU: Shutdown of the air humidifiers in the summertime			3	0.2%	4		0.2%	4
6.2	Eliminate air leakage (awareness raising of contractors, staff)			1	0.3%	5		0.5%	9
6.3	Modification of the clean room parameters (overpressure, HR% (summer-winter), air flow, temperature, class/ overpressure/exhaust)			5	3.7%	66		4.0%	70
6.4	Lighting (LED + optimisation)			1	0.1%	2		1.0%	18
6.5	Awareness raising of staff			1	1%	18		3%	53

For the 2016-2017 fiscal year, the significant greenhouse gas emissions items generated by Soitec's business are the result of gas and electricity consumption.

In the category of "Direct emissions from stationary combustion sources," greenhouse gas emissions amounted to 3,875 tCO_2eq, for gas consumption of 18,995 MWh.

In the category of "Indirect emissions related to electricity consumption," greenhouse gas emissions stood at 1,986 tCO_2eq, for electricity consumption of 60,177 MWh.

5.4.5.2. Adaptation to the consequences of climate change – example of the pollution peak in December 2016

On 15 December 2016, the Isère prefecture informed Soitec that the pollution threshold of 9 out of 10 had been reached. Several measures were taken immediately by Soitec to participate in a group effort to respond to this atypical situation:

- industrial discharge was reduced by:
  - a technical stoppage on Friday at 6:30 pm for maintenance of Bernin 3's clean room, which was initially scheduled for Monday, 19 December in the morning. This allowed the reduction in the heat requirements necessary to maintain the clean room's parameters. In addition, as all production equipment was idled, there was no release of chemicals into the atmosphere,
  - a reduction in the temperature of the premises.

  All these actions helped to reduce the generation of heat by the boilers and thus to reduce the atmospheric emissions;
- in order to reduce car traffic in the Grésivaudan Valley, employees have been encouraged to:
  - choose public transport first,
  - carpool, with the setup of special sign-up sheet,
  - in some cases, work remotely.

A document explaining the measures was sent to employees.

5.4.6. Protecting biodiversity

Soitec has three storm tanks at its Bernin site. These are buffer basins that collect rainwater during rainy periods from the site's rooftops and covered areas so that it gradually seeps into the soil or runs off toward the town collector. The sizing of these basins is standardized according to the site's surface area and the region's weather data.

To comply with regulations, Bernin 1 and Bernin 3 have been transformed into a catchment basin for firefighting water. The purpose of the fire basin is to recover the extinguishing water potentially polluted by chemicals present at the site and by products of materials combustion.

In contrast, the Bernin 2 storm basin has been preserved to protect the flora and fauna that have developed there.

A project to preserve the flora and fauna of the Bernin 2 storm basin has been set up in collaboration with the Horticultural School of Saint-Ismier *(Lycée horticole de Saint-Ismier).*

As such, in the context of preparing for the vocational diploma in the management of natural areas and wildlife, about 20 students come to the Bernin site each year to restore the Bernin 2 storm basin.

Their first task was to identify the flora and clean the basin. Since then, each year, students maintain the pond, prune trees and plant new species. Moreover, in order to help promote local biodiversity and restore the balance of the food chain, an insect hotel was created by the school's students and set up near the basin. Insect hotels create habitat for and foster helpful insect species (ladybugs, earthworms, earwigs), which are precious allies in controlling plant pests. The objective is to attract such insects and encourage them to stay there, so that they feed on harmful species or ensure pollination. Nest boxes for wagtails and sparrows have also been installed near the basin by the school's students to encourage the nesting of species that normally build their nests in a natural cavity.

A forest ranger from the National Forest Office came to the site to inventory the animal species.

These various actions were complemented by a fauna/flora study to create a full list of the species present at the basin.

Lastly, the students created a wooden observation deck near the storm basin with access for people with reduced mobility. This has been enhanced with information panels on the fauna/flora species found in the area.

5.5. Ethical business

5.5.1. Getting involved in the regions

Soitec is located in a dynamic economic area and is committed to developing employment, bringing scientific communities together, and sharing its passion for innovation, especially among youth.

5.5.1.1. In matters of employment and regional development

A revitalization plan following the jobs savings plan (PSE)

In 2013, Soitec was faced with economic difficulties related to the international economy and setbacks in the adoption of its products. At the end of 2013, Soitec implemented a cost-reduction plan that included a reduction in operating expenses, a freeze on one production line, and new measures to reduce the payroll, based primarily on voluntary departures and an employee transfer plan.

It was against this backdrop that the revitalization agreement was signed with the Isère Prefecture. Soitec committed to financing the exploration phase of a lighting demonstrator project, which was decided on as part of the Regional Strategic Committee for the Microelectronics sector. The study was carried out in close collaboration with a consortium of manufacturers such as Hewlett-Packard, Schneider Electric and STMicroelectronics.

The work done by Soitec in 2014 on the exploratory phase of the demonstrator was in line with that provided for in the revitalization agreement, and the resources put in place were slightly higher than the projected working schedules.

In 2014, a number of changes at the municipal level and at local and regional institutions made it impossible to implement the budget required for this ambitious project. However, the project did increase collaboration between the participants and showed their ability to combine forces and build a major project together.

For its part, Soitec announced in January 2015 its intention to end its diversification strategy to refocus on its core business: the production of semiconductor substrates for the electronics markets. This led to a process of disengagement from its Solar Energy, Lighting and Equipment businesses. In addition, Soitec successfully completed two capital increases, which strengthened its balance sheet (restoration of its shareholders' equity and a sharp reduction in debt) and its shareholder structure. Soitec has the means to finance its future growth and in particular to make new capacity investments at its Grenoble site to take full advantage of the potential of its technologies.

A report on Soitec's revitalization was presented on 17 March 2017, by CEO Paul Boudre to the Prefect of Isère, detailing Soitec's revitalized position, the stabilization of its jobs and the beginning of a phase of gradual growth of its workforce.

Social benefits co-funded by Soitec

Universal service jobs vouchers were established at Soitec by a collective bargaining agreement on 1 January 2009. This benefit was renewed in 2016 with a credit of €44,000 per year allocated by Soitec. These vouchers are available to all employees with more than six months' seniority and a child less than four years old.

They may be used to pay for personal services. This measure enables Soitec to support parent employees in their quest for work-life balance, while helping to foster local employment.

Sponsorship actions

Soitec reinforces its local presence through agreements with well-known and active local partners contributing to the life of the Grenoble region. In particular, in 2016-2017, Soitec was involved in a partnership with the Grenoble rugby club (FCG). Partnerships and sponsorships create a feeling of belonging for employees, bring together employees in a shared corporate culture, and maintain relations with the local community. Game seats were offered to employees of the Bernin site throughout the year, via drawings. The partnership also allows for customers and partners to be invited.

Other partnerships are being studied. They are expected to unify employees around a specific leisure activity or a common cause.

Other actions

Soitec is also a member of the Ecobiz community within the Grenoble Chamber of Commerce and Industry (CCI). As such, department heads regularly attend workshops organized by the CCI to share best practices and participate in local economic initiatives.

Finally, it should be noted that Soitec is Bernin's largest taxpayer through its payment of the business tax and the water tax. In this way, it contributes to the municipality's development.

5.5.1.2. For youth

Inn.OTech

For a number of years, interest in postsecondary study in the industrial sectors has been falling. Secondary school students specialize in scientific subjects, but few in the technological field of semiconductors, which remains unknown, despite the Company's rising digitalization.

In order to encourage secondary school students to consider professions in high technology after graduating, Soitec and its partners, STMicroelectronics and Grenoble-INP, launched the Inn.OTech program. Other companies in this sector have joined this initiative. This involves holding sessions for 36 secondary school students at a time, with an even female-to-male ratio, from two secondary schools in the Grenoble area.

Two sessions are held each year for four secondary schools. Each session lasts three days, and each day takes place at a different site, which gives the students an opportunity to get a feel for the various industrial and academic environments: STMicroelectronics Crolles, then Grenoble-INP, and finally at Soitec's Bernin site. Each day is comprised of fun workshops led by the companies' employees or by university students. Ultimately, Soitec and its partners aim to reinvigorate the pool of graduates and motivate them to consider these technical fields, which offer great opportunities to young women.

Inn.OTech's success is measured by questionnaires filled out by the students at the end of each session, as well as by the interest shown by the faculty in participating in the program. Students at each school report back; this helps to maintain their enthusiasm to have their schools participate again the following year.

Through this project, Soitec is locally engaged and it builds fruitful partnerships with schools, engineering schools and technology companies in the area.

School Open Houses and other school visits

Soitec regularly hosts groups of students who come to learn about the Company, the clean rooms, the products and know-how of Soitec. When relevant, they also meet employees in the form of "speed dating" to better understand the microelectronics professions. These gatherings are often very enriching and the feedback from the schools is extremely positive.

Over the past year, several classes visited, including:

- students from the ESCA School of Management in Casablanca, Morocco, as part of a partnership between ESCA and the Grenoble School of Management;
- second-year students in the industrial training program of Moirans;
- students of the Lionel Terray Middle School in Meylan, as part of the School Open House initiatives co-led by the Grenoble CCI.

5.5.2. Partnering for sustainable growth

Soitec strives to act globally in accordance with demanding social and ethical principles.

The Company has adopted a Code of Conduct that outlines the broad principles and guidelines that define its business practices and internal relationships. It defines a corpus of rules that, in accordance with the legal, regulatory and cultural framework of the countries in which the Company operates, are expected to govern the daily individual and collective actions carried out on Soitec's behalf. It also provides useful benchmarks for Soitec employees so that they can make decisions and adopt appropriate measures in the context of their professional actions and conduct their activities in the most upright and exemplary manner possible.

This Code applies to all countries where the Group's entities do business and is aimed at all Soitec employees in their relations with one another, as well as with shareholders, investors, government agencies, authorities, customers and suppliers. It is appended to the Company's internal regulations and is communicated to all employees. An e-learning module is also being developed to educate employees about all of the Code's provisions.

This Code of Conduct also applies to subcontractors working on the Soitec premises. Beginning this year, Soitec has included verification of this standard's application in its internal audit planning.

5.5.2.1. Promoting and respecting the International Labor Organization's Fundamental Conventions

Soitec is a member of the Electronic Industry Citizenship Coalition (EICC), which sets standards to ensure safe working conditions in the electronics supply chain, dignified and respectful treatment of employees, and ethically and environmentally responsible operations. This includes: respect for freedom of association, non-discrimination in employment and the prohibition of forced labor and child labor.

5.5.2.2. Anti-corruption measures

Soitec adheres to the principles of the OECD Convention and prohibits any practice of corruption. The Company also undertakes to comply with the anti-corruption regulations. Soitec's commitment to this point is highlighted in its Code of Conduct:

"Soitec supports international action to prevent corruption. It fully endorses the principles of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the 2009 OECD Recommendation to reinforce these measures. Soitec prohibits all forms of corruption in business relationships as well as any complacency with respect to this offense, regardless of the country where business is being done. Soitec also attaches the utmost importance to compliance with the rules prohibiting money laundering."

As part of Soitec's adherence to the standards of the Electronic Industry Citizenship Coalition (EICC), a whistle-blowing process is in place. It defines the terms and ensures confidentiality for the whistle-blower, in accordance with local laws.

5.5.2.3. Preserving consumer health and safety

Soitec follows and applies the RoHS 2 (2011/65/EU) directive, which aims to limit the use of certain hazardous substances in electrical and electronic equipment in order to improve consumer health and protect the planet.

Soitec requires of its suppliers of wafers, first packaging and packing materials, i.e., everything the customer will receive, that their products comply with the "Green Partner" notice (JGPSSI standards and directives – Japan Green Procurement Survey Standardization, RoHS – Restrictive of Hazardous Substances, JIG – Joint Industry Guide), which ensures the absence of prohibited substances that are hazardous for health and the environment (and regarding recycling management).

5.5.2.4. Incorporating societal and environmental concerns into the purchasing policy and in relations with suppliers and subcontractors

Soitec has issued a Quality policy with its major suppliers and subcontractors which send their employees to work at Soitec sites. This policy includes a list of requirements for ethics, safety, health and sustainable development.

With a view to sustainability, Soitec continuously seeks to streamline its logistics flows and rationalize its shipping containers. Soitec suppliers and subcontractors are systematically involved in such initiatives.

Several projects were carried out during 2016-2017:

- to reduce greenhouse gas emissions, Soitec worked with its transport providers, parts suppliers, raw materials suppliers and customers to aggregate transport on specific days rather than multiplying shipments of small quantities;
- new, smaller packages were approved to consolidate more products into the same volume shipped, reducing overall transport volume by one-third.

In the last three to four years:

- when we negotiate agreements, our suppliers, partners and customers are automatically directed toward delivery solutions using reusable containers;
- if deadlines allow, maritime transport is favored for equipment transfers, and for some consumables supplies.

With regard to Simgui, Soitec's Chinese partner, shipments directly to the customer will be the preferred option in order to minimize the distances traveled by the products.

Regarding its supply of raw materials, Soitec ensures that its suppliers of materials like lithium tantalate comply with the "Conflict free smelter program." It sets out a list of active smelters and refineries that have adequate systems to ensure the supply of "conflict-free minerals" in accordance with the OECD Duty of Care directive and the US Dodd-Frank Act.

Soitec applies strict conditions on the selection and monitoring of critical suppliers in relation to their use of energy, the environment, and in particular waste disposal companies. The safety performance criteria are integrated in the selection table for on-site assessment of service providers.

6

OVERVIEW OF ACTIVITIES

6.1. Principal activities

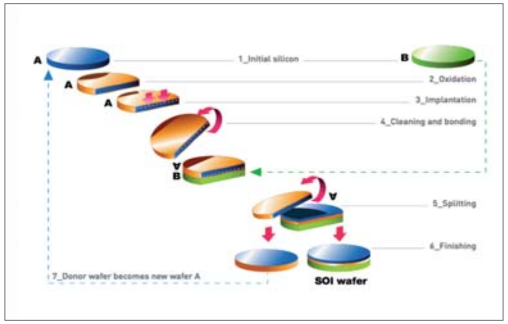
Soitec designs and produces innovative semiconductor materials that are used in manufacturing electronic components. These products are substrates onto which the circuits of electronic components are etched and cut. The Company offers new and competitive solutions to pursue the miniaturization of chips, increase their performance and reduce their energy consumption. These products are used to manufacture chips for consumer electronics devices and mobile electronics in smartphones, automotive applications, the Internet of Things (IoT), computer servers and data centers, etc.

Soitec stands out with its technological and industrial expertise in disruptive technologies that are protected by numerous patents. The primary technologies developed by Soitec for the semiconductor market include Smart Cut™, Smart Stacking and epitaxy.

6.1.1. Technologies

Smart Cut™ technology

Smart Cut™ technology, Soitec's core technology, is a veritable scalpel on the atomic scale that can be used to transfer ultra-fine monocrystalline layers from a donor substrate to a receiver substrate via ionic implantation and molecular adhesion. It stretches the traditional limits of depositing layers between metals while providing total control of thickness uniformity for layers of silicon and oxide at the atomic mesh. Furthermore, with Smart Cut™ technology, donor substrates can be reused and production can be industrialized to serve a wide range of applications. The technology has numerous applications when combined with other Soitec offerings.



Smart Cut™ technology makes it possible to offer integrated circuit manufacturers a competitive alternative to bulk silicon, thanks to performance gains, reduced energy consumption and lower manufacturing costs due to a simplified device architecture.

Smart Stacking technology

Smart Stacking™ technology is a method for transferring wafers onto other materials. It can be used to transfer etched and partially etched wafers onto other components.

For example, it can be used to manufacture silicon transistors and then transfer them onto sapphire, which is more suitable for radio-frequency devices. Finally, this technology makes it possible to use 3D stacking to create several layers of components, thereby increasing the density of the resulting device. It is compatible with a wide range of substrates, which comes into play in producing materials used in the electronic components of back-lit sensors and radio-frequency sensors.

Epitaxy

Soitec also has acknowledged know-how and expertise in epitaxy. This technique enables layers of semiconductor materials to be grown on compound semiconductors or insulator substrates.

6.1.2. Organization of the businesses into two Business Units

The Soitec Group is now split into two Business Units following a strategic realignment and new organizational structure that was implemented in 2015 to pull the Group's businesses back to a core focus on electronics. Electronics includes Soitec's traditional activities in semiconductor materials at active production lines in Bernin, France, producing 200-mm and 300-mm wafers and recycling 300-mm materials as well as the dormant Pasir Ris unit in Singapore for 300-mm wafers.

The Group uses distribution subsidiaries and sales offices in the primary regions where semiconductor companies operate: Europe, the United States and Asia (Seoul, Taipei, Tokyo and Shanghai). Activities also include research and development work involving III-V compound semiconductor materials.

The two Business Units are organized first and foremost in accordance with the final applications relating to wafers of different diameters developed and sold by the Group. Each Business Unit has its own resources for developing new products. The two Business Units share production resources at the Bernin 1 industrial lines and the company's Chinese partner's capacity for 200-mm wafers as well as the Bernin 2 lines for 300-mm wafers. They also use common sales, marketing, logistics and administrative support resources.

Digital Business Unit

This Business Unit is essentially dedicated to emerging digital applications and technologies:

- PD-SOI, or Partially-Depleted SOI, is mainly used in digital processors for servers and in ASIC semiconductors. This product line is currently winding down its life cycle;
- FD-SOI, or Fully-Depleted SOI, is mainly used in manufacturing FD-SOI transistor-based circuits and represents the primary growth opportunity of the Business Unit. In the current era of mobile electronics, this technology provides performance, energy efficiency and ultimately lower cost for several processor types: applications processors for low-end and mid-range smartphones, image sensor processors and vision processors for self-driving vehicles, etc.;
- Emerging products such as Photonics-SOI and Imager-SOI substrates are intended for the data center and smartphone markets respectively.

Communications and Power Business Unit

The activities of this Business Unit are related primarily to the following areas:

- RF-SOI products for radio-frequency applications in the mobile markets, including cell phones and tablets;
- Power-SOI products used in power electronics for automotive and industrial applications.

This Business Unit also covers all activities concerning III-V compound materials for resolving issues related to switching speed or bandwidth requirements for optical communications. Soitec III-V substrates provide solutions such as transferring a thin layer of crystalline material from a gallium nitride (GaN or InGaN) or indium phosphide (InP) donor substrate to another substrate to produce a variety of very-high-quality wafers at competitive prices. This also where R&D activities directed toward manufacturing substrates for the Smart Cell solar-energy cell are concentrated. In developing this cell, Soitec used core technologies from its basic business to achieve the cost objectives for this product. Working with its partners, Soitec has developed a high-conversion-efficiency solar cell that set a world record in 2013 with 46% efficiency at the cell level.

6.1.3. Products

RF-SOI wafers

Soitec's range of RF-SOI products was developed to serve the antenna switch market for cellular and Wi-Fi applications. Soitec offers HR-SOI for the Wi-Fi – 2G-3G Cellular market and its RFeSI™ product line for 4G/LTE Cellular and LTE Advanced applications. In addition to being used for antenna switches, RF-SOI is currently being applied in power amplifiers by several RF-specialist companies.

A specific feature of RF-SOI products designed and manufactured using Smart Cut™ technology is a base substrate with very low electromagnetic loss. By definition, this substrate is a so-called high-resistance substrate. Soitec cooperates with all players involved in the RF ecosystem (research centers, telephone manufacturers, bulk substrate suppliers, RF fabless companies, etc.) to continuously improve its product performance in response to the increasingly demanding specifications of 4G/LTE, LTE Advanced and future 5G standards for mobile telephony.

Each year, new generations of cell phones appear on the market to meet 4G/LTE, LTE Advanced, LTE Advanced Pro and soon 5G sub-6-GHz standards. These devices achieve steadily higher data-transfer performance criteria, now approaching download capacities of 1 Gb per second. For antenna switches, these changes in standards bring increasingly strict specifications, mainly in terms of linearity. Soitec's range of products is constantly evolving and advancing to meet these changing specifications.

The number of approved frequency bands for mobile phones has increased from six in 2004 to almost 60 today. Each frequency band requires new antenna switches. As the integration of components has become a priority, the constraints of performance and the cost of telephones also are now subject to space limitations. The RF-SOI technology market developed by Soitec currently represents 93% of the market share for antenna switches (Navian, January 2016).

Growth in the RF-SOI market has led semiconductor manufacturers to add 300-mm production capacity, as announced by GlobalFoundries and Peregrine in July 2015 and TowerJazz in September 2015.

FD-SOI wafers

The wafers used for fully depleted (FD), planar transistor technology are composed of an extremely thin silicon layer on an insulating oxide layer (buried oxide or BOx). They provide specific properties for manufacturing transistors in this silicon layer. These wafers are ideally suited for mobile and general multimedia applications, reducing energy use by 70% at equivalent performance compared to a 28 HKMG structure technology [1].

Likewise, processors made using FD-SOI wafers can demonstrate performance peaks as much as 40% higher, depending on design optimizations, compared to 28-nm planar technology. When voltage supply falls to very low levels (0.4 V), the performance achieved remains exceptional (> 500 Mhz for an ARM A7 processor) [2], making the technology appealing for ultra-low-power mobile devices. Moreover, FD-SOI wafers are used in production lines in the traditional CMOS sector and share numerous transistor-manufacturing processes with this sector. Using these wafers reduces the cost of photomasks required to manufacture the chips by 50% compared to FinFET technology, resulting in a very competitive cost of the finished product – as much as 20% lower. Lastly, the size of chips produced on FD-SOI substrates can be made 20% smaller than those fabricated using FinFET technology [3].

The global FD-SOI ecosystem is gaining strength: The development of FD-SOI was initiated in 2008 by IBM, then taken up by STMicroelectronics. At present, it has been adopted by two foundries: Samsung and GlobalFoundries. The ecosystem is growing and has attracted increasing interest from customers and partners, including big players such as Samsung, GF, ST, Sony, Lattice, NXP, Renesas and other circuit manufacturers.

Adoption by the foundries: Several foundries (GlobalFoundries, Samsung and STMicroelectronics) have announced offers featuring chips based on FD-SOI technology. Currently, this is available at the 28-nm and 22-nm nodes.

Since GlobalFoundries' launch of its new 22FDX™ platform based on FD-SOI, the company also announced in February 2016 that it was expanding its FD-SOI industrial capacity and rolling out an ambitious industrial policy around the world. The foundry's goal is to meet growing demand from customers who are developing general consumer electronics, multimedia TV boxes, the Internet of Things with connected objects such as watches, bracelets, smart glasses, etc., smartphones, tablets as well as processors for cellular telephony, embedded electronics in vehicles and other connected applications using wireless power.

This announcement is further proof of GlobalFoundries' commitment to SOI-based technologies as well as the solidity of the FD-SOI ecosystem:

- regarding FD-SOI in Europe, GlobalFoundries has increased the capacity of its Fab 1 facility in Dresden, Germany, dedicated to the 22FDX platform based on 22-nm FD-SOI processing;
- as for FD-SOI in China, GlobalFoundries and the city of Chengdu have formed a partnership to build a manufacturing facility dedicated to 300-mm wafers. The facility is intended to support the growth of the semiconductor market in China and customer demand for 22FDX technology. High-volume industrial production is expected to start in 2019.

In September 2016, GlobalFoundries also announced the extension of the technological roadmap for its FD-SOI platform to 12 nm as well as the rollout of its FDXceleratorTM partners program, which aims to facilitate the design of circuits on FD-SOI and consequently accelerate the development of new products.

While customers' adoption of GlobalFoundries' 22-nm FD-SOI offering continues to grow, with GlobalFoundries announcing that over 70 customers have committed, Soitec is pleased about the prospect of the FD-SOI market's continued expansion with the upcoming 12-nm platform. Soitec is ready to produce industrial volumes of FD-SOI wafers for GlobalFoundries' 22FDX and 12FDX™ platforms.

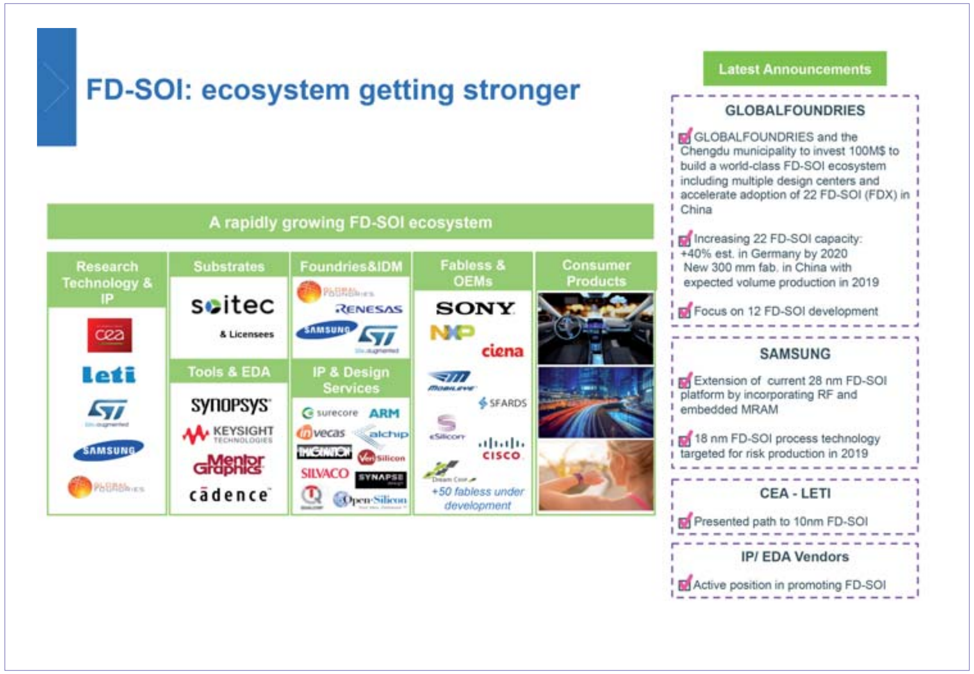
In Asia, the Chinese foundry Huali has announced its intention to include 22-nm FD-SOI technology in its fab2 plan, which will provide the Chinese market with better access to FD-SOI technology.

(1) Source: GLOBALFOUNDRIES at the SOI Consortium conference in China on 15 September 2015, http://www.soiconsortium.org/fullydepleted-soi/presentations/design-for-fd-soi-2015/Kengeri %2022FDX %200915.pdf..
(2) Source: GLOBALFOUNDRIES Webinar: "Extending Moore's Law with FD-SOI Technology," https://www.youtube.com/watch?v=7VmQlpXKtHE.
(3) Source: GLOBALFOUNDRIES 22FX Product Brief: http://globalfoundries.com/docs/default-source/PDF/22fdx-product-brief.pdf.

Announcements of initial products: FD-SOI technology is founded on Soitec's ultra-uniform FD-SOI wafers, which are perfectly suited for applications requiring low power usage, very high reliability and high-performance connectivity functions at affordable prices.

- **Electronic GPS components:** The first electronic product based on 28-nm FD-SOI technology and available to the general public was announced in April 2016. It was a sports smartwatch, the AMAZFIT by Huami, that houses a GPS chip created on a FD-SOI substrate, giving it a record energy-efficiency level. With the GPS activated, the smartwatch can be used continuously for 35 hours – a battery life that is two to five times longer than that of similar watches available on the market.
- **Vision processor for advanced driver assistance systems (ADAS):** The new generation of ADAS Mobileye processors are based on 28-nm FD-SOI technology. Mobileye is the world leader in vision and artificial intelligence. The EyeQ®4 is a chip-based vision assistance system that is currently available on the market with calculating performance eight times superior to its predecessor.
- **Ultra-low energy application processors:** NXP Semiconductors, which has become the world's leading supplier of semiconductors for automobiles and industry with its acquisition of the U.S. group Freescale, announced in March 2017 the first application processors based on 28-nm FD-SOI technology. The innovative design of NXP's two new series of processors, i.MX 7ULP and i.MX 8X, in combination with the intrinsic benefits provided by FD-SOI gives its processors specific advantages and prepares them for fast-growing markets. The i.MX 7ULP generic application processor designed with ultra-low-power features has the advantage of greatly reduced energy use, which is particularly well suited for the Internet of Things, connected residential applications and wearable products, etc. As for i.MX 8X processors, they are intended for embedded applications used especially in the automotive and industrial sectors. They provide high levels of reliability, an essential characteristic in these two markets.
- **System-on-chip devices for driver assistance applications:** In February 2017, NXPalso announced the first system-on-chip (SoC) device intended for the driver assistance system that is based on GlobalFoundries' 22FDX technology. This integrated system was designed by the German company Dream Chip Technologies.
- **System-on-chip devices for interactive satellite terminals:** In March 2017, Eutelsat and STMicroelectronics announced a low-power, low-cost SoC solution for interactive satellite terminals. This SoC, which was adopted for the first time, is a very-low-energy, 28-nm FD-SOI system that is currently the most eco-energy SoC available, due to Eutelsat's capability in achieving remarkable levels of performance and efficiency.

For Soitec, which is seeking to make FD-SOI a technological standard in the semiconductor industry for consumer electronics and mobility, these announcements extend the FD-SOI ecosystem and demonstrate its growth into new applications.



FD-SOI, a rapidly expanding ecosystem. Source: Soitec.
(réf. http://www.soiconsortium.org/fully-depleted-soi/presentations/SOI-Consortium-FD-SOI-Symposium-Sanjose-2016/Samsung_Foundry_2016_FDSOI_Symposium_USA_13Apr2016.pdf.

During the 2016-2017 fiscal year, Soitec provided GlobalFoundries, Samsung and STMicroelectronics with large quantities of FD-SOI wafers. These volumes are growing and signify the ramp up in volume by foundries. For example, Samsung announced that it was transitioning FD-SOI technology into mass production during 2016.

> *Power-SOI wafers for power semiconductors*

The automotive industry was one of the first industries (starting in the 2000s) to begin using SOI in mass production for power applications. The semiconductor market for cars is constantly growing due to the increase in the number of electronic components per vehicle and the number of vehicles sold.

Other industries rely on SOI for power semiconductors used in electric motors for industrial and consumer uses, lighting, power generation, medical devices, etc. To meet the requirements of their customers, most power semiconductor manufacturers have developed SOI-BCD platforms. The companies include NXPafter merger with Freescale), Microchip (formerly Atmel), STMicroelectronics, Renesas, Infineon, TI, TowerJazz and X-FAB.

> Photonic wafers on silicon (Photonics-SOI)

The explosion of internet traffic and the need for calculation and storage capacity in the cloud, exported to calculation centers (data centers), raises demand for data-transmission systems with increasingly larger outputs over ever-shorter distances.

One of the technical means of responding to this demand is optical transmission (light signal transmission) rather than electrical transmission. Indeed, electronic transmissions are greater energy consumers (due to ohmic losses in the cables) and are limited in distance. Optical transmissions (photonics) have been used for a long time for long-distance transmissions in mature applications such as communication networks as well as emerging uses such as “fiber to the home” (FTTH).

The technologies implemented are typically lasers based on III-V materials (such as indium phosphide) that are manufactured in specialized facilities. However, with the increase in output, the need for optical data transmission over much shorter distances is growing. Consequently, photonics must develop into a larger industry and optimize costs. Photonics on silicon may play a major role, allowing optical components to be made on silicon (transparent to used wavelengths) and compatible with the entire CMOS industry.

The largest semiconductor industrial entities (Intel, IBM, Samsung, STMicroelectronics, Fujitsu, etc.) have carried out intensive R&D work in silicon photonics for years. Because substrates with integrated waveguides have become the standard in silicon photonics, Soitec has the tools and products to potentially grow the photonics-on-silicon market. Currently, silicon photonics has become an industrial reality with such players as Luxtera, Mellanox, Acacia and Intel supplying 100-G transceivers for data communications based on this breakthrough technology.

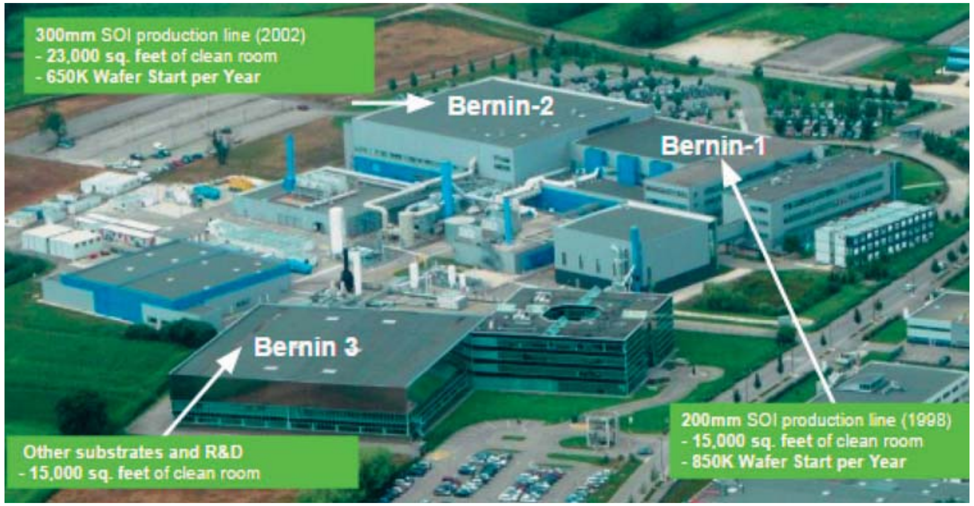
> SOI imaging wafers (Imagers-SOI)

Soitec has developed a new SOI product for the image-sensor advanced market that may be used in cellular telephones, automotive, etc. These new image sensors are well suited for applications where 3D information is important.

6.1.4. Production capacity

> Production capacity in France and Asia

Based in Bernin, Soitec has the world’s largest SOI industrial production site. This includes a total of 4,500 square meters of cleanrooms located in three facilities in France. In addition, the Group has a Singapore production unit that is currently dormant and a partnership with the Chinese company Shanghai Simgui Technology Co., Ltd. (Simgui) for 200-mm wafer production (see the Soitec press release dated 26 May 2014).



Source: Bernin production site (France).

> Production partnership in China

For more than a decade, China’s importance has continued to grow within the global electronics value chain (semiconductor manufacturers, foundries, fabless companies, design houses, OEMs, etc.). Soitec already had a presence in China through its sales of SOI wafers when it announced a partnership with Simgui, a Chinese manufacturer of silicon wafers for the semiconductor industry. This partnership has led to Simgui manufacturing 200-mm SOI wafers using Soitec’s Smart Cut™ technology as well as granting Simgui the exclusive right to market, distribute and sell 200-mm SOI wafers in China, but not anywhere else in the world.

In March 2017, Soitec announced the start of mass production of 200-mm SOI wafers at the Simgui industrial site that has been certified by Soitec’s leading key customers. This partnership constitutes an important step for Soitec in managing its worldwide production capabilities, allowing it to meet demand for 200-mm SOI wafers used in manufacturing semiconductors dedicated to the growth markets of communications and electronic power applications.

The first 200-mm SOI wafers produced on the Simgui site in Shanghai using Soitec’s proprietary Smart Cut™ technology were certified by leading customers at the end of 2016. The certification process is under way for other customers. This manufacturing line in China noticeably increases Soitec’s production capacity in 200-mm SOI wafers to meet the requirements of growing worldwide demand and, at the same time, represents a key step in establishing a SOI ecosystem in China and further validating Smart Cut™ as a standard technology.

6.2. Primary markets

An electronics business boosted by the market transition to mobility and connectivity

Soitec's SOI and other innovative engineered substrates provide the foundation for manufacturing the low-power, high-performance, high-reliability and cost-effective semiconductor devices required by the electronics industry.

The applications/customers mix of the Soitec Group is changing

For several years, the breakdown of the Group's revenue in electronics has been shifting. This change is accompanying the transition of the electronics market toward mobile applications, such as telephony and the Internet of Things, and the strengthening of semiconductor content in certain areas, such as the automotive and industrial sectors.

The Group is taking advantage of the upsurge in sales by its Communications and Power Business Unit, in contrast with the Digital Business Unit's drop in PD-SOI sales for AISC applications and servers. Consequently, while digital applications excluding photonics represented around 75% of sales up until the 2011-2012 fiscal year, this market sector has shrunk in recent years to approximately 15% of sales for 2016-2017. This is due to the increasing use of FD-SOI and emerging SOI (Photonics-SOI and Imager-SOI) in digital and image-sensor applications.

Over the same period, sales of wafers for RF applications jumped from around 10% in 2011-2012 to nearly 55% in 2016-2017. Wafers for analog applications in power semiconductors also have gained prominence, representing nearly 22% of sales in the 2016-2017 fiscal year compared to around 10% in 2011-2012.

The customer base also has been changing for several years. In general, Soitec has improved its risk profile by diversifying and reducing the relative weight of its largest customers. While three customers accounted for 80% of revenue in 2011-2012, with the leading customer accounting for around two-thirds of revenue, seven customers represented 80% of revenue in 2016-2017, with the leading customer accounting for less than 25% of sales.

The following tables can be used to assess the change in the breakdown of revenue by region, customer and wafer size.

Geographical breakdown of Electronics sales

	2014-2015	2015-2016	2016-2017
United States	39%	28%	22%
Europe	29%	41%	46%
Asia	32%	31%	33%

Breakdown of revenue by customer

	2014-2015	2015-2016	2016-2017
Five largest customers	67%	57%	60%
Customers 6 to 10	21%	28%	26%
Other customers/Royalties	11%	15%	13%

The five largest customers for 2016-2017 were TowerJazz, NXP Semiconductors, UMC, GlobalFoundries (Fishkill) and STMicroelectronics.

6.3. Exceptional events

On 16 January 2015, the Board of Directors unanimously decided to immediately implement and develop a strategic plan aimed at refocusing Soitec's activities on electronics, its core business. By 31 March 2017, the divestiture of other divisions that the Group had attempted to develop (solar energy, lighting and equipment) was almost complete. All operational activities had been halted and most assets sold, except the stake in the Touwsrivier solar facility in South Africa, and there remains only a limited number of guarantees for which a light operational structure and certain key skills have been maintained within the Group.

6.4. Dependences

Dependence or risk of dependence is detailed in Chapter 4 dealing with risk factors, particularly paragraph 4.3.

6.5. Competitive position

Soitec is the leading manufacturer and supplier of SOI wafers for thin films (thin SOI as opposed to thick SOI). It was the pioneer in manufacturing SOI wafers with its Smart Cut™ technology and today represents nearly 100% of SOI wafers sold throughout the world (internal estimate).

The primary direct competitor of Soitec is the Japanese firm Shin-Etsu Handotaï, which obtained a license to use Smart Cut™ in 1997. SunEdison Semiconductor, acquired in December 2016 by the Taiwanese company GlobalWafers, also began to market SOI wafers during 2010 and entered a licensing agreement with Soitec in November 2013.

Currently, we estimate that Soitec's market share in SOI wafers ranges between 65% and 70%.

ORGANIZATION CHART

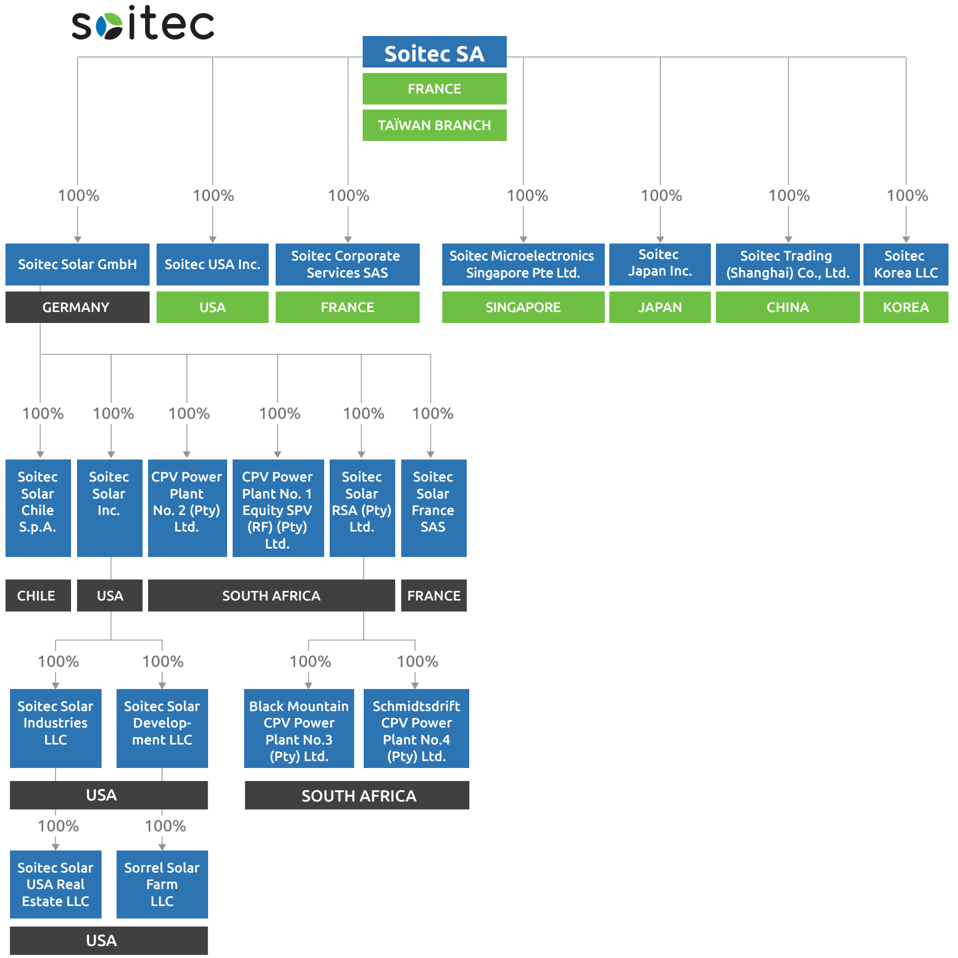
7

7.1. Group

7.1.1. Group Organization Chart

The Organization Chart below shows the Company's subsidiaries on the submission date of this Reference Document.

The percentages indicated below correspond to the percentages of capital and voting rights.



7.1.2. Group organization

As described in Chapter 9 below, the Group changed the sector-based presentation following the decision made in January 2015 to refocus on its core business and the actual implementation of this refocusing during the financial years 2015-2016 and 2016-2017. Thus, in the Reference Document 2016-2017, the Company presents financial statements broken down between the following two segments:

- Electronics: historical activity in the semiconductors sector, aiming at producing and selling substrates and components for the semiconductor industry. The wafers produced are either 300 mm wafers or wafers of smaller sizes (mainly 200 mm). This division includes two Cash Flow Generating Units (200 mm SOI and 300 mm SOI) and no CGUs have been combined during this fiscal year;
- the Other Activities segment covering the Group's discontinued operations and primarily the Solar Energy sector, which involved the production and marketing of concentrator photovoltaic modules, the development, design and construction of turnkey solar power plant projects and the operation of photovoltaic installations. It notably includes the financing activities related to the Touwsrivier solar power plant in South Africa (a 20% equity-accounted investment and a loan provided to one of the plant's shareholders), which are classified as available for sale and include some maintenance activities still ongoing, primarily in Europe and the United States.

7.2. List of subsidiaries and equity interests

Name Registered office	Capital equity *(in local currency)*	Q.P. Holding of dividends received	Gross val. shares net val. shares *(in €)*	Loans, advances, bonds *(in €)*	Revenue earnings *(in €)*
Subsidiaries (more than 50%)					
Soitec USA Inc. 11182 El Camino Real, Suite 260 San Diego, CA, USA	10,000 8,093,000	100%	16,796 16,796		52,828,000 199,855
Soitec Japan Inc. 3-1 Marunouchi 3-Chome Chiyoda-Ku, 100-00005 Tokyo, Japan	300,500,000 392,107,173	100%	2,636,988 2,636,988		16,636,168 618,154
Soitec Solar GmbH Freiburg, im. Breisgau Germany	319,890 (453,481,000)	100%	101,244,230 0	425,445,936	199,000 (5,434,000)
Soitec Microelectronics Singapore Pte Ltd 81, Pasir Ris Industrial Drive 1, Singapore 518220	93,395,220 (53,568,000)	100%	67,197,054 0	66,963,981	63,341,000 (1,648,000)
Soitec Korea Kyunggi-do hwasung-si Bansong Dong 93-10, Shinyoung Gwell	500,000,000 625,108,750	100%	328,483 328,483		0 19,459
Soitec Corporate Services 54, avenue Marceau – 75008 Paris	1,000 (7,374)	100%	1,000 1,000		(1,907)
Soitec Shanghai Trading 3261 Dong Fang Road – Pu Dong New District Shanghai, China	852,619 899,350	100%	102,138 102,138		0 791
Holdings (10% to 50%)					
Ceotis Éclairage C/o Soitec – Parc Technologique des Fontaines – 38190 Bernin	937,270 (587,804)	30%	281,181 0	214,000	814,714 (1,525,074)
Exagan S.A.S. 7 Parvis Louis Néél – 38040 Grenoble Cedex 9	108,256 5,692,965	15.32%	905,895 905,895		0 617,056

Name Registered office	Capital equity *(in local currency)*	Q.P. Holding of dividends received	Gross val. shares net val. shares *(in €)*	Loans, advances, bonds *(in €)*	Revenue earnings *(in €)*
Other securities – equity interests below 10%					
Technocom 2 23, rue Royale – 75008 Paris – France	23,976,984 22,983,224	8.00% -	1,775,000 887,500		0 (848,565)
Shangai Simgui Co. Ltd. 200, Puhui Road, Jiading District, Shanghai, China	315,000,000 817,031,495	2.698% -	4,440,962 4,440,962		49,457,458 (4,087,633)
Cissoid Chemin du Cyclotron 6 B-1348 Louvain la Neuve - Belgium	3,782,772 2,755,217	0.36% -	339,903 0		922,000 (618,044)

The capital and shareholders' equity are shown in local currency:

- Euro for Soitec Solar GmbH, Soitec Corporate Services, Ceotis Éclairage, Exagan, Technocom 2 and Cissoid;
- US dollars for Soitec USA Inc. and Soitec Microelectronics Singapore Pte Ltd.;
- Korean won for Soitec Korea LLC;
- Chinese yuan for Soitec Trading (Shanghai) Co. Ltd. and Shanghai Simgui Co. Ltd.;
- Japanese yen for Soitec Japan Inc.

The other amounts are shown in euros.

For subsidiaries and shareholdings, no dividend was received during the year.

For holdings below 10%, no loan, advance or deposit was granted during the fiscal year.

PROPERTY, PLANT AND EQUIPMENT

8.1. Major or planned tangible assets

The total gross value of the Group's tangible assets amounted to €676 million as at 31 March 2017, compared to €677 million as at 31 March 2016, with these two values not taking account of the fixed assets of discontinued operations.

The total net value of the Group's tangible assets, excluding discontinued operations, amounted to €113 million as at 31 March 2017, i.e., 29% of the total consolidated balance sheet, compared to €121 million, or 37% of the total consolidated balance sheet as at 31 March 2016.

The change in the value of tangible fixed assets is detailed in paragraph 20.3.1.2. in note 3.3. of this Reference Document.

It should be noted that the capacity of the Bernin I production plant (small diameter wafers) was increased to approximately 850,000 wafers a year for the product mix provided in the budget; its use rate is very high.

Bernin II's capacity (300 mm SOI) was approximately 800,000 wafers per year for the Partially-Depleted SOI, and it is now very much in surplus compared to demand. However, it only achieves approximately 100,000 wafers a year for the Fully-Depleted SOI under current output and productivity conditions of the new equipment required for two stages of the production process specific to this product. The strong growth of the 300 mm wafer production lines for the Fully-Depleted SOI will be accompanied by additional capital expenditures intended to adapt the Partially-Depleted SOI production lines to Fully-Depleted SOI technology.

Bernin's capacity for recycling the 300 mm material amounts to 300,000 wafers a year.

The Singapore plant had been set up to be able to have a production capacity of 1 million wafers a year in the future.

It should be noted that the capacities mentioned in this paragraph are for information purposes, and may be significantly impacted by the product mix, the change in client specificities and changes in the production process.

Some production equipment of the Bernin site is held under a finance lease agreement.

Please refer to note 3.3. of the appendix to the consolidated financial statements in paragraph 20.3.1.2. of this Reference Document for further information on the financing terms of tangible assets.

8.2. Environmental issues which may affect the Company's use of its fixed assets

No additional significant environmental constraint was recorded in the fiscal year ending 31 March 2017.

Please refer to the environmental information contained in Chapter 5.3. of this Reference Document for further information on environmental matters.

REVIEW OF **FINANCIAL POSITION AND RESULTS**

9

9.1. Group's financial position and results

9.1.1. Accounting aspects

This Chapter is part of the Soitec S.A. management report. It should be read in parallel with the consolidated annual financial statements for the fiscal year ended 31 March 2017, and shown in paragraph 20.3.1. below (the "consolidated financial statements").

Pursuant to Regulation (EC) No. 1606/2002 of 19 July 2002, on the application of international accounting standards, the Group's consolidated financial statements have been prepared in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB), adopted by the European Union and made compulsory for financial statements.

This reference framework, available on the European Commission's website (http//ec.europa.eu/internal_market/accounting/ias/index_fr.htm), incorporates the international accounting standards (IAS and IFRS), the Standing Interpretations Committee – SIC, and the International Financial Reporting Interpretations Committee – IFRIC.

Please refer to the appendix to the consolidated financial statements in Chapter 20.3.1.2.

The accounting rules and methods applied to prepare the financial statements are the same as those used in the consolidated financial statements for the fiscal year ended 31 March 2016, after taking account of, or with the exception of, the new standards and interpretations described in note 2 of the appendix to the consolidated financial statements.

The Other Businesses segment, which includes discontinued operations, and in particular, businesses from the Solar Energy division, is shown in the financial statements under discontinued operations, in line with IFRS 5.

9.1.2. Group's operations during fiscal year 2016-2017

Business during the 2016-2017 fiscal year was marked by successfully restructuring the Group's balance sheet and equity, by vastly improving operating income to achieve €19.5 million (7.9% of revenue) and by delivering €8.4 million in net profit (versus a €72.2 million loss in 2015-2016).

Income Statement

(In € million)	2014-2015 (restated)*	2015-2016 Published 2016 version	2015-2016 (restated)** 2016 version	2016-2017
Revenue	171.6	233.2	233.2	245.7
Gross profit	26.6	62.2	62.2	77.4
Current operating income	(22.9)	22.4	22.4	27.7
Other income and operating costs	(22.3)	(29.4)	(29.4)	(8.2)
Operating profit (loss)	(45.2)	(7.0)	(7.0)	19.5
Net profit (loss) from discontinued operations	(201.8)	(38.6)	(33.6)	1.1
Net profit (loss) (Group share)	(258.7)	(71.7)	(72.2)	8.4
Net profit (loss) per share**	(24.6)	(0.31)	(6.25)	0.30

* *Profit (loss) from the Solar Energy division presented as discontinued operations pursuant to IFRS 5; impact of IFRIC 21 standard on taxes.*
** *Restatement of finance activities related to the solar power plant in South Africa in accordance with IFRS 5, correction of a €0.6 million error and calculation of the net profit (loss) per share taking into account the reverse stock split effective on 8 February 2017 (one new share against twenty old ordinary shares).*

Consolidated total revenue increased by 5% to €245.7 million in 2016-2017, compared to €233.2 million in 2015-2016. The increase was 4% at constant exchange rates, and particularly reflected strong sales of 200 mm wafers for the mobility markets (RF-SOI substrates – application of radio frequency to meet the growing demands of the mobile telephone industry) and for the automotive markets (Power-SOI substrate – power applications).

Gross profit improved substantially, increasing from €62.2 million (26.7% of revenue) to €77.4 million (31.5% of revenue) under the combined effect of a growth in sales volumes of 200 mm wafers and improved operating performance.

Research and development costs rose 12% compared to the 2015-2016 fiscal year and accounted for 7.6% of consolidated revenue. This increase in costs is primarily reflected by continued R&D efforts for both small sizes as well as for 300 mm products (FD-SOI and RF-SOI products).

Administrative and sales expenses rose to €31 million in 2016-2017, from €23.2 million in 2015-2016, due primarily to an increase in labor costs.

The Group posted +€27.7 million in positive current operating income (11.3% of revenue), versus +€22.4 million in current operating income for the previous fiscal year.

Other operating income and expenditure mainly constituted litigation expenses (an €8.2 million expense, compared to a €29.4 million expense for the previous fiscal year).

For the 2016-2017 fiscal year, profit from discontinued operations totaled €1.1 million, mainly due to €0.5 million in equity investment disposals, positive financial income (net gain related to financial assets related to the Touwsrivier plant and unrealized foreign exchange gains related to the appreciation of the ZAR), which offset additional provisions recorded to cover compensation or divestment charges from the solar businesses.

Net profit (Group share) came to +€8.4 million, a significant increase compared to the €72.2 million loss experienced in the 2015-2016 fiscal year. Net profit per share on an undiluted basis is a €0.30 gain, compared with a €6.25 loss in the previous fiscal year.

Balance sheet

Assets *(In € thousand)*	31 March 2017	31 March 2016 restated*	31 March 2016 published
Non-current assets			
Intangible fixed assets	4,009	5,678	5,678
Property, plant and equipment	113,475	120,642	120,642
Non-current financial assets	12,167	8,900	8,900
Other non-current assets	31,341	24,692	24,692
Total non-current assets	**160,992**	**159,912**	**159,912**
Current assets			
Inventory	33,642	30,910	30,910
Trade receivables and related accounts	39,975	40,436	40,436
Other current assets	14,840	17,508	17,508
Current financial assets	1,797	1,444	1,444
Cash and cash equivalents	109,286	49,068	49,068
Total current assets	**199,540**	**139,366**	**139,366**
Assets held for sale and related to discontinued operations*	29,069	25,856	22,054
Assets from discontinued operations			3,802
TOTAL ASSETS	**389,601**	**325,134**	**325,134**

* *Assets held for sale and related to discontinued operations (IFRS 5) presented on one single line item.*

Equity and liabilities *(In € thousand)*	31 March 2017	31 March 2016 restated*	31 March 2016 published
Equity:			
Total equity	**149,115**	**(7,837)**	**(7,111)**
Non-current liabilities:			
Long-term financial debts	104,656	159,980	159,980
Provisions and other non-current liabilities	15,180	14,148	14,148
Total non-current liabilities	**119,836**	**174,128**	**174,128**
Current liabilities:			
Short-term financial debts	16,204	58,960	58,960
Trade payables	44,430	42,551	42,551
Provisions and other current liabilities	46,271	40,849	40,123
Total current liabilities	**106,906**	**142,360**	**141,634**
Liabilities from discontinued operations	13,744	16,483	16,483
TOTAL LIABILITIES	**389,601**	**325,134**	**325,134**

* *Correction to include the Singapore subsidiary's income tax liability of €726 thousand due for prior years (IAS 8).*

The Group's available cash flow improved during the 2016-2017 fiscal year, from €49.1 million at 31 March 2016, to €109.3 million at 31 March 2017. This improvement was notably due to capital increases carried out during the first half of the fiscal year.

Debt excluding discontinued operations fell from €219 million as of 31 March 2016, to €120.9 million as of 31 March 2017, primarily from repaying a portion of the convertible bonds. Net debt declined during the year, from €169.9 million as of 31 March 2016, to €11.6 million as of 31 March 2017. At the same time, equity grew from -€7.8 million to €149.1 million as of 31 March 2017.

9.1.3. Group's position and results during fiscal year 2016-2017

9.1.3.1. Revenue

The Electronics division accounted for 100% of Group revenue for fiscal year 2016-2017 (as for the 2015-2016 fiscal year). Sales totaled €245.7 million, up 4% at constant exchange rates compared to the 2015-2016 fiscal year.

Breakdown by products of the Electronics division's sales

(In € million)	Sales 2016-2017	Sales 2015-2016	Annual change *(in %)*	Key customers	Products	Applications
Royalties	6.5	9.1	(28)%			
200 mm SOI	182.5	170.5	+7%	Tower Jazz, UMC, Global Foundries, NXP, SSMC, Sony, TSMC	eSI, HR-SOI, Power-SOI	Smartphones, Tablets, Automotive, Industrial
300 mm SOI	56.7	53.6	+6%	Global Foundries, ST Microelectronics	PD-SOI, FD-SOI	Servers, PCs, Gaming consoles, Smartphones
TOTAL	**245.7**	**233.2**	**+5%**			

Compared to the previous fiscal year, sales of 200 mm wafers increased 7% to €182.5 million, compared to €170.5 million in 2015-2016, reflecting continued high demand for RF-SOI substrates (radio frequency applications) and Power-SOI (power applications) specifically designed for the mobility and automotive markets. The 200 mm SOI wafer production unit in Bernin is now operating at full capacity. The agreement entered into with the Chinese subcontractor Simgui will give us access to additional industrial capacity to meet growing demand.

Sales of 300 mm SOI wafers grew 6% to €56.7 million, compared to €53.6 million in 2015-2016. Some PD-SOI products for the PC and gaming console markets are reaching end-of-life. The Company is continuing to work on the qualification process for its 300 mm fully depleted silicon-on-insulator wafers (FD-SOI) with the major foundries and on increasing sales of SOI substrates for emerging applications (photonic circuits, imagers).

Geographic breakdown of revenue from the Electronics division

	2014-2015	2015-2016	2016-2017
United States	39%	28%	22%
Europe	29%	41%	46%
Asia	32%	31%	33%

Breakdown of revenue by customer

	2014-2015	2015-2016	2016-2017
Top five customers	67%	57%	60%
Customers 6 to 10	21%	28%	26%
Other customers/Royalties	11%	15%	13%

The top five customers accounted for 60% of sales during the 2016-2017 fiscal year, compared to 57% during the previous year.

Other Businesses: this division includes the Solar Energy businesses (€0.9 million in revenue in 2016-2017, versus €22.5 million in 2015-2016), Lighting (no sales in 2016-2017, compared to €1.2 million in revenue in 2015-2016), and Equipment (no revenue in 2016-2017, versus €3 million in sales during fiscal year 2015-2016). In the scope of the strategy refocusing on the Electronics business, in March 2016 the Group sold its subsidiary Altatech, which conducted the Equipment business. In the same month, the staff and residual assets of the Lighting activity were transferred to a non-consolidated company called Ceotis, and in December 2015 the Group concluded the sale of its subsidiary Soitec Phoenix Labs, which encompassed research and development activities in the lighting field. Pursuant to IFRS 5 on discontinued operations, financial results for these Other Businesses are no longer provided in detail, but incorporated in a single line item in the consolidated income statement, representing the impact on Group net profit/loss.

9.1.3.2. Gross profit

Gross profit corresponds to total revenue minus the total cost of sales. The cost of sales is equal to the total of the cost of production and distribution as well as license fees (in particular, CEA-Leti for the use of the SmartCut™ technology).

Gross profit for the Other Businesses segment does not appear in the Group's gross profit due to its being reclassified under discontinued operations for net income.

Production costs include the cost of raw materials, mainly silicon, manufacturing costs, including direct labor costs, depreciation and maintenance costs on production equipment and clean room infrastructure, and overhead costs allocated to production.

Gross profit improved significantly, increasing from €62.2 million (26.7% of revenue) in 2015-2016 to €77.4 million (31.5% of revenue) in 2016-2017. Improved operating profitability mainly came from an increase in small wafers sold and from cost control within the 200 mm production line, which is now functioning at full capacity, offsetting the impact of the low loading rate on the 300 mm production lines (Bernin and Pasir Ris dormant).

9.1.3.3. Research and development costs

R&D costs are recorded when they occur if the criteria required under IAS 38 enabling their recording in the balance sheet are not verified.

Research and development costs essentially comprised the following:

- salaries and payroll taxes, including share-based payments;
- operating costs of clean room equipment and equipment required for research and development;
- material consumed for the finalizing and manufacture of prototypes;
- subcontracting to public research centers or private laboratories, cooperation agreements;
- costs relating to maintaining and strengthening the Group's intellectual property rights.

Provided the agreements are signed and the administrative authorizations obtained, the amounts received in subsidy contracts are deducted from gross R&D costs to reach a net amount recorded in the income statement.

Part of the subsidies used to finance R&D activities may be granted in the form of redeemable advances. In accordance with IAS 38 and IAS 20 standards, if the Group believes that the technical and commercial probability of success of a project has become too low, the related development costs are not capitalized but rather they are recorded directly against income, and the corresponding repayable advances are recorded as a deduction from these expenses, regardless of the notifications by the financial institutions which can only take action once milestones are reached, thus putting an end to the program or triggering the repayment of advances.

Depending on changes to the probability of the technical or commercial success of a project, the Group may be prompted to record a financial liability regarding the sales prospects to be generated by the new products developed under the subsidy programs. As a result, a proportion of the reimbursable advances received for the Nanosmart subsidy programs were recognized as income based on reimbursement assumptions deriving from the business plan. A significant upward revision of the long-term sales forecasts of FD-SOI and SOI for radio frequency applications could result in the reclassification as debt of a portion of the subsidies recognized as income. The theoretical maximum amount that could be reclassified is €11 million, and the probability of reaching such a level is extremely low. Conversely, if sales forecasts are revised downward, the maximum amount of advances posted as liabilities in the balance sheet which could be reclassified as income is €12 million.

The Company receives research tax credits (CIR). This credit is presented as a deduction from research and development costs, in accordance with IAS 20. Research tax credits recorded in the financial statements for fiscal year 2016-2017 totaled €13.9 million.

Net R&D expenditures rose to €18.7 million (7.6% of revenue), compared to €16.7 million (7.1% of revenue) the previous year. This change essentially reflects a rapid boost in R&D expenses for 300 mm FD-SOI and RF-SOI products and development costs for small-sized products.

9.1.3.4. Sales and marketing costs

Sales and marketing costs from the Electronics business increased to €7.8 million, compared to €5.6 million the previous year. The increase was primarily driven by the rise in payroll expenses (an employee's severance payment, a net increase of two positions, an expense related to the retention plan).

9.1.3.5. General and administrative expenses

General and administrative expenses grew 31% to €23.2 million in 2016-2017, compared to €17.7 million in 2015-2016. This year-on-year increase of €5.5 million primarily reflects the increase in payroll (expense related to management's long-term incentives plan). General and administrative expenses do not include the costs of restructuring the Group and recapitalization operations recorded as other operating expenses or a reduction of the share premium, as applicable.

9.1.3.6. Current operating income

Current operating income is calculated by deducting net research and development costs, general and administrative expenses and sales and marketing expenses from gross profit. Given the impact from the increase in these costs and the sharp increase in gross profit, current operating income improved substantially (+24%) to +€27.7 million (11.3% of revenue), compared to +€22.4 million in 2015-2016.

9.1.3.7. Operating profit (loss)

Operating profit consists of the current operating income and other operating income and expenses.

For fiscal year 2016-2017, the Group recorded a non-current net charge of €8.2 million (versus a net charge of €29.4 million in 2015-2016).

This expense is mainly explained by defense costs following lawsuits for patent infringement against Silicon Genesis Corporation (SiGen). The two companies settled in late March 2017 to end all ongoing litigation and to drop the proceedings before the US International Trade Commission.

Operating income amounted to +€19.5 million, compared to a €7 million loss in the previous fiscal year.

9.1.3.8. Financial income

In fiscal year 2016-2017, the Group recorded a net financial expense of -€11.6 million, compared to a -€22.5 million expense the previous year.

This expense was due to the following:

- financial loss, excluding foreign exchange gains/losses, was a -€9.1 million net expense in 2016-2017, compared to a -€21.4 million net expense in 2015-2016. It primarily represents:
  - -€6.9 million in financial expenses on OCEANE 2018 bonds, including a non-recurring expense of -€2.2 million related to the repurchase of 59% of the OCEANE bonds on 8 June 2016. For the sake of comparison, expenses over the 2015-2016 fiscal year were -€10.2 million. As a result of repurchasing 59% of the OCEANE bonds, the interest expense on this financing fell significantly,
  - -€0.4 million in interest on loans made by the CEA, the company Shin-Etsu Handotaï and BPI (due in May 2016). In 2015-2016, interest expense amounted to -€2.7 million. As a result of the redemption of bridge loans, the interest expense on this financing fell significantly,
  - -€1.1 million in interest on finance leases (versus -€1.3 million as of 31 March 2016),
  - -€0.6 million in financial asset depreciation (compared to -€0.4 million for the previous fiscal year),
  - -€1.2 million in other financial expenses (versus -€1.7 million in 2015-2016),
  - +€1.2 million recognized for the accretion of the value of a long-term repayable guarantee deposit (compared with a -€5 million expense in 2015-2016);
- the foreign exchange result was a -€2.5 million expense, compared to a -€1.1 million loss during the 2015-2016 fiscal year. This expense included a -€3.9 million foreign exchange hedging expense (versus a product of €0.4 million in 2015-2016).

9.1.3.9. Net profit (loss) from discontinued operations

Net profit from discontinued operations amounted to €1.1 million during the 2016-2017 fiscal year. This profit primarily comprised the sale of a €0.5 million equity stake in the Portuguese Suncoutim plant, €2.6 million in net gains related to financial assets from the Touwsrivier plant, €3.9 million in unrealized foreign exchange gains related to the appreciation of the ZAR, which was offset by additional provisions made to cover compensation or withdrawal costs from discontinuing the solar business (-€5.8 million).

The Company continued selling residual assets from the Solar Energy division; it sold its equity stake in a Portuguese solar farm during fiscal 2016-2017, and on 1 May 2017, it sold the Newberry plant in the United States.

The main financial assets for the Touwsrivier solar power plant in South Africa are assets for sale: progress made in the sale process means that a transaction is planned to be completed within 12 months. They include the 20% interest in CPV Power Plant no. 1 consolidated via the equity method, and financial receivables.

9.1.3.10. Profit (loss) and taxes

The Group delivered €8.4 million in net profit (Group share), compared to a €72.2 million loss in 2015-2016.

Pre-tax income from continuing operations came to a €7.9 million gain (versus a -€29.5 million loss in 2015-2016), and tax expense totaled -€682 thousand over the current year.

Taxes for 2015-2016 were corrected by €0.6 million pursuant to IAS 8, amounting to -€4.1 million.

Net income from discontinued operations after taxes was +€1.1 million (versus a -€38.7 million loss the previous year).

Diluted earnings per share was a €0.30 gain, divided between continuing operations (€0.26) and discontinued operations (€0.04). During 2015-2016, diluted earnings per share totaled a loss of -€6.25 per share, split between continuing operations (-€2.91) and discontinued operations (-€3.34).

9.1.3.11. Financing and liquid assets

Following the capital increases completed during the 2016-2017 fiscal year and positive net profit earned, the Group reconstituted its equity, which amounted to €149.1 million as of 31 March 2017, up from -€7.8 million as of 31 March 2016. The change mainly consisted of the €37.5 million capital increase, the €107.1 million issue premium net of costs, and the €8.4 million in profit achieved.

Gross financial debt amounted to €120.9 million as of 31 March 2017, compared to €219 million as of 31 March 2016. Available cash flow increased from €49 million as of 31 March 2016, to €109 million as of 31 March 2017.

The Group restructured its financial debt during the 2016-2017 fiscal year by redeeming 59% of the 2018 OCEANE bonds for €58.2 million and by repaying partner loans in the amount of €44.2 million. The main line items for financial debt are as follows: bank credit lines for €56.4 million (divided between a non-current part for €50 million and a current part for €6.4 million) and a convertible OCEANE bond maturing in 2018, representing a nominal amount of €41.8 million (non-current net liability of €39.5 million, pursuant to IAS 39).

Further information on the financing of the Company and of the Group is provided in note 3.15. of the appendix to the consolidated financial statements on loans and bank debts.

9.1.3.12. Consolidated cash flow

Cash flow from operating activities was positive for 2016-2017, totaling €31.6 million, and comprised positive cash flow of €39.3 million from the Electronics division, which was offset by -€7.7 million in negative cash flow from discontinued operations.

Cash flow from investment transactions was limited and amounted to -€2.4 million in 2016-2017:

- continuing operations: cash flow used amounted to -€5.8 million in 2016-2017, compared to -€7.3 million in 2015-2016, reflecting the stability and low levels of disbursements linked to industrial investments in Electronics;
- discontinued operations: cash flow amounted to +€3.4 million and primarily related to payments from the sale of a stake in a solar farm in Portugal and to shareholders' loan repayments in South Africa, less a financial expense related to measures taken to reduce warranty risk in the Solar Energy division in South Africa.

Cash flows from investing activities were positive for fiscal 2016-2017 (+€32.4 million). This amount primarily represents €144 million net of costs raised as a result of the capital increases, -€114 million in loan repayments (redemption of 59% of the OCEANE bonds and repayment of partner loans, primarily), as well as the raising of €9 million in prefinancing on the research tax credit.

On 31 March 2017, the Group had available cash flow (including cash equivalents) of €109 million.

9.1.3.13. Balance sheet

Please refer to paragraph 9.1.2. above.

9.1.3.14. Factors likely to influence revenue

Please refer to the paragraph on risk factors in Chapter 4 of this Reference Document.

9.1.4. Main related party transactions

Since 2 May 2016, the Board of Directors has been comprised of 13 members. Besides the Chairman and CEO, the 12 other members were selected based on their experience in the semiconductor market or on their professional experience in other relevant areas for the Group's development. The semiconductor market consists of a small number of players, so the Group maintains or is likely to have business relations with ARM Holdings Plc, Global Foundries, Shin-Etsu Handotaï, Shanghai Simgui Technology Co., LTD and the French Atomic Energy and Alternative Energy Commission (CEA) where Douglas Dunn, Satoshi Onishi, Xi Wang and Christophe Gégout respectively hold or held positions, as disclosed in the table shown in paragraph 14.1.1.3. of this Reference Document.

When the financing plan was set up in connection with the conciliation procedure approved by the Grenoble Commercial Court on 5 May 2015, Shin-Etsu Handotaï Europe, Bpifrance Participations and CEA Investissement granted the Group a financing facility for a total amount of €54 million. The terms and conditions for these loans are described in Chapter 10.3. (terms and conditions for loans and finance structure) in the first update of the 2014-2015 Reference Document filed with the French Financial Markets Authority on 7 March 2016. The Group made a partial repayment in August 2015, and the remaining €44 million balance was repaid in May 2016. €2.575 million in interest was paid for these loans during the 2016-2017 fiscal year.

During the fiscal year ended 31 March 2017, purchases of raw materials from Shin-Etsu Handotaï represented €66 million (€58 million for the fiscal year ending 31 March 2016).

The Company Soitec S.A. invoiced €2.8 million in royalties to Shin-Etsu Handotaï for the 2016-2017 fiscal year (€2.7 million for the 2015-2016 fiscal year).

Soitec S.A. also invoiced $551 thousand in royalties to ARM LTD for the 2016-2017 fiscal year ($860 thousand for the 2015-2016 fiscal year).

Global Foundries is one of Soitec's main customers; sales of wafers amounted to $63 million for the 2016-2017 fiscal year ($83.2 million for the 2015-2016 fiscal year).

During the 2016-2017 fiscal year, the Company paid CEA €5.3 million under the research and development agreement (€5 million for the 2015-2016 fiscal year) and €4.6 million as patent royalties (€3.4 million for the 2015-2016 fiscal year).

During the year, the Company paid Shanghai Simgui Technology Co., Ltd. $2.7 million to buy 200 mm SOI wafers.

The Company invoiced the company $1 million for a service agreement and $3.9 million for silicon substrates.

Lastly, the Company entered into a sales collaboration agreement with Novaday, of which Joël Karecki is a shareholder, but made no purchases during the 2016-2017 fiscal year (€41 thousand for the 2015-2016 fiscal year).

9.1.5. Important contracts

During the 2015-2016 and 2016-2017 fiscal years, and excluding the items described in Chapter 22 of the 2015-2016 Reference Document filed with the AMF on 4 July 2016, the Company did not enter into any agreement during its course of business that fell outside the ordinary scope of its business, and it did not confer an obligation or a significant commitment for the entire Group, excluding the loan agreements granted by Shin-Etsu Handotaï Europe, Bpifrance Participations and CEA Investissement referred to in the previous paragraph.

9.1.6. Legal and arbitration proceedings

In late March 2017, Soitec and Silicon Genesis Corporation (SiGen) agreed to end litigation between them regarding importing and selling certain Silicon-on-Insulator (SOI) wafers by Soitec (see the press releases dated 21 October 2016, and 29 March 2017). The two companies agreed to end all ongoing litigation and to drop the proceedings before the US International Trade Commission (USITC). This agreement strengthens the Company's position in terms of intellectual property and enables the Company to better serve and protect its customers and partners.

The Company underwent audits by tax and customs authorities, and readjustment notifications were filed and paid during the 2016-2017 fiscal year.

There are no other governmental, judicial or arbitration proceedings, including any proceedings to the Company's knowledge which are pending or threatened, and likely to have or having had in the last 12 months significant effects on the Group's financial position or profitability.

9.1.7. Events after the year-end

On 1 May 2017, the Group sold its entire stake in Newberry Solar 1 LLC, which owns the Newberry power plant (United States). This disposal will not have a material impact on net profit for the 2017-2018 fiscal year.

9.1.8. Group's outlooks for the 2017-2018 fiscal year

For fiscal year 2017-2018, the Group expects around 25% revenue growth at constant exchange rates compared to 2016-2017 fiscal year and a EBITDA margin rate (EBITDA/revenue, the definition of EBITDA is specified in the note 3.1. of the consolidated financial statements) of the Electronics segment of at least 20%.

In the longer term, the Group plans to take advantage of the promising outlooks relating to the continued adoption of FD-SOI by the semiconductor industry.

9.2. Company's financial position and results

This Chapter corresponds to part of the Company's management report. It should be read in parallel with the annual financial statements for the fiscal year ended 31 March 2017 appearing in Chapter 30 of this Reference Document (the "Statutory Financial Statements").

The Company (Soitec S.A.) is the parent company of the Group.

The Company, as a production plant, supplies some of its subsidiaries.

It also undertakes certain sales activities worldwide in addition to those of subsidiaries and retailers.

The relations between the Company and its subsidiaries are formalized through contracts, both with regard to the distribution of the Company's products and the operation of the subsidiaries.

9.2.1. Accounting aspects

The annual financial statements of the Company as of 31 March 2017, are presented pursuant to the accounting principles generally accepted in France for statutory financial statements.

9.2.2. Company's financial position

The Company's total net revenue showed an increase to €238.2 million in 2016-2017, compared to €220.3 million in 2015-2016.

Please refer to Chapter 20.3.1.2. of this Reference Document for further information on the Company's business activities during the 2016-2017 fiscal year.

9.2.3. Main changes in the Company's balance sheet

The main changes on the 2016-2017 balance sheet are a slight increase in non-current assets due to the acquisitions of intangible assets in progress, as well as additional equity investments made in Exagan and Technocom2.

Receivables related to equity interests, however, were subject to additional impairment.

Shareholders' equity also rose: the capital increases during the first quarter of 2016-2017 as well as net profit pushed shareholders' equity into positive territory.

> 9.2.3.1. Balance sheet: assets

Fixed assets

Fixed assets rose from €116.2 million as of 31 March 2016, to €118.4 million as of 31 March 2017.

Since Soitec paid off all its warranty debts to each recipient, the Trust Agreement concluded on 29 April 2015 with Equitis Gestion acting in the capacity as Trustee, this agreement has been completed: the parties accordingly wished to grant all powers to Soitec to carry out the formalities to cancel the Trust Agreement and relating to land registration for the transfer of Trust Assets from the Trust to Soitec.

Current assets

Current assets increased from €145 million as of 31 March 2016, to €226 million as of 31 March 2017.

Current asset line items varied significantly: slight increase in inventory and work-in-progress, sharp increase in trade receivables and in the other receivables line item that corresponds to grants and to the research tax credit.

Substantial increase in marketable investment securities for €41 million as of 31 March 2017.

The Company has available cash-flow of €57 million, compared to €38 million during the previous year.

> 9.2.3.2. Balance sheet: liabilities

Equity

The capital increases carried out during the first quarter of 2016-2017 enabled the Company to replenish equity, increasing from (€51.2) million as of 31 March 2016, to €113.5 million as of 31 March 2017.

Provisions for liabilities and charges

Provisions for liabilities and charges amounted to €4.3 million as of 31 March 2017, compared to €10.3 million as of 31 March 2016. A €0.9 million provision for charges for hedging instruments was made on 31 March 2017.

Debts

During the first quarter of 2016-2017, the Company purchased back a 59% share of its bond debt, which amounted to €42 million as of 31 March 2017.

The Company also repaid €34 million in bridge loans granted on 29 April 2015 by Bpifrance Participations, CEA Investment and Shin-Etsu Handotaï.

The change in the "other debt" line item came from reclassifying the moratorium granted by URSSAF (in tax and social debt as of 31 March 2016).

9.2.4. Formation of the Company's operating profit

In the fiscal year ended 31 March 2017

The Company's revenue amounted to €238.2 million, compared to €220.3 million the previous fiscal year. Factoring in product inventories, total operating income amounted to €275.9 million, compared to €268.3 million the previous year, i.e., a 2.8% increase. Operating costs for the fiscal year amounted to €269 million compared to €286 million the previous fiscal year, and operating profit was €6.9 million, compared to a loss of €17.7 million the previous fiscal year.

The financial statements for the year revealed €20,348,131.75 in profit, compared to a loss of €64,296,325.89 the previous fiscal year.

The annual financial statements for the fiscal year ended 31 March 2017, have been prepared in accordance with the presentation rules and assessment methods stipulated by current regulations. The presentation rules and assessment methods used are the same as those for the previous fiscal year.

For further information on the Company's financial position, please refer to the management reports prepared by the Company's Board of Directors for the previous fiscal years, particularly page 37 of the Annual Report for the fiscal year ending 31 March 2016, and filed on 4 July 2016, in the form of a Reference Document to the AMF under number D.16-0665 and page 42 of the Annual Report for the fiscal year ending 31 March 2015, submitted in the form of a Reference Document to the AMF filed under number D.15-0587.

9.2.5. Proposal for allocating income for fiscal year 2016-2017

The Board of Directors will be submitting a proposal to the General Shareholders' Meeting on 26 July 2017 to carry forward all income for the year ended on 31 March 2017 amounting to €20,348,131.75 thereby allowing for a partial elimination of losses from prior years.

The amount of this item will accordingly be reduced from (€885,450,402.61) to (€865,102,270.86).

9.2.6. Non-deductible expenses

In accordance with the provisions of Article 223 quater of the General Tax Code, we bring to your attention that the accounts for the year just ended include the sum of €111,385.50 corresponding to non-deductible expenses.

10 CASH FLOW AND CAPITAL RESOURCES

10.1. Group's short- and medium-term capital

Information on shareholders' equity is provided in paragraphs 20.3.1.1. (table showing the change in consolidated shareholders' equity) and 20.3.1.2. (Notes to the consolidated financial statements at 31 March 2017), in note 3.13. relating to issued capital and reserves, of this Reference Document.

10.2. Source and amount of Group cash flow

The Group generated €60 million in cash flow in the 2016-2017 fiscal year, compared to cash generation of €26 million in the previous fiscal year, and available cash at the end of the fiscal year as at 31 March 2017, amounted to €109 million.

Cash flow resulting from the operating activities was positive in the amount of €31.6 million in fiscal year 2016-2017. It was comprised of positive cash flow of €39.3 million for the continuing operations and negative cash flow of -€7.7 million from discontinued operations.

Cash flow from investment transactions was negative and amounted to -€2.4 million in fiscal year 2016-2017, compared to positive cash flow of €26.9 million in the previous fiscal year. Continuing operations consumed €5.8 million in 2016-2017 compared to €7.3 million in 2015-2016, with these figures reflecting strict control of investment expenses. As regards discontinued operations, the Group generated proceeds of €3.4 million from the disposal of a solar farm in Portugal and repayments of loans from partners in South Africa, less a financial charge for action taken to reduce the risk of guarantees due in the Solar Energy segment in South Africa, compared to €34.2 million for the previous year concerning the sale of a San Diego industrial building for €26.7 million, solar power plants and disposal of production equipment of the San Diego and Freiburg sites.

Cash flow from financing operations was positive in the 2016-2017 fiscal year in an amount of +€32.4 million. Continuing operations generated +€32.6 million: this amount is broken down primarily between €144 million net of costs raised through capital increases, -€114 million in loan repayments (redemption of 59% of OCEANE bonds and repayment of partner loans mainly), as well as the raising of €9 million for prefinancing on the research tax credit.

10.3. Group's borrowing terms and financing structure

Shareholders' equity was restored and amounted to €149.1 million at 31 March 2017, compared to -€7.8 million as at 31 March 2016. The change was mainly attributed to the capital increases that brought in €144.5 million and positive earnings for 2016-2017 amounting to €8.4 million.

Financial debt fell from €219 million at 31 March 2016, to €120.9 million as at 31 March 2017, primarily through the redemption of a portion of outstanding convertible bonds and the repayment of partner loans. Net debt declined during the year, from €169.9 million as of 31 March 2016, to €11.6 million as of 31 March 2017.

Further information on the financing of the Company and the Group is provided in note 3.15. of the appendix to the consolidated financial statements.

10.4. Restrictions on the use of capital

Not applicable.

10.5. Information on expected sources of financing

With the funds raised in 2016-2017, the Company has gained the means to finance industrial Capex programs for FD-SOI operations on the Bernin II site in the amount of around €40 million.

RESEARCH AND DEVELOPMENT, **PATENTS AND LICENSES**

11

11.1. Soitec Group's research and development policy

11.1.1. Soitec's culture is innovation

As a growing company, Soitec's innovation operations are based on two key focus areas: developing product solutions to address market needs and overlapping significant portions of the R&D and product definition phases, which enable the Company to step up competitiveness and give the Company a very strategic and one-of-a-kind positioning for its technological solutions.

Developing substrate technologies and engineering reaps unique and competitive advantages for the applications for which the substrates are intended. Their industrialization results in innovative materials that create a decisive and competitive leap in functionality for partner customers in the markets for which they are intended.

Soitec is the world leader in manufacturing innovative substrates for the Microelectronics sector, including the SOI in its various forms, using film transfer and high-quality material stacking technologies.

The Company dedicates a significant portion of its revenue to generating groundbreaking manufacturing processes to perfect or develop products that create vital market advantages.

Through its R&D process, Soitec aims to develop high value-added substrates that increase performance while improving the energy efficiency of electronic circuits.

This innovation strategy aligns with two classic industry focus areas: continuity of Moore's law for microelectronic circuits (More Moore) and adding new functions (More than Moore) including heterogeneous materials integration (i.e., silicon, III-V composite products, piezoelectric materials, insulators, etc.).

More Moore

To meet the challenges of continuing to miniaturize the mechanisms for technological nodes below 28 nm, Soitec is developing FD-SOI products with uniform thicknesses for ultra-fine active monocrystalline silicon layers (10 nm), and ultra-fine oxides (10 nm). This combination is the basis for manufacturing high-speed transistors that simultaneously use ultra-low leakage currents. As a result, FD-SOI substrates make it possible to manufacture adapted integrated circuits for low-voltage operation with very low power consumption while maintaining strong performance. This represents key advantages for mobile markets: to benefit from rapid systems while guaranteeing long battery life.

Since miniaturization is becoming increasingly difficult and thus very costly, the microelectronics industry is building on vertical integration, meaning integrating functionalities by stacking fine thicknesses to create three-dimensional circuit architecture.

Our thin film transfer technologies are perfectly adapted to 3D integration, so this is a significant focus area for our R&D, which will address industry needs over the medium and long term.

More than Moore

More than Moore applications have become vital for the industry in various sectors, such as smartphones and connected objects. As a result, this is a market segment that needs a lot of innovation and where Soitec's R&D is very active.

To increase circuit functionality and manage their increasing complexity, Soitec is developing functional SOI type substrates for Analog/RF, image capture/MEMS and Power/Automotive applications.

Performance needs change quickly, punctuated by each generation of products, which is why Soitec is developing new-generation SOI products.

The Company also takes advantage of synergies between its core layer transfer technologies such as Smart Cut™, Smart Stacking™ and its expertise in epitaxy to create new structures using composite semiconductor materials with gallium nitride (GaN), InP and $LiTaO_3$ piezoelectric products.

11.1.2. Research as close as possible to industrial sites

Soitec conducts R&D projects in partnership with benchmark institutions in Europe, in the United States and in China to increase the impact of R&D, to speed up product transformation and to position itself in markets that are still being defined.

Soitec also relies on the technological and industrial environment of the Grenoble region, a major European microelectronics center, which brings together numerous players in research, higher education and industry.

Soitec also has developed numerous R&D partnerships with its industrial customers and also participates in professional initiatives and groupings (competitiveness centers, SOI Industry Consortium).

Soitec benefits from collaboration and this mutual enhancement to offer technological breakthrough products offering new outlooks for its customers.

11.1.3. A worldwide patent portfolio

To support and protect its innovation policy worldwide, Soitec submits more than 200 patent applications each year and regularly forms part of the top 50 French applicants, alongside very large industrial groups.

Its exclusive Smart Cut™ technology is consequently covered by several hundreds of patents. These patents correspond to successive improvements made by Soitec to extend this technology to new products, improve certain stages or optimize costs.

Soitec also files numerous patents each year on advanced and innovative substrates.

The Company's portfolio has a total of almost 3,500 patents in effect with an average age not exceeding more than five years. The Company's patent portfolio which is owned by the Company is supplemented by patents licensed from its research partners.

These additional patents reinforce the protection covering Soitec's key technologies: Smart Cut™, Smart Stacking™. This proactive industrial property activity is intended to protect the unique nature of Soitec's key technologies, which the Company can make available to its licensees within the framework of technology transfers.

11.2. Accounting of research and development costs

R&D costs are recorded when they occur if the criteria required under IAS 38 enabling their recording in the balance sheet are not verified.

Research and development costs essentially comprised the following:

- salaries and payroll taxes, including share-based payments;
- operating costs of clean room equipment and equipment required for research and development;
- material consumed for the finalizing and manufacture of prototypes;
- subcontracting to public research centers or private laboratories, cooperation agreements;
- costs relating to maintaining and strengthening the Group's intellectual property rights.

Provided the agreements are signed and the administrative authorizations obtained, the amounts received in subsidy contracts are deducted from gross R&D costs to reach a net amount recorded in the income statement.

Part of the subsidies used to finance R&D activities may be granted in the form of redeemable advances. In accordance with IAS 38 and IAS 20 standards, if the Group believes that the technical and commercial probability of success of a project has become too low, the related development costs are not capitalized but rather they are recorded directly against income, and the corresponding repayable advances are recorded as a deduction from these expenses, regardless of the notifications by the financial institutions which can only take action once milestones are reached, thus putting an end to the program or triggering the repayment of advances.

Depending on changes to the probability of the technical or commercial success of a project, the Group may be prompted to record a financial liability regarding the sales prospects to be generated by the new products developed under the subsidy programs. As a result, a proportion of the reimbursable advances received for the Nanosmart subsidy programs were recognized as income based on reimbursement assumptions deriving from the business plan.

A significant upward revision of the long-term sales forecasts of FD-SOI and SOI for radio frequency applications could result in the reclassification as debt of a portion of the subsidies recognized as income. The theoretical maximum amount that could be reclassified is €11 million, and the probability of reaching such a level is extremely low. Conversely, if sales forecasts are revised downward, the maximum amount of advances posted as liabilities in the balance sheet which could be reclassified as income is €12 million.

Soitec S.A. receives research tax credits (CIR). This credit is presented as a deduction from research and development costs, in accordance with IAS 20. Research tax credits recorded in the financial statements for fiscal year 2016-2017 totaled €13.9 million.

Net R&D expenditures rose to €18.7 million (7.6% of revenue), compared to €16.7 million (7.1% of revenue) the previous year. This change essentially reflects a rapid boost in R&D expenses for 300 mm FD-SOI and RF-SOI products and development costs for small-sized products.

INFORMATION **ON TRENDS**

12

12.1. Main trends that have impacted operations during fiscal year 2016-2017

As a result of the PD-SOI technology coming to the end of its lifecycle for the 32 nm technological node, the demand for 300 mm wafers remained low during fiscal year 2016-2017, although some other 300 mm products began to come to the fore (FD-SOI, RF-300 mm and new Emerging SOI products). Conversely, demand for 200 mm wafers for radio frequency and power applications remained stable and the Bernin I production line operated at full capacity.

In October 2016, Simgui, Soitec's industrial partner based in Shanghai, successfully finalized the first customer qualifications for its 200 mm SOI wafers. The first "made in Simgui" wafers were sold during the fiscal year. This milestone shows that the technology transfer is complete and that Soitec will be able to serve the expanding markets for radio frequency (RF) and power electronics applications.

Operational performance (cost management, yield improvements, optimization of 200 mm product volumes, material cost management, strict investment controls) resulted in improved operational profitability, despite a low utilization rate for the production capacity for 300 mm wafers (19% on average across the whole fiscal year).

The Company has concentrated its efforts on the research and development of innovative semiconductor materials capable of meeting the future needs of consumer electronics markets in terms of performance, low energy consumption, reliability, and optimized costs, whether for automotive or industrial applications, for the Internet of Things or mobile connected objects, for smartphones or data centers.

12.2. Existence of any known trends, uncertainty or request, or any commitment or event that may reasonably be expected to influence the Company's outlook

Demand remains robust for RF-SOI products driven by the growing adoption of the LTE Advanced standard in the new generation of smartphones. The Group expects that the front-end module content in smartphones including Antenna Switches, Tuners and new type of devices such as LNAs (low noise amplifiers), will continue to grow demand for RF-SOI in the coming years as RF-SOI technology today is already a standard for these products.

Volumes for Power-SOI keep on experiencing steady growth driven by automotive and "white goods" applications.

Consequently, the Bernin I 200 mm wafer production site is expected to continue to run at full capacity during fiscal year 2017-2018.

Industrial production by Soitec's industrial partner in Shanghai is expected to increase during fiscal year 2017-2018 and enable the Group to meet its customers' demands.

At the same time, the FD-SOI ecosystem continues to strengthen: further progress in the adoption of FD-SOI by the semi-conductor industry was achieved in the past few months.

The Soitec customer foundries concerned by FD-SOI have confirmed their engagement with this new technology through new factory construction plans (see announcement by GlobalFoundries of a new plant in Chengdu, China) and with new features such as embedded memory and new technology nodes to further expand their offer with new FD-SOI platforms (see 12FDX by GlobalFoundries and 18nmFDS by Samsung). The list of end products benefitting from FD-SOI technology is expanding from the first consumer products: Sony's GPS embedded in Huami Amazfit Smartwatch and Casio Pro Trek Smartwatch, Mobileye's EyeQ4 and DreamChip solutions for automotive driver assistance, NXP's i.MX series (7ULP, 8) for consumer applications (like Amazon Alexa) are among the main examples of FD-SOI adoptions. FD-SOI based products will be increasingly present in our daily electronics with a growth that will gain momentum with further FD-SOI opportunities coming from IOT and Mobile 5G transceivers.

In addition, multiple foundries and their fabless customers are engaged in the development of products based on 300 mm wafers for RF-SOI, and a volume ramp up of these wafers is expected in fiscal year 2017-2018.

Finally, the Group is confident of its capacity to build on the recent success of its Photonics-SOI and Imager-SOI products.

With regard to fiscal year 2017-2018, sales are expected to grow by approximately 25% at a constant exchange rate and the Electronics EBITDA margin (EBITDA/Sales) is expected to achieve at least 20%. Operating profitability is expected to further benefit from the high manufacturing margin of the Bernin I production site which is expected to continue operating at full capacity. However, the strong increase expected in the Electronics EBITDA margin for fiscal year 2017-2018 will primarily come from the strong operating leverage that should be seen in the Bernin II production site, as result of a higher utilization rate of the plant's capacities.

In addition, for fiscal year 2017-2018 as well as in the longer term, the Group expects to profit from promising opportunities related to the adoption of FD-SOI by the semiconductor industry. The Group has made the decision to go ahead with the €40 million investment in its 300 mm Bernin II plant, aimed at progressively increasing its FD-SOI wafer production capacity from 100,000 to 400,000 wafers per year, while the full capacity of Bernin II will remain at 650,000 wafers per year. These capex will be spread between fiscal years 2017-2018 and 2018-2019.

In order to address long-term demand for FD-SOI wafers, Soitec intends to reopen its 300 mm wafer facility in Singapore. Net cost related to the restarting of the plant would amount to approximately €20 million, to be spread over a period of 24 months once the decision to reopen the Singapore site is made. The total contemplated investment would reach approximately $270 million to bring the production capacity up to 800,000 wafers (300 mm) per year, including a qualification line worth $40 million of which investment will be spent over a period of 24 months following the decision to reopen the Singapore facility. Customer commitments would trigger the gradual roll out of the capex plan. All financing options are currently being considered, with the final choice likely to be determined by the timing of the investment.

However, these trends and objectives remain subject to different risk factors to which the Group is exposed, and which are described in Chapter 4 of the Reference Document 2015-2016 and Chapter 4 of this Reference Document.

PROFIT FORECASTS OR ESTIMATES

13

13.1. Forecast assumptions

Not applicable.

13.2. Statutory auditors' report on the forecasts included in the Reference Document for the financial year ending 31 March 2017

Not applicable.

13.3. Long-term objectives

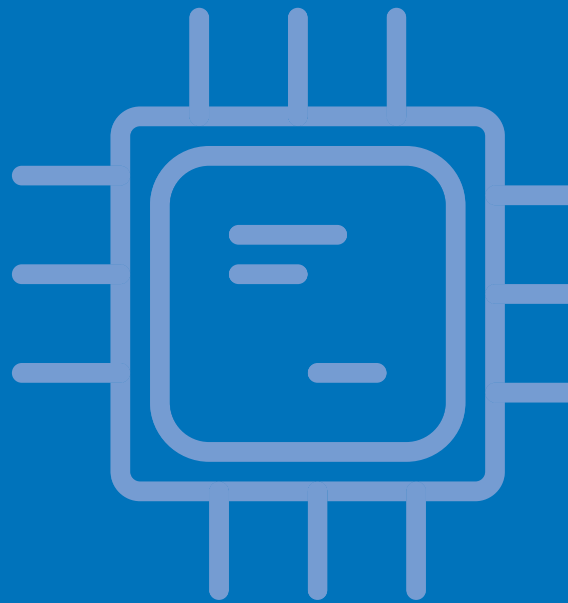
The Group no longer mentions in its reporting any operating margin objective in the long-term.

13.4. Profit forecast in a pending prospectus

Not applicable.

ADMINISTRATIVE AND MANAGEMENT BODIES AND EXECUTIVE MANAGEMENT

14



14.1. Information and details about administrative and management bodies and executive management

14.1.1. Board of Directors

Soitec is a French joint-stock corporation *(société anonyme)* with a single-tier structure with a Board of Directors.

At its meeting held on 1 July 2005, the Board of Directors adopted a set of internal regulations (the **"Internal Regulations"**) that notably sets out rules governing its composition, its tasks, its operation and its responsibilities, and also organizes relations between directors and the Company. It constitutes an operational framework and is regularly updated to account for changes in legal and regulatory provisions, as well as good practices in the area of corporate governance.

The Internal Regulations have undergone several modifications, the latest of which dates from 30 March 2017.

The Board of Directors draws on the work of 4 committees that it set up: the Audit and Risks Committee, the Compensation and Appointments Committee, the Strategic Committee and the Restricted Strategic Matters Committee.

Their composition, roles and tasks are detailed in the Internal Regulations.

This information, as well as a description of the respective activities of the 4 committees during the fiscal year ended on 31 March 2017, are shown below in this Reference Document in Chapter 16.3.

> 14.1.1.1. Changes in the composition of the Board of Directors since the beginning of the 2016-2017 fiscal year

At 1 April 2016, the Board of Directors was made up of seven directors and one observer.

Following the Shareholders' General Meeting held on 11 April 2016 (on first notice) and on 29 April 2016 (on second notice), and the capital increases carried out on 2 May 2016, that were reserved for Bpifrance Participations, CEA Investissement and NSIG Sunrise S.à.r.l., the number of members of the Board of Directors increased from 7 to 13.

This complies with Article L. 225-17 of the French Commercial Code, which states that *"Joint-stock corporations are administered by a Board of Directors made up of at least 3 members. The bylaws set the maximum number of Board members, which may not exceed 18"*.

Mr Sébastien Blot, Investment Director at Bpifrance Participations, appointed as an observer (non-voting member) of the Board of Directors at the Shareholders' General Meeting held on 20 January 2012, whose term was renewed for a period of 2 years at the Shareholders' General Meeting on 28 May 2014, participated in the work of the Board of Directors in an advisory capacity during part of the 2016-2017 fiscal year. He received no compensation for these duties. His term expired at the end of the Shareholders' General Meeting on 25 July 2016, and was not renewed.

Thus, at 31 March 2017, and still at the present date:

- the Board of Directors is made up of 13 directors;
- Mr Paul Boudre is the only director who is a member of the General Management;
- the Board of Directors does not have an observer;
- the Board of Directors does not have a director appointed by the employees, nor does it have a director who represents employees that are shareholders. Nevertheless, representatives of the Works Council attend all the meetings of the Board of Directors in an advisory capacity, in accordance with Article L. 2323-63 of the French Labor Code.

It is specified that there is no family tie between any of the 13 directors.

The current number of 13 directors is the result of a shareholders' agreement signed on 7 March 2016, between Bpifrance Participations, CEA Investissement, National Silicon Industry Group/NSIG Sunrise S.à.r.l. (hereinafter collectively referred to as the **"Investors"**) and the Company (hereafter referred to as the **"Shareholders' Agreement"**).

More specifically, the Shareholders' Agreement states that immediately after the capital increases reserved for the aforementioned entities is carried out, the Board of Directors of the Company must be comprised of 13 members, including:

- 2 directors proposed by Bpifrance (at the time, Mr Joël Karecki and Bpifrance Participations, represented by Mr Thierry Sommelet; presently, Bpifrance Participations, represented by Ms Sophie Paquin, and Bpifrance Investissement, represented by Mr Thierry Sommelet);
- 2 directors proposed by CEA Investissement (in this instance, Mr Christophe Gégout and CEA Investissement, represented by Ms Guillemette Picard);
- 2 directors proposed by NSIG (in this instance, Mr Weidong Ren and Mr Xi Wang);
- the Chief Executive Officer of the Company (in this instance, Mr Paul Boudre);
- 1 director proposed by Shin-Etsu Handotaï (in this instance, Mr Satoshi Onishi);
- 1 director having no link either with Bpifrance, CEA Investissement or NSIG (in this instance, Mr Douglas Dunn);
- 4 independent directors (including Mr Joseph Martin, and presently, Ms Monica Beltrametti, Ms Laurence Delpy and Ms Nadine Foulon-Belkacémi).

The appointment of the directors proposed by the Investors (in this instance, Mr Christophe Gégout, proposed by CEA Investissement, and Mr Weidong Ren and Mr Xi Wang, proposed by NSUG Sunrise S.à.r.l.) occurred during the Ordinary and Extraordinary Shareholders' General Meeting held on 11 April 2016. This appointment, which was subject to the definitive completion of the share capital increases reserved for the 3 Investors, became effective on 2 May 2016, when the said share capital increases occurred.

The appointment of the 3 independent directors (namely, Ms Monica Beltrametti, Ms Laurence Delpy and Ms Nadine Foulon-Belkacémi) occurred during the Ordinary and Extraordinary Shareholders' General Meeting held on 11 April 2016 and became effective on that date.

Until the Shareholders' General Meeting that will be called to approve the financial statements of the fiscal year ending on 31 March 2021, the Company has undertaken, in the Shareholders' Agreement, to propose the required resolutions to its shareholders' vote in order to ensure that each of its three Investors has, until the term of the Shareholders' Agreement:

- 2 representatives on the Board of Directors, provided that its stake is equal to or greater than 10% of the share capital of the Company; or
- 1 representative on the Board of Directors provided that its stake is between 5% and 10% of the share capital of the Company.

For this purpose, the Investors have undertaken to each cast a positive vote on such resolutions.

It is specified that Bpifrance, CEA Investissement and NSIG, for their individual parts, have further agreed that directors identified as being affiliated with them resign from their post as director and Committee member, if applicable, if the stake of their company should fall below the level of 10% of share capital of the Company, and that the second director identified as being affiliated with them resign from their post as director and Committee member, if applicable, if the stake of their company should fall below the level of 5% of the share capital of the Company.

The following table summarizes the change in composition of the Board of Directors throughout the 2016-2017 fiscal year to now:

Name Or Company name	Attendance at 01/04/2016	Attendance at 03/31/2017 and to date	Changes in directors during the 2016-2017 fiscal year		
			Renewal of directorship	First appointment as a director	End of directorship
Paul Boudre	✓	✓	07/25/2016	-	-
Monica Beltrametti	✗	✓	-	04/11/2016	-
Bpifrance Investissement	✗	✓ (represented by Thierry Sommelet)	-	07/25/2016	-
Bpifrance Participations	✓ (represented by Thierry Sommelet)	✓ (represented by Sophie Paquin)	07/25/2016	-	-
CEA Investissement	✓ (represented by Christophe Gégout)	✓ (represented by Guillemette Picard)	07/25/2016	-	-
Laurence Delpy	✗	✓	-	04/11/2016	-
Douglas Dunn	✓	✓	-	-	-
Nadine Foulon-Belkacémi	✗	✓	-	04/11/2016	-
Christophe Gégout	✗	✓	-	04/11/2016*	-
Joël Karecki	✓	✗	-	-	07/25/2016
Joseph Martin	✓	✓	-	-	-
Satoshi Onishi	✓	✓	-	-	-
Weidong Ren	✗	✓	-	04/11/2016*	-
Xi Wang	✗	✓	-	04/11/2016*	-
Sébastien Blot (observer)	✓	✗	-	-	07/25/2016
TOTAL	**7 DIRECTORS 1 OBSERVER**	**13 DIRECTORS**	**3**	**7**	**2**

* *Appointment during the Ordinary and Extraordinary Shareholders' General Meeting of 11 April 2016, passed subject to the definitive completion of the capital increases reserved for Bpifrance Participations, CEA Investissement and National Silicon Industry (NSIG). The starting date of the mandate corresponds to the date on which these reserved capital increases were definitively completed, i.e. 2 May 2016.*

> *14.1.1.2. Length of directors' terms in the Company*

Since the Shareholders' General Meeting of 25 July 2016, the length of directors' terms has been reduced by 1 year, from 4 to 3 years. The terms ongoing at that date were reduced by 1 year.

Directors appointed beginning from that date are appointed for a period of 3 years expiring at the end of the Shareholders' General Meeting called to approve the financial statements of the past fiscal year and held in the year in which the term of directors expires. These directors' terms are always eligible for renewal.

The table below shows the start and expiration dates of the terms of office of members of the Board of Directors currently in office, as well as the number of years they have been members of the Board of Directors and the combined number of terms since their initial appointment:

Name or Company name	Date of first appointment	Date of start of current term	Date current term expires	Number of years as members	Number of terms
Paul Boudre	07/03/2012	07/25/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	5	2
Monica Beltrametti	04/11/2016	04/11/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	1	1
Bpifrance Investissement, represented by Thierry Sommelet	07/25/2016	07/25/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	1	1
Bpifrance Participations, represented by Sophie Paquin	07/02/2013	07/25/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	4	2
CEA Investissement, represented by Guillemette Picard	04/20/2015*	07/25/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	2	2
Laurence Delpy	04/11/2016	04/11/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	1	1
Douglas Dunn	07/09/2004	05/28/2014	Shareholders' General Meeting called to approve the financial statements for the fiscal year ended on 03/31/2017	13	3
Nadine Foulon-Belkacémi	04/11/2016	04/11/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	1	1
Christophe Gégout	04/11/2016 **	05/02/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	1	1
Joseph Martin	07/09/2004	05/28/2014	Shareholders' General Meeting called to approve the financial statements for the fiscal year ended on 03/31/2017	13	3
Satoshi Onishi	07/10/2015	07/10/2015	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2018	1	1
Weidong Ren	04/11/2016**	02/05/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	1	1
Xi Wang	04/11/2016**	05/02/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	1	1

* *Appointment by co-optation by the Board of Directors on 20 April 2015, for the period remaining in the term of Mr Christian Lucas, who resigned, ratified by the shareholders at the Shareholders' General Meeting on 10 July 2015.*

** *Appointment during the Ordinary and Extraordinary Shareholders' General Meeting of 11 April 2016, passed subject to the definitive completion of the capital increases reserved for Bpifrance Participations, CEA Investissement and National Silicon Industry (NSIG). The starting date of the mandate corresponds to the date on which these reserved capital increases were definitively completed, i.e. 2 May 2016.*

14.1.1.3. Duties and functions of the directors

The Company applies the provisions of Article L. 225-21 of the French Commercial Code relating to the number of directorships held. It also complies with the recommendation appearing in paragraph 18 of the AFEP-MEDEF Code, which requires that *"All directors should give their duties the necessary time and attention. An executive officer should not hold more than two other directorships in listed corporations, including foreign corporations, not affiliated with his or her group. He or she must also seek the opinion of the Board before accepting a new directorship in a listed corporation. If the corporation has a separate Chairman, the Board may draw up specific recommendations on this issue, taking into account the individual's particular situation and the specific missions conferred to him/her".*

As of 31 March 2017, and still to date, no member of the Board of Directors holds more than 4 directorships in publicly listed companies.

The table below shows the various positions held by directors in and outside the Company.

First and last name of director	Age	Directorships and positions held in the Company	Principal activities carried on outside the Company within the Group	Directorships and positions held outside the Group over the past 5 years
Director holding a General Management position:				
Paul Boudre	58	Chairman & CEO	• Director of Soitec Japan Inc. • Director of Soitec Microelectronics Singapore Pte. Ltd.	• Permanent representative of Soitec, director at Exagan • Director of Fogale Nanotech • Member of SEMI's European Advisory Board

First and last name of director	Age	Directorships and positions held in the Company	Principal activities carried on outside the Company within the Group	Directorships and positions held outside the Group over the past 5 years
Directors not holding a General Management position:				
Monica Beltrametti	62	Director	None	• Director of Research at Xerox • Vice President of Xerox Innovation • Director of Atlantis
Laurence Delpy	45	Director	None	• Director of mobile networks at Nokia for the Asia-Pacific region and Japan
Douglas Dunn	73	Director	None	• Non-executive and independent director of Global Foundries Inc. • Vice Chairman of the Supervisory Board of BE Semiconductor Industries NV* • Member of the Supervisory Board of: – TomTom NV* – STMicroelectronics* (2001-2012) • Chairman of ARM Holdings Plc (1998-2012)
Nadine Foulon-Belkacémi	52	Director	None	• Director of Orange Northern France
Christophe Gégout	41	Director	None	• Chairman of CEA Investissement's Board of Directors • Deputy Managing Director of CEA • Member of NEOEN's Supervisory Board • Permanent representative of: – CEA Investissement, non-voting Board member on the Board of Directors at AREVA* – CEA, director at FT1CI – CEA, Member of AREVA's Supervisory Board* (2009-2014) • Director of: – AREVA NC (2011-2016) – AREVA Mines (2013-2016)
Joseph Martin	69	Director	None	• Chairman of the Board of Directors of Brooks Automation Inc.* • Director of: – Collectors Universe Inc.* – Embry-Riddle Aeronautical University – SynQor, Inc. (until 2014)
Satoshi Onishi	54	Director	None	• Chairman & CEO of Shin-Etsu Handotaï Europe Ltd.
Sophie Paquin	39	Permanent representative of Bpifrance Participations, director	None	• General Counsel of Bpifrance Investissement • Permanent representative of Bpifrance Participations, Chairman of the Board and director of Altia Industry • Permanent representative of Bpifrance Participations, director of Vexim* (until 2016)

* *Means listed company.*

First and last name of director	Age	Directorships and positions held in the Company	Principal activities carried on outside the Company within the Group	Directorships and positions held outside the Group over the past 5 years
Guillemette Picard	41	Permanent representative of CEA Investissement, director	None	• Director of Big Data and Artificial Intelligence at Allianz
Weidong Ren	46	Director	None	• CEO of National Silicon Industry Group • Co-manager (member of the Management Board) of NSIG Sunrise S.à.r.l. • CEO of China Fortune-Tech Capital Co., Ltd (until 2015) • Mergers and Acquisitions Director and member of the Investment Decisions Committee at Heaven-Sent Capital Co., Ltd. (2011-2013)
Thierry Sommelet	47	Permanent representative of Bpifrance Investissement, director	None	• Director, member of Bpifrance Investissement's Mid & *Large Cap Management* Committee • Chairman of the Supervisory Board of Greenbureau • Director of: – Talend* – Tyrol Acquisition 1 S.C.A. • Member of the Supervisory Board of: • Sipartech (until 2016) – Permanent representative of: – Bpifrance Investissement, member of the Supervisory Board of Mersen*, – Bpifrance Participations, director at Technicolor (since January 2017), – Bpifrance Participations, member of the Supervisory Board of Inside Secure* (until 2016)
Xi Wang	50	Director	None	• CEO of the Shanghai Institute of Microsystems and Information Technologies (since 2010) • Chairman of Shanghai Simgui Technology Co. Ltd. (since 2004) • Chairman of National Silicon Industry Group (since December 2015)

* *Means listed company.*

14.1.1.4. *Directors' expertise and management experience*

The criteria for selecting the members of the Board of Directors include their expertise and management experience. In addition, some directors have international expertise and experience in the semiconductor sector.

The table shown in paragraph 14.1.1.3 above presenting each director's professional activity illustrates the directors' expertise and experience; the majority of them hold or have held senior executive positions in top companies, most of which are listed companies.

The following biographies provide additional information on the directors' expertise and experience:

Paul Boudre

A French national, Paul Boudre is a graduate of the *École nationale supérieure de chimie de Toulouse*.

He has top-notch experience in the semiconductor industry, which he gained while working for IBM, Thomson Semiconducteurs and Motorola. Before joining Soitec, Paul Boudre was General Manager France at KLA Tencor, then Chairman and CEO for Europe and the United States.

He joined the Soitec Group on 15 January 2007, as Executive Vice President of Sales, Marketing and Customer Support. After serving as the Soitec Group's Chief Operating Officer since 1 June 2008, Paul Boudre was appointed CEO by the Board of Directors at its meeting held on 16 January 2015. After André-Jacques Auberton-Hervé decided to resign from his position as Chairman of the Board of Directors on 11 September 2015, the Board of Directors decided to appoint Paul Boudre as Chairman of the Board of Directors, thus combining the positions of Chairman and CEO of the Company once again.

Monica Beltrametti

Monica Beltrametti has been Research Director at Xerox since 1993. She has also been Vice President of Xerox Innovation since 2008.

Monica Beltrametti headed the Computing and Network Services at the University of Alberta from 1991 to 1993.

An Italian national, she graduated with a degree in astrophysics from the University of Munich, after earning a master's in physics from the University of Göttingen.

Laurence Delpy

Laurence Delpy has worked at Alcatel-Lucent since 2002.

Since January 2016, she has managed Nokia's mobile network business for the Asia-Pacific region and Japan.

She is French and has lived in China for many years.

Laurence Delpy graduated from the *École supérieure de gestion de Paris*.

Douglas J. Dunn OBE

Douglas Dunn has around 50 years' professional experience in the electronics industry, 43 of which were spent in the semiconductor sector.

In December 2014, he withdrew from his operational role in the Dutch company ASML, a leader in the supply of photolithographic equipment for the semiconductor industry, where he had held the position as Chairman and CEO for 6 years up until then.

Prior to this, he was Chairman and CEO of the Semiconductor and Electronics Retail division of the Philips Group in the Netherlands. He was also a member of the Philips Management Committee.

From 1980 to 1993, Douglas Dunn was CEO of GEC- Plessey Semiconductors, after having held various management positions at Motorola Semiconductors from 1969 to 1980.

A British national born in Yorkshire, UK, in 1944, Douglas Dunn graduated in electrical and electronics engineering from Sheffield College of Advanced Technology.

In 1992, he was awarded an OBE by Queen Elizabeth II for service to the semiconductor industry. In 2004, he was made a Knight of the Order of the Orange-Nassau in the Netherlands for contributions to the Dutch electronics industry.

Nadine Foulon-Belkacémi

Nadine Foulon-Belkacémi has been a director at Orange Northern France since 2013.

During her career, she has held various strategic positions in management, marketing and human resources in the Alcatel and Essilor Groups.

Nadine Foulon-Belkacémi is a French national and graduated from the *Chimie Paris Tech (École nationale supérieure de chimie de Paris)*.

Christophe Gégout

Christophe Gégout is a French national and graduate of the *École Polytechnique, Sciences-Po Paris* and ENSAE (*École nationale de la statistique et de l'administration économique)*.

Between 2001 and 2003, he held senior management positions at the French Treasury, then, between 2003 and 2007, in the Budget Department.

Between April 2009 and December 2015, Christophe Gégout held positions as Finance Director at the French Atomic Energy Commission (CEA), where he became Deputy Managing Director in September 2015. He has also been Chairman of CEA Investissement, a subsidiary of CEA, since January 2010.

Since 2015, Christophe Gégout has been a member of the Supervisory Board at NEOEN (renewable energies) and a permanent representative of CEA Investissement as non-voting member on Areva's Board of Directors.

Joseph R. Martin

Since 2006, Joseph R. Martin has been Chairman of the Board of Directors of Brooks Automation, a global leader in automation systems and instrumentation and vacuum solutions for various markets, listed on NASDAQ. Joseph Martin is also a member of the Board of Directors of Collectors Universe, Inc., a NASDAQ-listed company that provides collectors with services for the valuation and rating of valuable goods and items.

Until his retirement in 2006, Joseph Martin held the position of co-Chairman of the Board of Directors of Fairchild Semiconductors, an NYSE-listed company, for which he was previously Vice Chairman of the Board of Directors. Up until 2001, he was also a member of the Board of Directors of ChipPac, Inc., a NASDAQ-listed company, and until 2014, he was a member of the Board of Directors of SynQor, Inc.

Joseph R Martin also holds a Higher Professional Certificate awarded by the American Institute of Directors. In 2000, CFO Magazine awarded him the title of Finance Director of the Year for restructuring operations.

An American national, Joseph Martin is one of the directors of Embry-Riddle Aeronautics University, from which he graduated in science. He also holds an MBA from the University of Maine.

As a result of the positions held as member of various Boards of Directors of listed companies and the breadth of his professional experience in international groups, Joseph R. Martin contributes to the Board of Directors' work by sharing his experience in strategic and management issues.

Satoshi Onishi

A Japanese national, Satoshi Onishi is the Chairman and CEO of Shin-Etsu Handotaï Europe Ltd., a company based in the United Kingdom.

An economics graduate from the University of Kagawa (Japan) in 1985, he also holds a master's in Industrial Systems Engineering from the University of Florida.

He joined Shin-Etsu Chemical Co. Ltd. in 1985, where he initially worked for the IT division of Shin-Etsu Handotaï Co. Ltd. It was during that time that he designed and developed, as project manager, numerous Shin-Etsu basic systems, applied both at the Company level and the manufacturing processes level.

Sophie Paquin

Sophie Paquin has been General Counsel at Bpifrance Investissement since 1 June 2014. She represents Bpifrance Participations on Altia Industry's Board of Directors.

Sophie Paquin worked at the firm Latham & Watkins for eight years, specializing in mergers and acquisitions and corporate finance for both French and international companies.

She joined the Strategic Investment Fund when it was founded and worked in particular on structuring, negotiating and documenting investment transactions. In 2013, she worked with Bpifrance's Managing Director to help Bpifrance establish the legal and operational aspects of the Company as part of an assignment to set up the public investment bank.

Sophie Paquin is a French national, a lawyer and a graduate of ESSEC.

Guillemette Picard

Guillemette Picard has been Director of Big Data and Artificial Intelligence at Allianz since 2017.

She has 15 years of experience in technological and financial development in various industrial sectors.

From 2013 to 2017, she was Investment Director at ENGIE New Ventures.

Previously, she worked at the European Investment Bank in project financing, including the demonstration of new technologies.

From 2004 to 2011, she worked for Schlumberger (based in the United States and in Europe), where she was in charge of developing sensors and data analysis models. She has filed four patents in this field.

She is French and graduated with an engineering degree from the *École Polytechnique*. She also holds a PhD from ESPCI Paris Tech.

Weidong Ren

A Chinese national, Weidong Ren graduated in IT and communications from the Xi'an Institute of Post & Telecommunications, and obtained an Executive MBA from the University of Beijing in 2004.

Until 2011, he worked for many years at Lucent Technologies, then Alcatel-Lucent, where in his role as Vice Chairman, he contributed to generating revenue of US$1.5 billion, by achieving quarterly revenue and profit objectives for 6 years.

From 2011 to 2013, Weidong Ren held the position as Mergers and Acquisitions Director and was a member of the Investment Decisions Committee at Heaven-Sent Capital Co., Ltd, and, with a partner, acquired 100% of the shares in Steyr Motors GmbH.

In 2013, he co-founded and became the CEO of China Fortune-Tech Capital Co., Ltd, and specializes in private equity/ venture capital and mergers and acquisitions activities in the semiconductor industry (until 2015).

In August 2015, Weidong Ren co-founded National Silicon Industry Group, of which he is the CEO.

Thierry Sommelet

Director, member of the Mid & Large Cap Management Committee of Bpifrance Investissement, and Head of Technology, Media, and Telecom, Thierry Sommelet began his career working in capital markets at Crédit Commercial de France in 1992 in Paris, then in New York. After serving as Manager of the financial engineers' team at Renaissance Software in London, then COO of InfosCE in 2001, he joined the Investments and Digital Participations Department of *Caisse des Dépôts et Consignations* in 2002, which he headed up in 2007.

After joining Fonds Stratégique d'Investissement in 2009, Thierry Sommelet joined the teams at Bpifrance Investissement when it was created in 2013, where he made several investments in French tech companies.

Thierry Sommelet is a French national and graduate of the *École nationale des ponts et chaussées*. He also holds an MBA from INSEAD.

Xi Wang

A Chinese national, Xi Wang graduated from the University of Tshinghua, specializes in material sciences, and has a master's and PhD in material science from the Shanghai Institute of Metallurgy.

Xi Wang is Chairman of Shanghai Simgui Technology Co. Ltd. (since 2004), CEO of the Shanghai Institute of Microsystems and IT Technologies, Chinese Academy of Sciences (since 2010), and Chairman of the National Silicon Industry Group (since December 2015).

14.1.1.5. Directors' shares

Pursuant to Article L. 225-25 of the French Commercial Code, Article 13 of the Company's bylaws does not require the directors to own at least one Soitec share.

In accordance with the recommendation of paragraph 19 of the AFEP-MEDEF Code, the Board of Directors' internal regulations recommend, as an internal measure, that the directors, excluding elected salaried directors, own a significant number of shares in the Company, set at 100 shares, in a registered share account.

On the date hereof, the members of the Board of Directors satisfied this recommendation, as follows:

First and last name of the director	Number of shares owned
Paul Boudre	15,156
Monica Beltrametti	175
Bpifrance Investissement	0
Bpifrance Participations	4,393,795
CEA Investissement	4,393,795
Laurence Delpy	675
Douglas Dunn	0
Nadine Foulon-Belkacémi	0
Christophe Gégout	0
Joseph Martin	100
Satoshi Onishi	100
Weidong Ren	0
Xi Wang	0

14.1.1.6. Business addresses of the administrative and management bodies

All the administrative and management bodies of the Company can be contacted at the Company's headquarters address, at the following details:

Soitec
Parc Technologique des Fontaines
Chemin des Franques
38190 Bernin
France
Phone number: 00 33 4 76 92 75 00

14.1.1.7. Functioning of the Board of Directors

In accordance with Article L. 225-35 of the French Commercial Code, the Board of Directors determines the focuses of the Company's business and ensures their implementation. Subject to the powers officially granted to the Shareholders' General Meetings and those restricted by the Company's corporate purpose, it listens to any issue relating to the proper functioning of the Company and rules on the matters concerning it.

The Board of Directors exercises continuous control over the management of the Company run by the Chairman and Chief Executive Officer, Mr Paul Boudre.

Meetings are held when needed and convened by the Chairman, Mr Paul Boudre.

Prior to each meeting of the Board of Directors, each member of the Board receives documentation relating to the agenda and that is needed to fulfill the Board's tasks.

Members of the Board of Directors are also informed on an ongoing basis of all material transactions relating to the Company.

During the 2016-2017 fiscal year, the Board of Directors met 12 times: on 11, 21 and 29 April 2016, on 3, 4, 12 and 24 May 2016, on 14 June 2016, on 1 and 26 July, 2016, on 6 December 2016, and on 30 March 2017.

The average attendance rate at Board of Directors' meetings was 88%.

The issues on the agenda included:

- the Group's business;
- Company refinancing operations that took place during the 2016-2017 fiscal year (reserved capital increase followed by a capital increase with retention of the shareholders' preferential subscription rights, the profit of which was partially impacted by the repayment of bridge loans maturing in May 2016 and the partial repurchase of OCEANEs maturing in September 2018);
- examination and approval of the statutory and consolidated annual and half-yearly financial statements;
- a review of security interests, endorsements and guarantees granted by the Company during the 2016-2017 fiscal year;
- setting a schedule for future Board of Directors' meetings;
- Chairman & CEO compensation, including calculating the fixed and variable portions of their compensation, as well as the conditions under which the variable part is paid;
- convening the Shareholders' Annual and Extraordinary General Meetings;
- recording capital increases;
- how the Company is managed;
- composition of the various committees;
- implementation of a free preference shares allocation plan in accordance with the resolutions adopted by the Ordinary and Extraordinary Shareholders' General Meeting held on 11 April 2016 (on first notice), and on 29 April 2016 (on second notice);
- implementation of a reverse stock split for the Company, in accordance with the resolution adopted by the Ordinary and Extraordinary Shareholders' General Meeting held on 25 July 2016;
- budget approval for the 2017-2018 fiscal year.

14.1.1.8. Assessment of the Board of Directors

In accordance with the recommendations of paragraphs 6.2 and 9 of AFEP-MEDEF Code, the Board of Directors met on 14 June 2017 in order to carry out a self-assessment of its composition, organization and functioning.

The conclusions of this self-assessment are described in paragraph 2.2.3 of the 2016-2017 report of the Chairman of the Board of Directors as provided for in Article L. 225-37 of the French Commercial Code on corporate governance, internal control procedures and risks management, reproduced in this Reference Document in Chapter 16.5.1.

14.1.1.9. Balanced representation of men and women within the Board of Directors

Reference is made to paragraph 2.2.1.3 of the 2016-2017 report of the Chairman of the Board of Directors as provided for in Article L. 225-37 of the French Commercial Code on corporate governance, internal control procedures and risks management, reproduced in this Reference Document in Chapter 16.5.1.

14.1.1.10. Sanctions applying to directors and officers

To the Company's knowledge, no Company director has been sentenced for fraud during the past 5 years, nor been associated with a bankruptcy, administrative receivership or liquidation during the past 5 years.

Moreover, none of these persons has been charged with or publicly sanctioned for an offense by a legal or regulatory authority or professional organization, and none has been banned by a court from acting as a member of a management, executive or supervisory body, or from being involved in the management or running of an issuer.

14.1.2. Executive Management

The Company's Executive Management is seen to by the Chairman and CEO, Mr Paul Boudre, and his management team forms the Executive Committee.

14.1.2.1. The Executive Committee (or EXCOM)

During the 2015-2016 fiscal year, a new Company governance body, called the Executive Committee (or EXCOM), took over from the former governance body, called the Governing Committee.

The EXCOM has more members than the former Governing Committee: as of the date of this Reference Document, it has 10 members (1 of whom is a corporate officer and the other 9 of whom are Company employees), compared to 5 members on the former Governing Committee (2 of whom were corporate officers and the other 3 of whom were Company employees).

The following 10 people currently make up the EXCOM:

- Paul Boudre, Chairman and CEO;
- Bernard Aspar, Director of the Communications and Power Business Unit;
- Jacques Elie Levy, Group General Counsel;
- Pascal Lobry, Head of Human Resources;
- Christophe Maleville, Director of the Digital Electronics Business Unit;
- Laurent Maumet, Director of Quality and Operational Support Functions;
- Carlos Mazuré, Research & Development Director;
- Cyril Menon, Director of Industrial Operations;
- Rémy Pierre, Chief Financial Officer;
- Thomas Piliszczuk, Director of Marketing, Business Development and Sales.

14.1.2.2. Executive Management powers

Concurrent holding of the offices of Chairman and Chief Executive Officer

Following the decisions of the Board of Directors dated 11 September 2015, the positions of Chairman of the Board of Directors and Chief Executive Officer are held by Mr Paul Boudre, who holds the chairmanship of the Board of Directors and continues to handle the general management of the Company.

In accordance with Article L. 225-56 of the French Commercial Code, as Chairman and CEO, Mr Paul Boudre holds full powers to act in all circumstances on behalf of the Company. He exercises his authority within the limit of the corporate purpose and subject to those that the law expressly bestows on the Shareholders' Meetings and on the Board of Directors.

Limitations on the Chief Executive Officer's powers

Reference is made to paragraph 2.3.2 of the 2016-2017 report of the Chairman of the Board of Directors as provided for in Article L. 225-37 of the French Commercial Code on corporate governance, internal control procedures and risks management, reproduced in this Reference Document in Chapter 16.5.1.

14.2. Administrative and management bodies and executive management conflicts of interests

14.2.1. Independence of the directors

Reference is made to paragraph 2.2.1.4 of the 2016-2017 report of the Chairman of the Board of Directors as provided for in Article L. 225-37 of the French Commercial Code on corporate governance, internal control procedures and risks management, reproduced in this Reference Document in Chapter 16.5.1.

14.2.2. Potential conflicts of interest

Besides the Chairman and CEO, the 12 other Company directors were appointed or selected based on their experience in the semiconductor market or their professional experience in other relevant areas for the Group's development.

The semiconductor market is characterized by a small number of players.

In this way, the Group maintains or is likely to have business relationships with certain industry players, such as ARM Holdings Plc, Global Foundries, Shin-Etsu Handotaï, Shanghai Simgui Technology Co. Ltd. and the French Alternative Energies and Atomic Energy Commission (*Commissariat à l'énergie atomique et aux énergies alternatives*, a.k.a. CEA), within which MM. Douglas Dunn, Satoshi Onishi, Xi Wang and Christophe Gégout hold or have held positions respectively, as disclosed in the table shown above in paragraph 14.1.1.3 of this Reference Document.

The main transactions carried out with these companies, or more generally, with all related parties, during the 2016-2017 fiscal year, are described in paragraph 9.1.4 of this Reference Document.

In addition, in accordance with the recommendation in paragraph 8.4 of the AFEP-MEDF Code, and upon the recommendation of the Compensation and Appointments Committee, the Board of Directors assesses and reviews the circumstances of each director on an annual basis, especially with regard to the independence criteria outlined in paragraph 8 of the AFEP-MEDEF Code.

Conclusions of this review conducted by the Board of Directors during its meeting on 14 June 2017 for the 2016-2017 fiscal year are shown in paragraph 2.2.3 of the 2016-2017 report of the Chairman of the Board of Directors as provided for in Article L. 225-37 of the French Commercial Code on corporate governance, internal control procedures and risks management, reproduced in this Reference Document in Chapter 16.5.1.

Furthermore, in accordance with Article L. 225-40 of the French Commercial Code, all directors are responsible for notifying the Board of Directors as soon as they become aware of any agreement that falls under the purview of Article L. 225-38 of the French Commercial Code (related-party transactions). In such cases, directors must recuse themselves from the Board of Directors' vote to authorize the signing of such an agreement. The Chairman of the Board of Directors informs the statutory auditors on any authorized and concluded agreements and submits them to the Shareholders' Ordinary General Meeting for approval. The statutory auditors present a special report on these agreements to the Shareholders' Ordinary General Meeting, which provides a decision on this report. Directors who are involved may not take part in the vote, and their shares shall not be taken into account to calculate quorum and majority.

The regulated agreements that were pursued during the 2016-2017 fiscal year are described in this statutory auditors' special report on related-party agreements made available on 5 July 2017 on the Company's website and reproduced in Chapter 19 of this Reference Document.

Lastly, in accordance with the provisions of the Board of Directors' Rules of Procedure, directors are responsible for making their best effort to avoid ending up in a situation involving a conflict of their moral or material interests with those of the Group.

Each director is obligated to notify the Board of Directors of any situation involving a direct, indirect or even potential conflict of interest.

In the event of a real or potential conflict of interest, the director (s) involved shall recuse themselves from participating in discussions or any decision within the Board of Directors or its Committees, and shall not have access to documents related to said conflict or potential conflict.

However, recused directors shall have an opportunity to present their position before recusing themselves from the discussions.

14.2.3. Arrangement or agreement according to which an administrative or a management body or a member of the executive management has been selected to hold one of these duties

Reference is made to paragraph 14.1.1.1. of this Reference Document explaining the existence of a shareholders' agreement signed on 7 March 2016 by and between Bpifrance Participations, CEA Investissement, National Silicon Industry Group/NSIG Sunrise S.à.r.l. and the Company, and detailing its provisions relating to the composition of the Company's Board of Directors.

14.2.4. Limitations agreed by the members of administrative and management bodies or of executive management with respect to their stakes in the Company's share capital

14.2.4.1. Standstill provision

According to the shareholders' agreement signed on 7 March 2016 (the "**Shareholders' Agreement**") by and between Bpifrance Participations, CEA Investissement, National Silicon Industry Group/NSIG Sunrise S.à.r.l. (hereinafter collectively the "**Investors**") and the Company, NSIG Sunrise S.à.r.l., shareholder holding 14.995% of the Company's share capital and voting rights, has undertaken not to increase its equity interest in the capital or voting rights of Soitec beyond 14.5%, through the acquisition of existing shares or of OCEANEs 2018, for a period of 3 years from the fulfillment by the Company of the reserved capital increase that occurred on 8 June 2016 (the "**Standstill Period**"), provided no other Company's shareholder, directly or indirectly, alone or in combination, exceeds this threshold.

However, NSIG Sunrise S.à.r.l. remains free to subscribe to any other future capital increase of the Company.

On expiry of the 3-year period, if NSIG exceeds the aforementioned threshold of 14.5% during the following 2 years, NSIG will forfeit its rights in terms of governance (the undertakings of the Company and of the 2 other Investors relating to the appointment of NSIG Sunrise S.à.r.l. representatives on the governance management bodies would become void).

14.2.4.2. Prohibition of transfers to a Company's competitor

During the term of the Shareholders' Agreement, the 3 Investors have undertaken not to transfer, by any way, any share or security issued by the Company (including OCEANEs 2018) to a competitor of the Company.

14.2.4.3. Requirements for ordered transfers

According to the Shareholders' Agreement, at the end of the share lock-up period of a duration of 90 days following delivery and payment of the reserved capital increase that occurred on 8 June 2016, the sale of shares held by each of the 3 Investors will be subject to requirements for ordered transfers

14.2.4.4. Levels of share capital and voting rights

According to the Shareholders' Agreement, during the term of the Standstill Period, each of the 3 Investors has undertaken to maintain its level of Company's voting rights at the same level of its Company's shares in the capital.

14.2.5. Securities transactions by the corporate directors and officers and by the members of the executive management

Pursuant to Article L. 621-18-2 of the French Monetary and Financial Code, and Article 223-22 of the French AMF's General Regulation, corporate officers made the following disclosures:

Discloser	Paul Boudre	Paul Boudre
Position	Chairman and CEO	Chairman and CEO
Issuer	Soitec	Soitec
Description of securities	Preferential subscription rights	Ordinary shares
Number of shares	4*	117,887*
Type of transaction	Acquisition	Subscription
Transaction date	26/05/2016	27/05/2016
Place of transaction	Euronext Paris	Euronext Paris
Unit price	€0.1525	€0.32
Total amount of the transaction	€0.61	€37,723.84

* *Data before reverse-stock split operations that became effective on 8 February 2017.*

15 COMPENSATION AND BENEFITS

15.1. Interests of corporate directors and officers and Executive Committee members

15.1.1. Compensation and benefits of any kind of the Executive Committee (EXCOM) members

Total gross compensation for the nine salaried EXCOM members, including direct and indirect benefits, was €2,690,000 for the year ended on 31 March 2017.

15.1.2. Compensation and benefits of any kind of the corporate directors

15.1.2.1. *Directors' fees paid to corporate directors*

Rules for allocating distributable directors' fees

Directors' fees are allocated exclusively to members of the Board of Directors that have no operational and/or executive duties within the Group's companies.

Since 1 April 2016, further to the Board of Directors' meeting held on 26 July 2016, directors' fees are allocated to directors entitled to receive them according to the following principles:

Excerpt from the minutes of the Board of Directors' meeting held on 26 July 2016:

Directors' fees will be allocated on a fixed, pro rata basis of the actual length of the term of a given director with regard to the compensation period under consideration:

- seat on the Board of Directors, except corporate officers: €20,000;
- seat on a Committee, except for the Restricted Strategic Matters Committee €9,000;
- chairmanship of a Committee, except where a corporate officer chairs the Committee: €10,000.

Actual presence or absence at meetings is not taken into account.

Amount of directors' fees that may be allocated

The Shareholders' General Meeting held on 20 January 2012, has set the cap for directors' fees at €450,000 with effect from 1 April 2011.

It was stated that this decision would be maintained and this same sum would be allocated to the Board of Directors for subsequent years until otherwise decided by the Shareholders' General Meeting.

Despite the increase in the number of directors occurred in 2016-2017 fiscal year (with the Board of Directors increasing from 7 to 13 members), no increase in the amount of directors' fees was put to vote at the Shareholders' General Meeting of 25 July 2016, with the result that the amount of fees for distribution is still €450,000.

Directors' fees paid

In accordance with the above-mentioned rules regarding directors' fees, neither Mr. Sébastien Blot, in his capacity as observer on the Board of Directors up until 25 July 2016, nor Mr Paul Boudre, in his capacity as Chairman & CEO, received any directors' fees for the fiscal year just ended (2016-2017) or for the previous fiscal year (2015-2016).

The total amount of directors' fees paid for the 2016-2017 fiscal year totaled €434,143.

Details of these payments are shown in the table below:

Table 3 of Appendix 3 of the AFEP-MEDEF Code

Table on directors' fees and other compensation received by corporate directors

Corporate directors	Amount paid during the 2015-2016 fiscal year	Amount paid during the 2016-2017 fiscal year
Monica Beltrametti		
Directors' fees	N/A	45,712
Other compensation	N/A	0
Laurence Delpy		
Directors' fees	N/A	45,712
Other compensation	N/A	0
Fabienne Demol		
Directors' fees	5,875	N/A
Other compensation	0	N/A
Douglas Dunn		
Directors' fees	60,628	34,833
Other compensation	0	0
Nadine Foulon-Belkacémi		
Directors' fees	N/A	45,507
Other compensation	N/A	0
Fumisato Hirose		
Directors' fees	13,006	N/A
Other compensation	0	N/A
Christophe Gégout		
Directors' fees	56,216	48,000
Other compensation	0	0
Joël Karecki		
Directors' fees	60,525	10,668
Other compensation	0	0

Corporate directors	Amount paid during the 2015-2016 fiscal year	Amount paid during the 2016-2017 fiscal year
Didier Lamouche		
Directors' fees	508	N/A
Other compensation	0	N/A
Joseph Martin		
Directors' fees	68,528	38,000
Other compensation	0	0
Patrick Murray		
Directors' fees	22,638	N/A
Other compensation	0	N/A
Satoshi Onishi		
Directors' fees	33,673	20,000
Other compensation	0	0
Sophie Paquin (permanent representative of Bpifrance Participations)		
Directors' fees	N/A	19,863
Other compensation	N/A	0
Annick Pascal		
Directors' fees	5,918	N/A
Other compensation	0	N/A
Guillemette Picard (permanent representative of CEA Investissement)		
Directors' fees	N/A	26,537
Other compensation	N/A	0
Weidong Ren		
Directors' fees	N/A	34,773
Other compensation	N/A	0
Thierry Sommelet (permanent representative of Bpifrance Investissement)		
Directors' fees	47,486	38,000
Other compensation	0	0
Xi Wang		
Directors' fees	N/A	26,537
Other compensation	N/A	0
TOTAL	**375,000**	**434,143**

15.1.2.2. *Travel costs of directors*

Travel costs incurred by directors in the performance of their duties will be reimbursed by the Company, upon presentation of expenses receipts.

15.1.3. Compensation and benefits of any kind of the corporate officers

15.1.3.1. *Rules applicable to the compensation policy of the corporate officers*

At its meeting of 8 December 2008, the Company's Board of Directors formally adopted the AFEP-MEDEF recommendations published on 6 October 2008, on the compensation of corporate officers of companies whose shares are traded on a regulated market.

Since then, the Board of Directors determines the compensation of corporate officers in accordance with the principles stated in the AFEP-MEDEF Code.

The ratio between the fixed and variable portion of the corporate officers' compensation is determined annually by the Board of Directors, upon the recommendation of the Compensation and Appointments Committee.

Beginning with the 2017-2018 fiscal year, the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of total compensation and benefits of all kinds that may be allocated to corporate officers for the performance of their duties will be submitted to the Shareholders' General Meeting at least each year for approval, in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code.

Furthermore, also beginning in the 2017-2018 fiscal year, in accordance with the provisions of Article L. 225-100 of the French Commercial Code, the Shareholders' General Meeting that will be asked to approve the financial statements of a given ended fiscal year will then rule on the fixed, variable and exceptional components of total compensation paid and/or on the benefits of all kinds that have been allocated or paid to each of the corporate officers for that fiscal year then ended, in separate resolutions. Variable and exceptional compensation allocated to each of the corporate officers for that fiscal year then ended may not be paid until after approval by the Shareholders' General Meeting of the compensation components of each person concerned.

Finally, it is specified that when the corporate officers are members of the Board of Directors, they do not participate in discussions on their compensations and abstain from voting on these topics.

15.1.3.2. *Compensation and benefits of any kind paid to corporate officers for the fiscal year ended on 31 March 2017*

For the 2016-2017 fiscal year, in accordance with the above, Mr Paul Boudre, Chairman & CEO, the only corporate officer, has received, for his duties as CEO, a compensation determined by the Board of Directors based on a proposal by the Compensation and Appointments Committee, made up of the following elements: (i) a fixed annual compensation of €450,000 payable in 12 monthly installments in the course of the fiscal year, (ii) a variable annual compensation based on various targets, to be awarded after the fiscal year-end, (iii) a part of a long-term management incentive plan giving access to the Company's share capital by way of preference shares, with performance conditions.

As in the previous fiscal year (2015-2016), the variable part of the Chairman and CEO's compensation for the 2016-2017 fiscal year could range from 0% to 150% of the fixed part.

Reaching target objectives set by the Board of Directors upon recommendation of the Compensation and Appointments Committee entitled the Chairman & CEO to a variable part corresponding to 100% of the fixed part, being specified that the budgetary commitments corresponded for the first time to 90% of the target financial criteria (over the previous fiscal years, budgetary commitments corresponded to 100% of the target). Exceeding target objectives could be taken into account for up to 150%.

At its meeting on 14 June 2017, in accordance with the recommendation of the Compensation and Appointments Committee at its meeting on 14 June 2017, the Board of Directors set the variable part of the Chairman & CEO's compensation at 121.19% of the fixed part for the 2016-2017 fiscal year.

This number of 121.19% was calculated according to the achievement of all measurable objectives, which were defined by the Board of Directors at its meeting on 26 July 2016, in accordance with the recommendation of the Compensation and Appointments Committee, which met on 3 July 2016, namely:

- financial objectives, representing 65% of all the objectives applicable to the variable part of Mr Paul Boudre's compensation: sales levels, EBITDA level in absolute terms and cash level at 2016-2017 year-end have been measured;
- strategic objectives, representing 30% of all the objectives applicable to the variable part of Mr Paul Boudre's compensation: the achievement during 2016-2017 fiscal year of some contributions identified as primary growth levers for the Company have been measured;
- governance improvement objectives, representing 5% of all the objectives applicable to the variable part of Mr Paul Boudre's compensation.

The amount of compensation paid is calculated on a gross basis.

Moreover, Mr Paul Boudre had benefits in kind amounting to €20,470 during 2016-2017 fiscal year, including a car and a voluntary insurance policy against employment loss, as well as complementary retirement schemes as described in paragraph 15.2 below.

Finally, it is reminded that Mr Paul Boudre has neither received any of the Company's directors' fees, nor any additional compensation or directors' fees from any company under the Company's control.

For sake of clarity, it is specified that Mr Paul Boudre's duties as Chairman of the Board of Directors has not given right to any additional compensation.

> 15.1.3.3. Compensation and benefits of any kind to be paid to corporate officers for the fiscal year ending on 31 March 2018

In accordance with Article L. 225-37-2 of the French Commercial Code, during their Ordinary and Extraordinary General Meeting to be held on 26 July 2017, the Company's shareholders' will be asked to approve the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional parts making up the total compensation and benefits of any kind attributable to Company's corporate officers for the performance of their duties during the current fiscal year ending on 31 March 2018 and constituting their compensation policy.

These principles and criteria adopted by the Board of Directors on 14 June 2017, upon recommendation of the Compensation and Appointments Committee held on 10 June 2017 and on 14 June 2017, are as follows:

- **With respect to Mr Paul Boudre:**
  For his duties as Chief Executive Officer, his compensation would be made up of the following items: (i) a fixed annual compensation of €450,000 (this amount corresponds to the fixed compensation paid to the Company's CEO since 2010), payable in 12 monthly installments during the course of the fiscal year, (ii) a variable annual compensation based on various objectives, to be awarded after fiscal year-end, (iii) a part of a long-term management incentive plan giving access to the Company's share capital by way of preference shares, with performance conditions that has already been allocated to him by the Board of Directors during its meeting held on July 26th, 2016.

  As in the two previous fiscal years (2015-2016 and 2016-2017), the variable part of Mr Paul Boudre's compensation for the 2017-2018 fiscal year could range from 0% to 150% of the fixed part.

  Reaching target objectives set by the Board of Directors upon recommendation of the Compensation and Appointments Committee would entitle to a variable part corresponding to 100% of the fixed part, being specified that the budgetary commitments correspond to 90% of the target financial criteria (as in the previous fiscal year). Exceeding target objectives may be taken into account for up to 150%.

  The variable part of Mr Paul Boudre's compensation would be calculated in accordance with reaching objectives, all measurable:
  - financial objectives, representing 75% of all the objectives applicable to the variable part: sales level, EBITDA level in absolute terms, cash level and selling, general and administrative (SG&A) expenses level would be measured at 2017-2018 year-end;
  - strategic objectives, representing 25% of all the objectives applicable to the variable part: the achievement during 2017-2018 fiscal year of some contributions identified as primary growth levers for the Company would be measured.

  The amount of compensation paid would be calculated on a gross basis.

  Moreover, Mr Paul Boudre would have benefits in kind including a car and a voluntary insurance policy against employment loss, as well as complementary retirement schemes of same nature as those in already existing during the past fiscal year.

  Finally, it is reminded that Mr Paul Boudre would neither receive any of the Company's directors' fees, nor any additional compensation or directors' fees from any company under the Company's control.

  For sake of clarity, it is specified that Mr Paul Boudre's duties as Chairman of the Board of Directors would not give right to any additional compensation.

- **With respect to the Chairperson of the Board of Directors:**
  Firstly, it is reminded that if the Company's shareholders who will meet at an Ordinary and Extraordinary General Meeting on 26 July 2017 cast a positive vote on Victoire de Margerie's appointment as new director of the Company, she would be appointed as Chairperson of the Company's Board of Directors at its very next meeting that should be held on the same day as the Shareholders' General Meeting.

  In such a case, for her duties as Chairperson of the Board of Directors, Ms Victoire de Margerie would receive a €50,000 gross annual compensation made up of directors' fees, calculated on a pro-rate basis depending on the date on which her office will take effect during the fiscal year.

  Moreover, Ms Victoire de Margerie would be eligible to the payment of directors' fees for her participation to the Board of Directors' meetings and, as the case may be, for her potential participation as member and/or Chairperson of the Committees, under the same conditions as the Company's directors other than Mr Paul Boudre.

15.1.3.4. Summary tables

Pursuant to Article L. 225-102-1 of the French Commercial Code and to the recommendations appearing in paragraph 25 of the AFEP-MEDEF Code, gross compensation and benefits of all kinds paid by the Company to each corporate officer in respect of the 2015-2016 and 2016-2017 fiscal years is shown in the tables below:

Table 1 of Appendix 3 of the AFEP-MEDEF Code (in €)

Summary table of compensation and share options allocated to each Company's corporate officer

André-Jacques Auberton-Hervé **Chairman of the Board of Directors** *until 11 September 2015*	**Fiscal year 2015-2016**	**Fiscal year 2016-2017***
Compensation due for the fiscal year (Detailed in table 1.4.2.3.2)	60,632	N/A
Valuation of stock options allocated during the fiscal year	N/A	N/A
Valuation of bonus shares allocated during the fiscal year	N/A	N/A
Valuation of other long-term compensation plans	N/A	N/A
TOTAL	**60,632**	**N/A**

* *Since Mr André-Jacques Auberton-Hervé's term of office as Chairman of the Board of Directors expired on 11 September 2015 (during the 2015-2016 fiscal year), no senior executive company officer compensation was granted to him during the year just ended (2016-2017).*

Table 1 of Appendix 3 of the AFEP-MEDEF Code (in €)

Summary table of compensation and share options allocated to each Company's corporate officer

Paul Boudre **Chief Executive Officer** *until 11 September 2015* **Chairman & CEO** *since 11 September 2015*	**Fiscal year 2015-2016**	**Fiscal year 2016-2017**
Compensation due for the fiscal year (details in table 1.4.2.3.2)	965,345	1,015,825
Valuation of stock options allocated during the fiscal year	N/A	N/A
Valuation of bonus shares allocated during the fiscal year	N/A	2,147,411
Valuation of other long-term compensation plans	N/A	
TOTAL	**965,345**	**3,163,236**

Table 2 of Appendix 3 of the AFEP-MEDEF Code (in €)

Summary table of compensation of each Company's corporate officer

André-Jacques Auberton-Hervé **Chairman of the Board of Directors** *until 11 September 2015*	**2015-16 fiscal year**		**2016-2017 fiscal year***	
	Amount due for the fiscal year	**Amount paid during the fiscal year**	**Amount due for the fiscal year**	**Amount paid during the fiscal year**
Fixed compensation	50,004	50,004	N/A	N/A
Annual variable compensation	-	28,150	N/A	N/A
variable/fixed portion	N/A	56.29%	N/A	N/A
Exceptional compensation	-	-	N/A	N/A
Directors' fees	N/A	N/A	N/A	N/A
Benefits in kind	10,628**	10,628**	N/A	N/A
TOTAL	**60,632**	**88,782**	**N/A**	**N/A**

* *Since Mr André-Jacques Auberton-Hervé's term of office as Chairman of the Board of Directors expired on 11 September 2015 (during the 2015-2016 fiscal year), no senior executive company officer compensation was granted to him during the year just ended (2016-2017).*

** *The amount of these benefits in kind corresponds to the granting of a company car and voluntary insurance policy against employment loss.*

Table 2 of Appendix 3 of the AFEP-MEDEF Code (in €)

Summary table of compensation of each Company's corporate officer

Paul Boudre **Chief Executive Officer** *until 11 September 2015* **Chairman & CEO** *since 11 September 2015*	**2015-2016 fiscal year**		**2016-2017 fiscal year**	
	Amount due for the fiscal year	**Amount paid during the fiscal year**	**Amount due for the fiscal year**	**Amount paid during the fiscal year**
Fixed compensation	450,000	450,000	450,000	450,000
Annual variable compensation	495,000	270,000	545,355	450,000
variable/fixed portion	110%	60%	121.19%	100%
Exceptional compensation	-	-	-	-
Directors' fees	N/A	N/A	N/A	N/A
Benefits in kind	20,345*	20,345*	20,470*	20,470*
TOTAL	**965,345**	**740,345**	**1,015,825**	**920,470**

* *The amount of these benefits in kind corresponds to the granting of a company car and voluntary insurance policy against employment loss.*

Moreover, no additional compensation or directors' fees were awarded to the Company's corporate officers by any company controlled by the Company.

Table 4, listing share subscription or purchase options granted to each Company's corporate officer by the Company and by any Group company during the 2016-2017 fiscal year

No share subscription or purchase options were granted to the Chairman & CEO during the 2016-2017 fiscal year.

Table 5, listing share subscription or purchase options exercised by each Company's corporate officer during the 2016-2017 fiscal year

No share subscription or purchase options were exercised by the Chairman & CEO during the 2016-2017 fiscal year.

Table 6 of Appendix 3 of the AFEP-MEDEF Code

Performance shares allocated during the fiscal year to each Company's corporate officer by the issuer and by any Group company

Name	Plan number and date	Number of conditional rights to preference shares allocated during the fiscal year	Valuation of conditional rights to preference shares (when they are allocated and according to the method used for consolidated financial statements)	Allocation date of the conditional rights to preference share	Preference shares definitive allocation date	Availability date (after conversion of the preference shares into ordinary shares)
Paul Boudre Chairman & CEO	Free preference shares allocation plan dated 7/26/2016	44,947	2,147,411	7/26/2016	7/26/2017	7/26/2019

Performance conditions

Performance conditions applicable to all beneficiaries of this free preference shares allocation plan, including Mr Paul Boudre, are detailed in paragraph 21.1.4.2.4 of this Reference Document.

In summary, they mainly comprise:

- conditions of presence in the Company, and
- reaching objectives based on the following criteria, allowing determination of the ratio for converting preference shares into ordinary shares:
  - 50% depends on achieving objectives based on the Group's average consolidated EBITDA levels (resulting from the Group's consolidated financial statements in accordance with IFRS) for the 2017-2018 and 2018-2019 fiscal years, and
  - 50% depends on meeting objectives based on the weighted average volume of the Company's common share stock market price during the 30 trading days after the Group's consolidated financial statements are published for the 2018-2019 fiscal year.

Table 7, listing performance shares that have become available for Company's corporate officer during the 2016-2017 fiscal year

No performance shares became available for the Chairman & CEO during the 2016-2017 fiscal year.

Table 8 of Appendix 3 of the AFEP-MEDEF Code

History of share subscription or purchase allocations Information on stock options

	Plan No. 1	Plan No. 2	Plan No. 3	Plan No. 4
SGM date	01/07/2005	01/07/2005	-	-
Board of Directors' meeting date	06/07/2006	26/10/2016	-	-
Total number of shares that can be subscribed or purchased by	100,776*	319,861*	-	-
Paul Boudre	***0***	***319,861***	**-**	**-**
Starting point for exercising options	06/07/2010	26/10/2010	-	-
Expiration date	05/07/2016	25/10/2016	-	-
Subscription or purchase price	€16.41	€15.11	-	-
Share price at the moment of the attribution	€23.37	€18.70	-	-
Exercise methods	Stock options	Stock options	-	-
Number of shares subscribed at 31 March 2017	0	0	-	-
Total number of null or canceled share subscription or purchase options	100,776*	319,861*	-	-
Remaining share subscription or purchase options at the end of the year 31 March 2017	0	0	-	-

* *Data before the reverse stock split operations that became effective on 8 February 2017.*

Table 9 of Appendix 3 of the AFEP-MEDEF Code

History of performance share allocations Information on performance shares

	Plan No. 1	Plan No. 2	Plan No. 3	Plan No. 4
SGM date	24/06/2011	02/07/2013	April 11 and 29, 2016	-
Board of Directors' meeting date	04/06/2012	06/03/2014	26/07/2016	-
Total number of shares allocated to:	244,760*	108,800*	295,703**	-
Paul Boudre	***0***	***0***	***44,947****	**-**
Share vesting date	04/06/2016	06/03/2016	26/07/2017***	-
Holding period end date	-	05/03/2018	26/07/2019****	-
Performance conditions	Yes	Yes	Yes	-
Number of shares acquired on 31 March 2017	80,672	108,800	0	-
Total number of null or canceled shares	164,088	0	0	-
Remaining performance shares at the end of the fiscal year (31 March 2017)	0	0	295,703**	-

* *Data before the reverse stock split operations that became effective on 8 February 2017.*
** *Conditional rights to preference shares.*
*** *Final acquisition date of the preference shares.*
**** *Date of availability of the ordinary shares (after conversion of preference shares into ordinary shares).*

Table 10, summary of multi-annual variable compensation of each senior executive company officer

No multi-annual variable compensation is included as an item of compensation for the Chairman & CEO.

Table 11 of Appendix 3 of the AFEP-MEDEF Code

Summary of the Company's application of the AFEP-MEDEF Code

	Employment contract		Supplementary pension scheme		Compensation or benefits due or likely to be due because of termination of service or change in functions		Compensation relating to a non-compete clause	
Senior executive company officers	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Paul Boudre* • Chief Executive Officer until 11 September 2015 • Chairman & CEO since 11 September 2015	X		X			X	X	

* *Mr Paul Boudre's employment contract was suspended on the day he was appointed Chief Operating Officer, which took effect on 1 June 2008 (following the Board of Directors' decision at its meeting on 16 May 2008).*

15.1.3.5. Commitments of all kinds undertaken by the Company for its corporate officers in respect of commencement, termination or change in corporate officer functions

In respect of his salaried functions under his employment contract (suspended since his appointment as Chief Operating Officer) and in accordance with the applicable collective agreement, Mr Paul Boudre is bound by a non-compete clause for one year after his employment contract is terminated. This one-year period may be renewed once.

In the event that this non-compete clause is applied, Mr Paul Boudre shall be paid financial compensation corresponding to 60% of his gross compensation during the non-compete period.

15.2. Sums provisioned for the purpose of paying pensions schemes, retirement schemes or other benefits

In addition to compulsory supplementary schemes, the Company has set up the following schemes for all or certain Company employees as well as for Mr Paul Boudre.

These schemes are compliant with the recommendations of the AFEP-MEDEF Code about supplementary retirement schemes for the corporate officers.

- **Article 83 – Supplementary defined benefits retirement scheme:**

  Within this retirement scheme, the rights are individualized according to the contribution rate.

  The rights to defined benefits are vested even in case of resignation or dismissal.

  At retirement, annuity settlement is compulsory.

  In case of death before retirement, the designated beneficiary shall receive a capital lump sum.

  In case of death after retirement, if the reversion has been chosen, all or part of the pension is paid to the partner in life or to other beneficiaries if the agreement so provides.

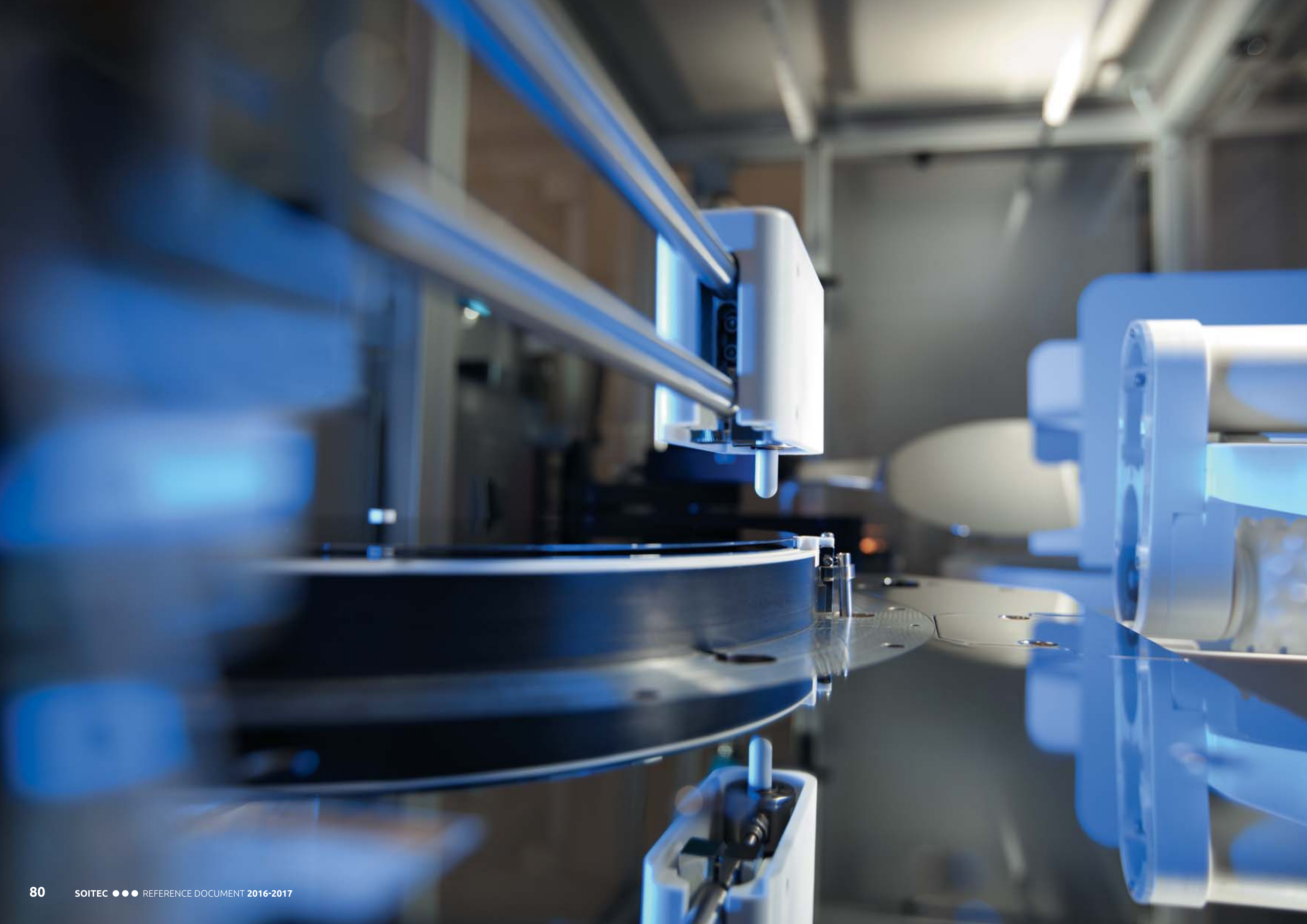
  The Company contributes for all its employees, as well as for Mr Paul Boudre, between 1.80% and 4.71% of gross salary depending on the salaries and personnel category.

- **Article 39 – Supplementary defined benefits pension scheme set up for certain senior executives (7 for the 2016-2017 fiscal year) and for Mr Paul Boudre:**

  Within this collective retirement scheme, the rights are based on a percentage of the last compensation.
  The period and amount of the reference salary correspond to the gross compensations of the last 12 months, excluding exceptional compensations or premiums.
  Rights relating to defined benefits are lost in case of termination of the employment within the Company before retirement.
  At retirement, annuity settlement is compulsory.
  In terms of percentage of the reference compensation, annual potential rights correspond to 9.80% of the annual gross compensation (as described above), after deduction of the annuity settlement paid as per Article 83 scheme.

On 31 March 2017, the sums provisioned for the purpose of making pension payments, retirement payments or other benefits for the nine EXCOM members amounted to €1,611,000.

Given the changes in Mr Paul Boudre's compensation when he was appointed Chief Executive Officer, the amount provisioned by the Company for the 2016-2017 fiscal year to make pension payments, retirement payments or other benefits were revalued by €315,000. As a consequence, they represented a total of €1,228,000 as of 31 March 2017. Note that at year-end 2016-2017, the estimated retirement pension amount that could be paid to Mr Paul Boudre under Article 39 totaled €48,000.



FUNCTIONING OF THE **ADMINISTRATIVE AND MANAGEMENT BODIES**

16

16.1. Corporate directors and officers' terms

Reference is made to paragraph 14.1.1.2 of this Reference Document.

16.2. Service agreements providing for the granting of future benefits

It doesn't exist any service agreement entered into between (i) any of the administrative or management bodies and (ii) the Company or any of its affiliates, providing for the granting of future benefits.

16.3. Board of Directors' committees

The Board of Directors has four Committees, the organization, practices and powers of which are set out in the Internal Regulations of the Board of Directors:

- the Audit and Risks Committee;
- the Compensation and Appointments Committee;
- the Strategic Committee;
- the Restricted Strategic Matters Committee.

The Committees are tasked with providing in-depth thought and analysis to the Board of Directors before its discussions, and contributing to the decision-making process.

The Committees do not have any decision-making power, and the opinions or recommendations that the Committees submit to the Board of Directors are not binding to the Board of Directors in any way.

At the date of publication of this Reference Document, the Committees were composed and operated as set out below.

16.3.1. Composition of the four Committees

Members of the Committees must be directors and are appointed individually by the Board of Directors. A permanent representative of a legal entity that is director may also be appointed as a Committee member, provided that the replacement of this permanent representative results in the immediate loss of status as Committee member.

One person may be a member of several Committees.

The Chairperson of each Committee is appointed by of the Committee itself, among its members.

The term of office of a director appointed as member of one or more Committees shall coincide with the duration of his or her term of office as a director.

The term of office of Committee members may be renewed.

The following table summarizes changes in the composition of the four Board of Directors' Committees from the beginning of the 2016-2017 fiscal year to now:

	Attendance at April 1, 2016			Attendance at March 31, 2017, and to date				Director changes during the 2016-2017 fiscal year		
Name or Company name	Audit and Risks Committee	Compensation and Appointments Committee	Strategic Committee	Audit and Risks Committee	Compensation and Appointments Committee	Strategic Committee	Restricted Strategic Matters Committee	Reappointment of a director	First appointment of a director	End of term of office
Paul Boudre	✗	✗	✓ (P)	✗	✗	✓	✗	07/25/2016	-	-
Monica Beltrametti				✓	✓	✓	✗	-	04/11/2016	-
Bpifrance Investissement				✓ (1)	✗	✓ (1)	✓ (1)	-	07/25/2016	-
Bpifrance Participations	✓ (1)	✗	✗	✗	✓ (3)	✗	✗	07/25/2016	-	-
CEA Investissement	✓ (P) (2)	✗	✓ (2)	✗	✓ (4)	✗	✗	07/25/2016	-	-
Laurence Delpy				✓	✓	✓	✓	-	04/11/2016	-
Douglas Dunn	✓	✓	✓	✗	✗	✓ (P)	✗	-	-	-
Nadine Foulon-Belkacémi				✓	✓ (P)	✗	✓	-	04/11/2016	
Christophe Gégout				✓ (P)	✗	✓	✓	-	04/11/2016*	-
Joël Karecki	✗	✓ (P)	✓					-	-	07/25/2016
Joseph Martin	✓	✓	✓	✓	✓	✗	✗	-	-	-
Satoshi Onishi	✗	✓	✗	✗	✗	✗	✗	-	-	-
Weidong Ren				✓	✓	✗	✗	-	04/11/2016*	-
Xi Wang				✗	✗	✓	✗	-	04/11/2016*	-
Sébastien Blot (observer)								-	-	07/25/2016
TOTAL	**4**	**4**	**5**	**7**	**7**	**7**	**4**	**3**	**7**	**2**

(P) *Means Committee Chairperson.*
* *Appointment during the Ordinary and Extraordinary Shareholders' General Meeting of April 11, 2016, passed subject to the definitive completion of the capital increases reserved to Bpifrance Participations, CEA Investissement and National Silicon Industry (NSIG). The starting date of the mandate corresponds to the date on which these reserved capital increases were completed, i.e. May 2, 2016.*
(1) *Represented by Thierry Sommelet.*
(2) *Represented by Christophe Gégout.*
(3) *Represented by Sophie Paquin.*
(4) *Represented by Guillemette Picard.*

16.3.2. Operating rules of the four Committees

16.3.2.1. Rules for all four Committees

Each Committee can meet at any time upon the request of the Chairperson, of a majority of its members, of the Chairman of the Board of Directors, or of one-third of the directors.

Each Committee's meetings are convened (via any means) by the Committee Chairperson or by two Committee members.

Committees can meet in person, via videoconference or through other means of telecommunication that make it possible for their members to be identified.

For the Committee's meetings to be quorate, at least half of Committee members must be present or deemed to be present. A Committee member can be represented only by another member of the same Committee.

The Committees' working language is English.

At the end of each of its meetings, conclusions, proposals, opinions and/or recommendations of each of the four Committees are recorded in a report written in English that is communicated to the members of the Committee in question.

Each Committee Chairperson (or member of the Committee appointed for that purpose) reports the Committee's work to the Board of Directors along with the Committee's opinions and/or recommendations, enabling the Board of Directors to deliberate on those topics.

16.3.2.2. Specific rules for each Committee

Frequency of meetings for the four Committees

The Audit and Risks Committee meets at least four times per year, and in particular before the annual and half-yearly financial statements are closed.

The Compensation and Appointments Committee meets at least once a year, prior to the approval of the agenda of the Shareholders' Ordinary General Meeting, to examine the draft resolutions that will be submitted to it and which concern positions of the members of the Board of Directors and/or the setting of the compensation of the Chairman of the Board of Directors and of any salaried members of the Board of Directors or corporate officers.

The Strategic Committee meets at least twice a year.

The Restricted Strategic Matters Committee meets as often as it deems necessary.

Additional participants in the four Committees' meetings

For the Audit and Risks Committee, the following people attend meetings in addition to Committee members:

- the Chief Financial Officer or his deputy for that purpose, or these two persons together;
- as the case may be, the statutory auditors' representatives or the Company's head of internal, control;
- any person that the Audit and Risks Committee wishes to hear.

Regarding the Compensation and Appointments Committee, which may not contain any corporate officer, the Chairman & CEO or the CEO, where applicable, may be invited to Committee meetings. The Chairman & CEO or, the CEO, where applicable, is associated with the work of the Compensation and Appointments Committee regarding the selection or appointment of new directors, but cannot take part in deliberations concerning his compensation.

The CEO is invited to each meeting of the Strategic Committee (if he is not already a member of it).

The same applies to the Restricted Strategic Matters Committee.

Independence of the members of the four Committees

In accordance with the recommendation in paragraph 8.4 of the AFEP-MEDEF Code, at its meeting held on June 14, 2017, and upon recommendation of the Compensation and Appointments Committee, the Board of Directors assessed and reviewed the circumstances of each director, especially with regard to the independence criteria outlined in paragraph 8 of the AFEP-MEDEF Code.

Detailed comments made by the Board of Directors on this subject are detailed in paragraph 2.2.1.4 of the 2016-2017 report of the Chairman of the Board of Directors as provided for in Article L. 225-37 of the French Commercial Code on corporate governance, internal control procedures and risks management, reproduced in this Reference Document in Chapter 16.5.1.

In summary, with regard to the four Committees, the Board of Directors has deemed that:

- 4 of the 7 Audit and Risks Committee members are independent directors, i.e., 57.14%;
- 4 of the 7 Compensation and Appointments Committee members are independent directors, i.e., 57.14%;
- 2 of the 7 Strategic Committee members are independent directors, i.e., 28.57%;
- 2 of the 4 Strategic Committee members are independent directors, i.e., 50%.

Tasks and powers of the four Committees

The tasks of the Audit and Risks Committee are as follows:

(i) as regards the accounts and financial information:
- monitor the quality of the procedures for preparing the financial information and ensure that their implementation is monitored,
- examine the annual financial statements before they are presented to the Board of Directors for approval; to this end, the Audit and Risks Committee hears (i) the statutory auditors, who present the main points concerning the results and accounting methods used, and (ii) a presentation from the Chief Financial Officer describing the risks exposure and material off-balance-sheet commitments,
- ensure the relevance of accounting methods used and examine changes in accounting principles and rules used in preparing the financial statements, and preventing any breach of these rules,
- monitor any changes in the scope of consolidated companies and receive, if any, all necessary explanations,
- examine the intermediate and preliminary results as well as the accompanying comments before publication,
- ensure the quality of procedures in place, ensuring compliance with stock market regulations,
- be informed on an annual basis of the financial strategy and conditions of the Group's main financial transactions;

(ii) concerning the Company's external audit:
- regularly communicate with the Company's statutory auditors,
- manage the procedure for selecting the statutory auditors and submit the result of such selection to the Board of Directors; upon decision of the Board of Directors, the selection and renewal of the statutory auditors is preceded by a call for tenders,
- assess the proposals for appointing Company statutory auditors and issue a recommendation regarding their appointment,

- each year, assess the amount of their compensation for conducting statutory audits,
- ensure the statutory auditors' independence, in particular by assessing with them the risks affecting their independence and the safeguarding measures taken to mitigate such risk and by ensuring that the amount of fees paid by the Company and its Group, or the portion it represents in the revenue of such firms and networks, is such as not to threaten the independence of the statutory auditors,
- supervise the enforcement of the rules for the use of statutory auditors for work other than statutory audit and pre-approve the use of the statutory auditors for such work,
- each year, examine with the statutory auditors their audit schedules, conclusions and recommendations, and any follow-up;

(iii) concerning the Company's internal control:

- assess, with those responsible for internal audit, the Group's internal control systems,
- examine, with those responsible for internal control, their action plans and conclusions of such action plans, recommendations and follow-up,
- examine and formulate recommendations concerning annual capital expenditure,
- examine and formulate recommendations concerning exceptional capital expenditure that is not included in the annual capital expenditure;

(iv) as regards risks:

- regularly review, with the head of internal control, the Company's main financial risks and material off-balance-sheet commitments,
- give its opinion on the organization of internal control and be informed of this department's work schedule,
- examine the relevance of risk analysis and monitoring procedures, by ensuring the implementation of a procedure for identifying and preventing major risks associated with the Group's activities,
- review the Chairman of the Board of Directors' draft report on internal control and risks management.

The remit thus established for the Audit and Risks Committee complies with that set out in Article L. 823-19 of the French Commercial Code.

To fulfill its remit, the Audit and Risks Committee undertakes the following:

- it must hear the statutory auditors, as well as the Chief Financial Officer, the heads of the Accounting and Treasury Departments. Such discussions must be able, when the Audit and Risks Committee desires it, to be held outside the presence of the Company's General Management;
- the Committee may also commission, when needed, external experts on topics under its remit, the cost of which is to be borne by the Company, after having informed the Board of Directors and provided it reports its findings to the Board of Directors at its next meeting;
- as regards internal control, the Audit and Risks Committee must receive the internal audit reports or a periodic synthesis of such reports;
- it must be informed by the Board of Directors of each item of capital expenditure of an amount above €5 million at least seventy-two (72) hours before the investment is made;
- it must receive from the Board of Directors the documentation needed for each meeting at least eight (8) days before the meeting.

The Compensation and Appointments Committee is charged by the Board of Directors with:

- submitting to the Board of Directors recommendations on the compensation, pension and personal protection schemes, benefits in kind and various financial rights, attributed to the Chairman of the Board of Directors, to the CEO, to the Chief Operating Officers and any salaried members of the Board of Directors or corporate officers;
- submitting to the Board of Directors recommendations concerning allocations of options allowing subscription or acquisition of shares of the Company, as well as allocations of free shares or any other financial instrument to the Group's corporate officers and/or employees;
- making recommendations on the compensation of members of the Board of Directors;
- making recommendations on the CEO's and Chief Operating Officers' compensation, including setting the criteria of the variable compensation;
- implementing a procedure to select future independent directors;
- submitting proposals to the Board of Directors on the selection of new directors, their co-optation, appointment or renewal; the Compensation and Appointments Committee takes account of the desired balance of the composition of the Board of Directors in view of the composition and change in the Company's shareholding;
- preparing, nearing expiry of their terms of office, recommendations for the succession of corporate officers; it must also prepare a replacement plan in the event of unforeseeable vacancy;
- being informed of the compensation policy for the principal senior executives who are not corporate officers. Particularly when undertaking this task, the Compensation and Appointments Committee consults the corporate officers.

The Strategic Committee's tasks are as follows:

- to assist the Board of Directors in that of its powers which consists in determining and regularly reviewing the Company's and Group's strategy;
- and to this end, analyze the Group's situation and vectors of growth in order to submit proposals to the Board of Directors on the Group's strategy; and
- through its examination and discussions, clarify the Group's strategic objectives submitted to the Board of Directors and to assess the validity and consequences of the most important strategic decisions submitted to the Board of Directors.

The Strategic Committee may, in the exercise of its duties, contact the Company's principal executives after having informed the Chairman of the Board of Directors and provided it reports its findings to the Board of Directors.

The Strategic Committee may also commission external technical studies on topics under its remit, the cost of which is to be borne by the Company, after having informed the Board of Directors and provided it reports its findings to the Board of Directors at its next meeting.

Lastly, the Restricted Strategic Matters Committee's responsibility is to report on any planned transfer (whether by sale, license or by any other means) or any other joint venture project involving Smart Cut™, and to issue recommendations to the Board of Directors accordingly.

> *16.3.2.3. Committees' activities during the 2016-2017 fiscal year*

Audit and Risks Committee

During the 2016-2017 fiscal year, the Audit and Risks Committee met 8 times, with an attendance rate of its members of 93%.

At each of these meetings, the Committee had the opportunity to hold discussions with the Company's statutory auditors.

At each closing of the annual and half-yearly financial statements, the Audit and Risks Committee verified that such closing was undertaken properly and read the statutory auditors' report, which included a review of all the Company's consolidation transactions and accounts.

The Committee also examined the off-balance-sheet commitments, the risks and accounting options in terms of provisions, as well as changes in applicable legal and accounting requirements.

The Committee also examined the Chairman's report on the internal control procedures.

Compensation and Appointments Committee

During the 2016-2017 fiscal year, the Compensation and Appointments Committee met 7 times, with an attendance rate of its members of 94%.

Its recommendations mainly concerned the following:

- determination of the variable part of the Chairman and CEO's compensation for the 2016-2017 fiscal year;
- implementation of components of the Chairman and CEO's compensation for the 2016-2017 fiscal year;
- change in the Company's governance;
- appointment of new directors;
- implementation of a free preference shares allocation plan in accordance with the resolutions adopted by the Ordinary and Extraordinary Shareholders' General Meeting held on April 11, 2016 (on first notice) and on April 29, 2016 (on second notice).

Strategic Committee

During the 2016-2017 fiscal year, the Strategic Committee met 7 times, with an attendance rate of its members of 93%.

Restricted Strategic Matters Committee

During the 2016-2017 fiscal year, the Restricted Strategic Matters Committee met 1 time, with an attendance rate of its members of 100%.

16.4. Statement about corporate governance

The Company has adopted the AFEP-MEDEF Corporate Governance Code of Listed Corporations as amended in November 2016 (hereafter referred to as the "AFEP-MEDEF Code") as its corporate governance reference framework.

This Code may be viewed at the website www.afep.com, using this link:

https://www.afep.com/uploads/medias/documents/Corporate_Governance_Code_of_listed_corporations_November_2016.pdf

Reference is made to paragraph 2.1 of the 2016-2017 report of the Chairman of the Board of Directors as provided for in Article L. 225-37 of the French Commercial Code on corporate governance, internal control procedures and risks management, reproduced in this Reference Document in Chapter 16.5.1, which details the recommendations of AFEP-MEDEF Code to which the Company doesn't comply with, and gives the required explanations.

16.5. Reports on corporate governance, internal control procedures and risks management

16.5.1. Report of the Chairman of the Board of Directors as provided for in Article L. 225.37 of the French Commercial Code

> *I. Introduction*

I.1 Content of the report

Pursuant to Article L. 255-37 of the French Commercial Code, the purpose of this report is first of all to notify the composition of the Board of Directors of Soitec (the "Company"), the application of the principle of balanced representation of women and men within it and the conditions of preparing and organizing its works. It is also to indicate any limitations that it places on the powers of Chairman and Chief Executive Officer, as well as the principles and rules it has approved for determining the compensation and benefits of all kinds of corporate officers.

Furthermore, this report states that the Company refers voluntarily to a Corporate Governance Code and lists the recommendations of this Code that are exempted within the Company. With regard to shareholders' participation procedures in Shareholders' General Meetings, this report refers to the stipulations of the Company's by-laws.

The report also sets out the internal control and risks management procedures set up by the Company. In particular, it details those of these procedures relating to the preparation and handling of accounting and financial information for the statutory and consolidated financial statements of the Group, and notes financial risks related to the impact of climate changes and the measures the Company is taking to reduce them by implementing a low-carbon strategy in all the components of its business.

Finally, this report mentions the publication of the information stipulated by Article L. 225-100-3 of the French Commercial Code.

I.2. Due diligences performed when drafting this report

This report was prepared from contributions stemming from several of the Company's departments, especially the Finance Department (including the Internal Control Department) and the Legal Department.

The Finance Department focused primarily on a description of the steering process for accounting and financial structuring, as well as financial risk management. The Internal Control Department contributed actively to the self-assessment of the internal control environment described in this report.

The Legal Department concentrated primarily on items related to corporate governance.

Concerning the description of management of risks other than financial ones, all Operational Departments of the Company were involved in addition to the Finance and Legal Departments.

This report was approved by the Board of Directors on June 14, 2017, following submission to and validations by the Audit and Risks Committee of the Company on June 13, 2017 and by the Compensation and Appointments Committee on June 14, 2017.

II. Corporate governance

The information below constitutes a summary of the detailed information concerning the administrative and management bodies of the Board of Directors appearing in paragraph 1.2 of the 2016-2017 management report of the Company as well as in Chapters 14 and 16 of its 2016-2017 Reference Document.

II.1. Reference framework

The Company has adopted the AFEP-MEDEF Code of Corporate Governance for Publicly Listed Companies as amended in November 2016 (the "AFEP-MEDEF Code") as its corporate governance reference framework.

This Code may be consulted at the following site www.afep.com, using this link:

https://www.afep.com/uploads/medias/documents/Corporate_Governance_Code_of_listed_corporations_November_2016.pdf

The following recommendations of the AFEP-MEDEF Code are exceptions within the Company, as stated below:

Recommendation by AFEP-MEDEF	Company's position and justification
Recommendation relating to the proportion of independent directors on the Board of Directors (paragraph 8.3): The proportion of independent directors should amount to half of the members of the Board of Directors in widely held companies without controlling shareholders.	With 4 directors satisfying the conditions of independence stated in paragraph 8 of the AFEP-MEDEF Code out of a total of 13 members of the Board of Directors, the proportion of independent directors is 30.77%. The Company is pursuing its objective of increasing the proportion of independent directors on the Board of Directors. To this end, since the beginning of the 2016-2017 fiscal year, it is directing its search for future candidates along these lines, while ensuring compliance with the Shareholders' Agreement relating to the makeup of the Board of Directors (see below, paragraph II.2.1).
Recommendation relating to the meetings of the Board of Directors (paragraph 10.3): It is recommended that a meeting be set up each year without the senior executive company officers in attendance.	Directors have the option of meeting without the Chairman & CEO in attendance both during and outside Committee meetings.
Recommendation relating to term of duties of directors (paragraph 13.2): Terms are staggered in order to avoid reappointment of the Board en masse and to ensure that the reappointment process operates smoothly.	The terms of 10 out of 13 directors will expire simultaneously at the end of the Shareholders' General Meeting called to approve the financial statements for the year ending March 31, 2019. The coinciding of these term endings is due to the following events, all of which occurred during the same fiscal year, 2016-2017: • the need to introduce women into the Board of Directors resulted in the appointment of three new directors on April 11, 2016; • the signature of a Shareholders' Agreement with Bpifrance Participations, CEA Investissement and National Silicon Industry Group (see below) resulted in the appointment of four new directors on May 2, 2016; • the reduction of the term of directors from four to three years that was approved on July 25, 2016, resulted in the expiration of the term of one director and that person's reappointment on the same date.
Recommendation relating to the makeup of the Audit Committee (paragraph 15.1): The proportion of independent directors on the Audit Committee must be at least two-thirds.	With 4 directors satisfying the conditions of independence out of seven directors on the Audit and Risks Committee, the proportion of independent directors on that Committee is 57.14%.
Recommendation relating to director ethics (paragraph 19): Excluding legal provisions to the contrary, a director must personally own shares, in accordance with the stipulations of the Articles of Association and rules of procedure, and own a minimum number of shares that is significant with regard to directors' fees.	7 directors out of 13 are shareholders of the Company. The legal and regulatory provisions relating to securities transactions carried out by the executives of listed companies, as well as those relating to the prevention of insider transactions, make the purchase of shares by directors a complex operation.
Recommendation relating to director ethics (paragraph 19): Directors regularly attend and participate in all meetings of the Board and meetings of any committees to which they may belong; they also attend Shareholders' General Meetings.	The average rate of attendance at Board and Committee meetings was 92% during the 2016-2017 fiscal year. Distance and time zones that exist between places of residence and workplaces of the 13 directors sometimes make attendance difficult. To make meetings easier, and especially Committee meetings, directors may meet via conference call. Directors make their best effort to be able to participate either in person or via conference call in as many Board and Committee meetings as possible, or they ensure they are represented if they cannot attend.
Recommendation relating to the compensation of directors (paragraph 20.1): The allocation method of this compensation takes into account actual participation of directors in Board and Committee meetings and consequently entails a predominant variable portion.	Following the Board of Directors' decision dated July 26, 2016, the terms of allocation of the directors' fees set by the Shareholders' General Meeting no longer took into account actual participation of directors in Board and Committees meetings. During its meeting held on June 14, 2017, the Board of Directors, upon recommendation of the Compensation and Appointments Committee of the same day, has decided to restore, for the current fiscal year ending on March 31, 2018, the rule according to which the actual attendance of the directors to the Board and Committees meetings must be taken into account for the purpose of allocating the directors' fees between the directors.
Recommendation relating to the termination of an employment contract upon appointment as corporate officer (paragraph 21.1): It is recommended that an employee's employment contract be terminated when that employee becomes a corporate officer of the Company or a company of the Group, either through contractual termination or by resignation.	The Board determined that in the case of Mr Paul Boudre, his seniority at the time of appointment justified keeping his employment contract active; this contract was established prior to his assumption of the duties of Chief Operating Officer, then CEO, and lastly as Chairman & CEO.
Recommendation relating to the obligation of corporate officers to own shares (paragraph 22): The Board of Directors sets a minimum number of shares that corporate officers must own in registered form up until the end of their functions.	The Board of Directors did not set a minimum number of shares that corporate officers must own in registered form up until the end of their duties. Nonetheless, Mr Paul Boudre owns 15,156 shares of the Company in registered form.
Recommendation relating to the conclusion of a non-competition agreement with corporate officers (paragraph 23.1): The purpose of the conclusion of a non-competition agreement is to restrict the freedom of a corporate officer to work for a competitor.	No non-competition agreement has been concluded with Mr Paul Boudre since he has been a corporate officer of the Company. Notwithstanding, his employment contract, which has not been terminated despite the existence of his corporate duties (see above), contains a non-competition clause.

II.2. The Board of Directors

Soitec is a *société anonyme* (French joint-stock corporation) with one-tier with a Board of Directors structure.

At its meeting held on July 1, 2005, the Board of Directors adopted a set of internal regulations (the "**Internal Regulations**") that sets out rules governing its composition, its tasks, its operation and its responsibilities, and also organizes relations between directors and the Company. It constitutes an operational framework and is regularly updated to account for changes in legal and regulatory provisions, as well as good practices in the area of corporate governance.

The Rules of Procedure has undergone several modifications, the latest of which dates from March 30, 2017.

The Board of Directors draws on the work of four committees that it set up: the Audit and Risks Committee, the Compensation and Appointments Committee, the Strategic Committee and the Restricted Strategic Matters Committee.

The composition, roles and tasks of these four Committees are detailed in the Internal Regulations.

This information, as well as a description of their respective activities during the fiscal year ended March 31, 2017, appear in Chapter 16.3 of this Reference Document.

II.2.1. Composition of the Board of Directors

a/ Changes in the composition of the Board of Directors since the beginning of the 2016-2017 fiscal year

At April 1, 2016, the Board of Directors was made up of seven directors and one observer.

Following the Shareholders' General Meeting held on April 11, 2016 (on first notice) and on April 29, 2016 (on second notice) and the capital increases carried out on May 2, 2016, that were reserved for Bpifrance Participations, CEA Investissement and NSIG Sunrise S.à.r.l., the number of members of the Board of Directors increased from seven to thirteen.

This complies with Article L. 225-17 of the French Commercial Code, which states that *"Joint-stock corporations are administered by a Board of Directors made up of at least three members. The by-laws set the maximum number of Board members, which may not exceed eighteen."*

Mr Sébastien Blot, Investment Director at Bpifrance Participations, appointed observer within the Board of Directors at the Shareholders' General Meeting on January 20, 2012, whose term was renewed for a period of two years at the Shareholders' General Meeting on May 28, 2014, participated in the work of the Board of Directors in an advisory capacity during part of the 2016-2017 fiscal year. He received no compensation for this work. His term expired at the end of the Shareholders' General Meeting of July 25, 2016, and was not renewed.

Thus, at March 31, 2017, and still at the present date:

- the Board of Directors is made up of thirteen directors;
- Mr Paul Boudre is the only director who is a member of the General Management;
- the Board of Directors does not have an observer;
- the Board of Directors does not have a director appointed by the employees, nor does it have a director who represents employee shareholders. Nevertheless, representatives of the Works Council attend all the meetings of the Board of Directors in an advisory capacity, in accordance with Article L. 2323-63 of the French Labor Code.

It is specified that there is no family tie between any of the thirteen directors.

The current number of 13 directors is the result of a Shareholders' Agreement signed on March 7, 2016, between Bpifrance Participations, CEA Investissement, National Silicon Industry Group/NSIG Sunrise S.à.r.l. (hereinafter collectively referred to as the "**Investors**") and the Company (hereinafter the "**Shareholders' Agreement**").

More specifically, the Shareholders' Agreement states that immediately after the capital increases reserved for the aforementioned entities is carried out, the Board of Directors of the Company must be comprised of thirteen members, including:

- two directors proposed by Bpifrance (at the time, Mr Joël Karecki and Bpifrance Participations, represented by Mr Thierry Sommelet; presently, Bpifrance Participations, represented by Ms Sophie Paquin, and Bpifrance Investissement, represented by Mr Thierry Sommelet);
- two directors proposed by CEA Investissement (in this instance, Mr Christophe Gégout and CEA Investissement, represented by Ms Guillemette Picard);
- two directors proposed by NSIG (in this instance, Mr Weidong Ren and Mr Xi Wang);
- the Chief Executive Officer of the Company (in this instance, Mr Paul Boudre);
- one director proposed by Shin-Etsu Handotaï (in this instance, Mr Satoshi Onishi);
- one director having no link either with Bpifrance, CEA Investissement or NSIG (in this instance, Mr Douglas Dunn);
- four independent directors (including Mr Joseph Martin, and presently, Ms Monica Beltrametti, Ms Laurence Delpy and Ms Nadine Foulon-Belkacémi).

The appointment of the directors proposed by the Investors (in this instance, Mr Christophe Gégout, proposed by CEA Investissement, and Mr Weidong Ren and Mr Xi Wang, proposed by NSUG Sunrise S.à.r.l.) occurred during the Ordinary and Extraordinary Shareholders' General Meeting held on April 11, 2016. This appointment, which was subject to the definitive completion of the share capital increases reserved for the 3 Investors, became effective on May 2, 2016, when the said share capital increases occurred.

The appointment of the three independent directors (namely, Ms Monica Beltrametti, Ms Laurence Delpy and Ms Nadine Foulon-Belkacémi) occurred during the Ordinary and Extraordinary Shareholders' General Meeting held on April 11, 2016 and became effective on that date.

Until the Shareholders' General Meeting that will be called to approve the financial statements of the fiscal year ending on March 31, 2021, the Company has undertaken, in the Shareholders' Agreement, to propose the required resolutions to its shareholders' vote in order to ensure that each of its three Investors has, until the term of the Shareholders' Agreement:

- two representatives on the Board of Directors, provided that its stake is equal to or greater than 10% of the share capital of the Company; or
- one representative on the Board of Directors provided that its stake is between 5% and 10% of the share capital of the Company.

For this purpose, the three Investors have undertaken to each cast a positive vote on such resolutions.

It is specified that Bpifrance, CEA Investissement and NSIG, for their individual parts, have further agreed that directors identified as being affiliated with them resign from their post as director and Committee member, if applicable, if the stake of their company should fall below the level of 10% of share capital of the Company, and that the second director identified as being affiliated with them resign from their post as director and Committee member, if applicable, if the stake of their company should fall below the level of 5% of the share capital of the Company.

The following table summarizes the change in composition of the Board of Directors throughout the 2016-2017 fiscal year to now:

			Changes in Directors during the 2016-2017 fiscal year		
Name or Company name	**Attendance at 04/01/2016**	**Attendance at 03/31/2017 and to date**	**Renewal of directorship**	**First appointment as a director**	**End of directorship**
Paul Boudre	✓	✓	07/25/2016	-	-
Monica Beltrametti	✗	✓	-	04/11/2016	-
Bpifrance Investissement	✗	✓ (represented by Thierry Sommelet)	-	07/25/2016	-
Bpifrance Participations	✓ (represented by Thierry Sommelet)	✓ (represented by Sophie Paquin)	07/25/2016	-	-
CEA Investissement	✓ (represented by Christophe Gégout)	✓ (represented by Guillemette Picard)	07/25/2016	-	-
Laurence Delpy	✗	✓	-	04/11/2016	-
Douglas Dunn	✓	✓	-	-	-
Nadine Foulon-Belkacémi	✗	✓	-	04/11/2016	-
Christophe Gégout	✗	✓	-	04/11/2016*	-
Joël Karecki	✓	✗	-	-	07/25/2016
Joseph Martin	✓	✓	-	-	-
Satoshi Onishi	✓	✓	-	-	-
Weidong Ren	✗	✓	-	04/11/2016*	-
Xi Wang	✗	✓	-	04/11/2016*	-
Sébastien Blot (observer)	✓	✗	-	-	07/25/2016
TOTAL	**7 DIRECTORS 1 OBSERVER**	**13 DIRECTORS**	**3**	**7**	**2**

* *Appointment during the Ordinary and Extraordinary Shareholders' General Meeting of April 11, 2016, passed subject to the definitive completion of the capital increases reserved to Bpifrance Participations, CEA Investissement and National Silicon Industry (NSIG). The starting date of the mandate corresponds to the date on which these reserved capital increases were completed, i.e. May 2, 2016.*

b/ Length of directors' terms

Since the Shareholders' General Meeting of July 25, 2016, the length of directors' terms has been reduced by one year, from four to three years. The terms ongoing at that date were reduced by one year.

Directors appointed beginning from that date are appointed for a period of three years expiring at the end of the Shareholders' General Meeting to approve the financial statements of the year past and held in the year in which the term of directors expires. These directors' terms are eligible for renewal.

The table below shows the start and expiration dates of the terms of office of members of the Board of Directors currently in office, as well as the number of years they have been members of the Board of Directors and the combined number of terms since their initial appointment:

Name or Company name	Date of first appointment	Date of start of current term	Date current term expires	Number of years as members	Number of terms
Paul Boudre	07/03/2012	07/25/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	5	2
Monica Beltrametti	04/11/2016	04/11/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	1	1
Bpifrance Investissement, represented by Thierry Sommelet	07/25/2016	07/25/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	1	1
Bpifrance Participations, represented by Sophie Paquin	07/02/2013	07/25/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	4	2
CEA Investissement, represented by Guillemette Picard	04/20/2015*	07/25/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	2	2
Laurence Delpy	04/11/2016	04/11/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	1	1
Douglas Dunn	07/09/2004	05/28/2014	Shareholders' General Meeting called to approve the financial statements for the fiscal year ended on 03/31/2017	13	3
Nadine Foulon-Belkacémi	04/11/2016	04/11/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	1	1
Christophe Gégout	04/11/2016**	05/02/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	1	1
Joseph Martin	07/09/2004	05/28/2014	Shareholders' General Meeting called to approve the financial statements for the fiscal year ended on 03/31/2017	13	3
Satoshi Onishi	07/10/2015	07/10/2015	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2018	1	1
Weidong Ren	04/11/2016**	05/02/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	1	1
Xi Wang	04/11/2016**	05/02/2016	Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 03/31/2019	1	1

* *Appointment by co-optation by the Board of Directors on April 20, 2015, for the period remaining in the term of Mr Christian Lucas, who resigned, ratified by the shareholders at the Shareholders' General Meeting on July 10, 2015.*

** *Appointment during the Ordinary and Extraordinary Shareholders' General Meeting of April 11, 2016, passed subject to the definitive completion of the capital increases reserved for Bpifrance Participations, CEA Investissement and National Silicon Industry (NSIG). The starting date of the mandate corresponds to the date on which these reserved capital increases were definitively completed, i.e. May 2, 2016.*

c/ Directors' shares

Pursuant to Article L. 225-25 of the French Commercial Code, Article 13 of the Company's bylaws does not require the directors to own at least one Soitec share.

In accordance with the recommendation of paragraph 19 of the AFEP-MEDEF Code, the Board of Directors' Internal Regulations recommend, as an internal measure, that the directors, excluding elected salaried directors, own a significant number of shares in the Company, set at 100 shares, in a registered share account.

On the date hereof, the members of the Board of Directors satisfied this recommendation, as follows:

First and last name of the director	Number of shares owned
Paul Boudre	15,156
Monica Beltrametti	175
Bpifrance Investissement	0
Bpifrance Participations	4,393,795
CEA Investissement	4,393,795
Laurence Delpy	675
Douglas Dunn	0
Nadine Foulon-Belkacémi	0
Christophe Gégout	0
Joseph Martin	100
Satoshi Onishi	100
Weidong Ren	0
Xi Wang	0

II.2.2. Functioning of the Board of Directors

In accordance with Article L. 225-35 of the French Commercial Code, the Board of Directors determines the focuses of the Company's business and ensures their implementation. Subject to the powers officially granted to the Shareholders' General Meetings and those restricted by the Company's corporate purpose, it listens to any issue relating to the proper functioning of the Company and rules on the matters concerning it.

The Board of Directors exercises continuous control over the management of the Company run by the Chief Executive Officer, Mr Paul Boudre.

Meetings are held when needed and convened by the Chairman, Mr Paul Boudre.

Prior to each meeting of the Board of Directors, each member of the Board receives documentation relating to the agenda and that is needed to fulfill the Board's tasks.

Members of the Board of Directors are also informed on an ongoing basis of all material transactions relating to the Company.

During the 2016-2017 fiscal year, the Board of Directors met twelve times: on April 11, 21 and 29, 2016, on May 3, 4, 12 and 24, 2016, on June 14, 2016, on July 1 and 26, 2016, on December 6, 2016, and on March 30, 2017.

The average attendance rate at Board of Directors' meetings was 88%.

The issues on the agenda included:

- the Group's business;
- Company refinancing operations that took place during the 2016-2017 fiscal year (reserved capital increase followed by a capital increase with shareholders' preferential subscription rights, the profit of which was partially impacted by the repayment of bridge loans maturing in May 2016 and the partial repurchase of OCEANEs maturing in September 2018);
- examination and approval of the statutory and consolidated annual and half-yearly financial statements;
- a review of undertakings, endorsements and guarantees granted by the Company during the 2016-2017 fiscal year;
- setting a schedule for future Board of Directors' meetings;
- Chairman & CEO compensation, including calculating the fixed and variable portions of their compensation, as well as the conditions under which the variable part is paid;
- convening the Ordinary and Extraordinary Shareholders' General Meeting;
- recording capital increases;
- the Company's governance mode;
- composition of the various committees;
- implementation of a free preference shares allocation plan in accordance with the resolutions adopted by the Ordinary and Extraordinary Shareholders' General Meeting held on April 11, 2016 (on first notice), and on April 29, 2016 (on second notice);
- implementation of a reverse stock split for the Company, in accordance with the resolution adopted by the Ordinary and Extraordinary Shareholders' General Meeting held on July 25, 2016;
- budget approval for the 2017-2018 fiscal year.

II.2.3. Assessment of the Board of Directors

In accordance with the recommendations of paragraphs 6.2 and 9 of the AFEP-MEDEF Code, the Board of Directors met on June 14, 2017 in order to carry out a self-assessment of its composition, organization and functioning.

Prior to this meeting, each of the directors filled out a questionnaire dealing with the following topics:

- self-assessment of the Board of Directors (composition, role, functioning, decision-making process, committees, compensation and corporate governance);
- duties and functions of the directors;
- directors' management expertise and experience;
- independence of directors.

At this meeting, the Compensation and Appointments Committee submitted its observations to the Board of Directors.

Finally, the directors have been called to decide whether each of them is to be considered as independent or not, in accordance with the recommendations set forth in paragraph 8 of the AFEP-MEDEF Code.

The conclusions of the Board of Directors on this topic are detailed below.

a/ Balanced representation of men and women within the Board of Directors

At March 31, 2017, and at present, with five women directors out of thirteen Board members, the proportion of women on the Board of Directors is 38.5%.

The objective of the Company is to comply with Articles L. 225-17 and L. 225-18-1 of the French Commercial Code (arising from Law no. 2011-103 dated January 27, 2011, relating to the balanced representation of men and women on Boards of Directors and Supervisory Boards, and to professional equality, also known as the Copé-Zimmermann law), under which *"The Board of Directors is made up with a concerted effort to achieve balanced representation of men and women"* and *"The proportion of directors of each gender may not be lower than 40% in companies whose shares are listed for trading on a regulated market."*

At its May 2, 2017 meeting, the Board of Directors noted first that Mr Joseph Martin, whose term will end at the close of the Shareholders' General Meeting called to approve the financial statements for the year ended March 31, 2017, and which will be held on July 26, 2017, chose not to request that the Board of Directors places the renewal of his term as director on the agenda for this Shareholders' General Meeting.

In addition, during this same meeting, the Board of Directors decided to submit to a vote by shareholders at their General Meeting of July 26, 2017, the appointment of Ms Victoire de Margerie as new director.

Provided this appointment is approved by the Shareholders' General Meeting of July 26, 2017, the Board of Directors will then be made up of six women out of thirteen Board members beginning from that date, with the proportion of women directors being 46.15%.

Consequently, the Company will comply with the provisions of Article L. 225-18-1 of the French Commercial Code.

b/ Independence of directors

In accordance with the recommendation in paragraph 8.4 of the AFEP-MEDF Code, the Board of Directors in its meeting held on June 14, 2017, and on recommendation of the Compensation and Appointments Committee, assessed and reviewed the circumstances of each director, especially with regard to the independence criteria outlined in paragraph 8 of the AFEP-MEDEF Code.

Following discussions, the Board of Directors first found that among its thirteen directors, four are independent, namely Ms Monica Beltrametti, Ms Laurence Delpy, Ms Nadine Foulon-Belkacémi and Mr Joseph Martin. The Board of Directors additionally noted that most of the non-independent directors are thus qualified due to the existence of business relationships with the Company and other companies in which some directors occupy executive positions, or because they represent shareholders who own more than 10% of the share capital and voting rights of the Company.

Consequently, the proportion of independent directors on the Board of Directors at March 31, 2017, and at present, is 30.77%.

Thus, at present, the Company is not in compliance with the recommendation in paragraph 8.3 of the AFEP-MEDEF Code that states that the proportion of independent directors should represent one-half of the Board members in widely held companies without controlling shareholders.

The Company is pursuing its objective of increasing the proportion of independent directors on the Board of Directors. To this end, since the beginning of the 2016-2017 fiscal year, it is directing its search for future candidates along these lines, while ensuring compliance with the Shareholders' Agreement relating to the makeup of the Board of Directors (see above, paragraph II.2.1).

II.3. Executive management

The Company's Executive Management is ensured by the Chairman & CEO, Mr Paul Boudre, and his management team forming the Executive Committee (or ExCom).

The composition of the Executive Committee is detailed in Chapter 14 of the Company's 2016-2017 Reference Document.

II.3.1. Concurrent holding of the offices of Chairman and Chief Executive Officer

Following the decisions of the Board of Directors dated September 11, 2015, the positions of Chairman of the Board of Directors and Chief Executive Officer are held by Mr Paul Boudre, who holds the chairmanship of the Board of Directors and continues to handle the general management of the Company.

In accordance with Article L. 225-56 of the French Commercial Code, as CEO, Mr Paul Boudre holds full powers to act in all circumstances on behalf of the Company. He exercises his authority within the limit of the corporate purpose and subject to those that the law expressly bestows on the Shareholders' General Meetings and on the Board of Directors.

II.3.2. Limits on the Chief Executive Officer's powers

The composition of the Board of Directors, the work of its Committees and the measures taken by the Board of Directors within the scope of the Board of Directors' Rules of Procedure help establish the balance of powers between the Board of Directors and the General Management.

By defining the respective powers of the governing bodies, the Rules of Procedure further establish a right of review of the Board of Directors.

Thus, apart from the consultation and/or prior authorization that the CEO has to obtain from the Board under terms set out by the law and regulations, the prior authorization of the Board is required for the following major operations:

1. the CEO must obtain prior authorization from the Board of Directors for the following decisions:
   (i) decisions to establish operations abroad, through creating an establishment, direct or indirect subsidiary, or through acquiring an interest, as well as decisions to withdraw from these operations,
   (ii) sizable transactions likely to affect the Group's strategy or change its capital structure or scope of activity, in particular, merger and acquisition decisions;
2. prior authorization from the Board of Directors is needed to undertake the following transactions, to the extent that their individual or combined amount exceeds €20 million:
   (i) acquire or dispose of any interest in any company created or to be created, participate in the creation of any company, group or organization, subscribe to any issue of shares or bonds,
   (ii) agree to any exchange, with or without equalization payment, concerning property, shares or securities,
   (iii) in the event of litigation, execute any agreement or settlement, accept any compromise,
   (iv) grant sureties on company assets;
3. prior authorization from the Board of Directors is needed to undertake any non-budgeted expenditure or investment, including any acquisition or sale of fixed assets, it being understood that a project comprising more than one phase must be taken as a whole, to the extent that their individual or combined amount exceeds €5 million;
4. prior authorization from the Board of Directors is needed to undertake the following transactions, to the extent that their cumulative individual or combined amount exceeds €30 million per year:
   (i) grant or contract any borrowings or loans, credits or advances, excluding leasing or financing equipment and property,
   (ii) acquire or sell, in any way, any loans and receivables;
5. prior authorization from the Board of Directors is needed for decisions on the launch of any project likely to incur, in the first five years of implementation, non-budgeted investments, expenses, commitments or liabilities of more than €50 million, individually or combined;

6. prior authorization of the Board of Directors is needed for decisions on (i) any transfer (by sale, license or any other means) of industrial property rights relating to Soitec's core business (including Smart Cut™ technology) to a third party, or (ii) concerning any commercial cooperation or partnership agreement (excluding agreements exclusively or almost exclusively on the sale of the Company's products in the ordinary course of business) generating estimated annual income (or expenses, as the case may be) of more than €7 million.

II.4. Compensation policy for corporate directors and officers

II.4.1. Compensation and benefits of any kind of the corporate directors

II.4.1.1. Directors' fees paid to directors

a/ Rules for allocating distributable directors' fees

Directors' fees are allocated exclusively to members of the Board of Directors that have no operational and/or executive duties within the Group's companies.

Since April 1, 2016, following the Board of Directors' meeting on July 26, 2016, directors' fees are allocated to directors entitled to them according to the following principles:

Excerpt from the minutes of the Board of Directors' meeting on July 26, 2016:

Directors' fees will be allocated on a fixed, pro rata basis of the actual length of the term of a given director with regard to the compensation period under consideration:

- seat on the Board of Directors, except corporate officers: €20,000;
- seat on a Committee, except for the Restricted Strategic Matters Committee: €9,000;
- chairmanship of a Committee, except where a corporate officer chairs the committee: €10,000.

Actual presence or absence at meetings is not taken into account.

b/ Amount of directors' fees that may be allocated

The Shareholders' General Meeting of January 20, 2012, has set the cap for directors' fees at €450,000 with effect from April 1, 2011.

It was stated that this decision would be maintained and this same sum would be allocated to the Board of Directors for subsequent years until otherwise decided by the Shareholders' General Meeting.

Despite the increase in the number of directors occurred in 2016-2017 fiscal year (with the Board of Directors increasing from 7 to 13 members), no increase in the amount of directors' fees was put to vote at the Shareholders' General Meeting of July 25, 2016, with the result that the amount of fees for distribution is still €450,000.

c/ Directors' fees paid

In accordance with the above-mentioned rules regarding directors' fees, neither Mr Sébastien Blot, in his capacity as observer on the Board of Directors up until July 25, 2016, nor Mr Paul Boudre, in his capacity as Chairman & CEO, received any directors' fees for the fiscal year just ended (2016-2017) or for the previous fiscal year (2015-2016).

The total amount of directors' fees paid for the 2016-2017 fiscal year totaled €434,143.

Detailed information on the individual amount of directors' fees paid to each director for the year ended on March 31, 2017, is given in Chapter 15 of the Company's 2016-2017 Reference Document.

II.4.1.2. Travel costs of directors

Travel costs incurred by directors in the performance of their duties will be reimbursed by the Company, upon presentation of expenses receipts.

II.4.2. Compensation and benefits of any kind of the corporate officers

II.4.2.1. Rules applicable to the compensation policy of the corporate officers

At its meeting of December 8, 2008, the Company's Board of Directors formally adopted the AFEP-MEDEF recommendations published on October 6, 2008, on the compensation of corporate officers of companies whose shares are traded on a regulated market.

Since then, the Board of Directors determines the compensation of corporate officers in accordance with the principles stated in the AFEP-MEDEF Code.

The ratio between the fixed and variable portion of the corporate officers' compensation is determined annually by the Board of Directors, upon the recommendation of the Compensation and Appointments Committee.

Beginning with the 2017-2018 fiscal year, the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of total compensation and benefits of all kinds that may be allocated to corporate officers for the performance of their duties will be submitted to the Shareholders' General Meeting at least each year for approval, in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code.

Furthermore, also beginning in the 2017-2018 fiscal year, in accordance with the provisions of Article L. 225-100 of the French Commercial Code, the Shareholders' General Meeting that will be asked to approve the financial statements of a given ended fiscal year will then rule on the fixed, variable and exceptional components of total compensation paid and/or on the benefits of all kinds that have been allocated or paid to each of the corporate officers for that fiscal year then ended, in separate resolutions. Variable and exceptional compensation allocated to each of the corporate officers for that fiscal year then ended may not be paid until after approval by the Shareholders' General Meeting of the compensation components of each person concerned.

Finally, it is specified that when the corporate officers are members of the Board of Directors, they do not participate in discussions on their compensations and abstain from voting on these topics.

II.4.2.2. Compensation and benefits of any kind paid to corporate officers for the fiscal year ended on March 31, 2017

For the 2016-2017 fiscal year, in accordance with the above, Mr Paul Boudre, Chairman & CEO, the only corporate officer, has received, for his duties as CEO, a compensation determined by the Board of Directors based on a proposal by the Compensation and Appointments Committee, made up of the following elements: (i) a fixed annual compensation of €450,000 payable in 12 monthly installments in the course of the fiscal year, (ii) a variable annual compensation based on various targets, to be awarded after the fiscal year-end, (iii) a part of a free preference shares allocation plan giving access to the Company's share capital, with performance conditions.

As in the previous fiscal year (2015-2016), the variable part of the Chairman and CEO's compensation for the 2016-2017 fiscal year could range from 0% to 150% of the fixed part.

Reaching target objectives set by the Board of Directors upon recommendation of the Compensation and Appointments Committee entitled the Chairman & CEO to a variable part corresponding to 100% of the fixed part, being specified that the budgetary commitments corresponded for the first time to 90% of the target financial criteria (over the previous fiscal years, budgetary commitments corresponded to 100% of the target). Exceeding target objectives could be taken into account for up to 150%.

At its meeting on June 14, 2017, in accordance with the recommendation of the Compensation and Appointments Committee at its meeting on June 14, 2017, the Board of Directors set the variable part of the Chairman & CEO's compensation at 121.19% of the fixed part for the 2016-2017 fiscal year.

This number of 121.19% was calculated according to the achievement of all measurable objectives, which were defined by the Board of Directors at its meeting on July 26, 2016, in accordance with the recommendation of the Compensation and Appointments Committee, which met on July 3, 2016, namely:

- financial objectives, representing 65% of all the objectives applicable to the variable part of Mr Paul Boudre's compensation: sales levels, EBITDA level in absolute terms and cash level at 2016-2017 year-end have been measured;
- strategic objectives, representing 30% of all the objectives applicable to the variable part of Mr Paul Boudre's compensation: the achievement during 2016-2017 fiscal year of some contributions identified as primary growth levers for the Company have been measured;
- governance improvement objectives, representing 5% of all the objectives applicable to the variable part of Mr Paul Boudre's compensation.

The amount of compensation paid is calculated on a gross basis.

Moreover, Mr Paul Boudre had benefits in kind amounting to €20,470 during 2016-2017 fiscal year, including a car and a voluntary insurance policy against employment loss, as well as complementary retirement schemes as described in paragraph 15.2 of the Company's 2016-2017 Reference Document.

Finally, it is reminded that Mr Paul Boudre has neither received any of the Company's directors' fees, nor any additional compensation or directors' fees from any company under the Company's control.

For sake of clarity, it is specified that Mr Paul Boudre's duties as Chairman of the Board of Directors has not given right to any additional compensation.

Detailed information about the gross compensation and the benefits of any kind due by the Company to Mr Paul Boudre for the fiscal years 2015-2016 and 2016-2017 is given in Chapter 15 of the Company's 2016-2017 Reference Document.

II.4.2.3. Compensation and benefits of any kind to be paid to corporate officers for the fiscal year ending on March 31, 2018

In accordance with Article L. 225-37-2 of the French Commercial Code, during their Ordinary and Extraordinary General Meeting to be held on July 26, 2017, the Company's shareholders' will be asked to approve the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional parts making up the total compensation and benefits of any kind attributable to Company's corporate officers for the performance of their duties during the current fiscal year ending on March 31, 2018 and constituting their compensation policy.

These principles and criteria adopted by the Board of Directors on June 14, 2017, upon recommendation of the Compensation and Appointments Committee held on June 10, 2017 and on June 14, 2017, are as follows:

- **With respect to Mr Paul Boudre:**

  For his duties as Chief Executive Officer, his compensation would be made up of the following items: (i) a fixed annual compensation of €450,000 (this amount corresponds to the fixed compensation paid to the Company's CEO since 2010), payable in 12 monthly installments during the course of the fiscal year, (ii) a variable annual compensation based on various objectives, to be awarded after fiscal year-end, (iii) a part of a free preference shares allocation plan giving access to the Company's share capital, with performance conditions, that has already been allocated to him by the Board of Directors during its meeting held on July 26, 2016.

  As in the two previous fiscal years (2015-2016 and 2016-2017), the variable part of Mr Paul Boudre's compensation for the 2017-2018 fiscal year could range from 0% to 150% of the fixed part.

  Reaching target objectives set by the Board of Directors upon recommendation of the Compensation and Appointments Committee would entitle to a variable part corresponding to 100% of the fixed part, being specified that the budgetary commitments correspond to 90% of the target financial criteria (as in the previous fiscal year). Exceeding target objectives may be taken into account for up to 150%.
  The variable part of Mr Paul Boudre's compensation would be calculated in accordance with reaching objectives, all measurable:

  - financial objectives, representing 75% of all the objectives applicable to the variable part: sales level, EBITDA level in absolute terms, cash level and selling, general and administrative (SG&A) expenses level would be measured at 2017-2018 year-end;
  - strategic objectives, representing 25% of all the objectives applicable to the variable part: the achievement during 2017-2018 fiscal year of some contributions identified as primary growth levers for the Company would be measured.

  The amount of compensation paid would be calculated on a gross basis.

  Moreover, Mr Paul Boudre would have benefits in kind including a car and a voluntary insurance policy against employment loss, as well as complementary retirement schemes of same nature as those in already existing during the past fiscal year.

  Finally, it is reminded that Mr Paul Boudre would neither receive any of the Company's directors' fees, nor any additional compensation or directors' fees from any company under the Company's control.

  For sake of clarity, it is specified that Mr Paul Boudre's duties as Chairman of the Board of Directors would not give right to any additional compensation.

- **With respect to the Chairperson of the Board of Directors:**

  Firstly, it is reminded that if the Company's shareholders who will meet at an Ordinary and Extraordinary General Meeting on July 26, 2017 cast a positive vote on Victoire de Margerie's appointment as new Director of the Company, she would be appointed as Chairperson of the Company's Board of Directors at its very next meeting that should be held on the same day as the Shareholders' General Meeting.

  In such a case, for her duties as Chairperson of the Board of Directors, Ms Victoire de Margerie would receive a €50,000 gross annual compensation made up of Directors' fees, calculated on a pro-rate basis depending on the date on which her office will take effect during the fiscal year.

  Moreover, Ms Victoire de Margerie would be eligible to the payment of directors' fees for her participation to the Board of Directors' meetings and, as the case may be, for her potential participation as member and/or Chairperson of the committees, under the same conditions as the Company's Directors other than Mr Paul Boudre.

III. Participation of shareholders in Shareholders' General Meetings

Methods for shareholders to participate in General Meetings, and especially the terms of allocation of double voting rights attached to certain shares held in registered form, are set out in Articles 21 to 25 of the Company's by-laws.

IV. Factors likely to have an impact in the event of a public offering

The information stipulated in Article L. 225-100-3 of the French Commercial Code on factors which may have an impact in case of a public offering targeting the Company is given in Chapters 7, 18 and 21 of the Company's 2016-2017 Reference Document.

V. Financial risks linked to the climate change and actions taken by the Company to reduce them

The financial risks linked to the climate change and the actions taken by the Company to reduce them by implementing a low-carbone energy strategy within all parts of its activity are given in paragraphs 4.4 and 4.5 of the Company's 2016-2017 Corporate Social Responsibility (CSR) report, as well as in paragraphs 5.4.4 and 5.4.5 of the Company's 2016-2017 Reference Document.

VI. Internal control environment

VI.1. Internal control mechanism

VI.1.1. Definition and purpose

Internal control is a system set within the Company, and defined and implemented under its responsibility, that aims to ensure the achievement of the following objectives:

- reliability of accounting and financial information that is published;
- compliance with the laws and regulations that the Company and its subsidiaries are subject to;
- implementation of instructions and guidelines set by the governing bodies;
- ensuring the proper functioning of the internal procedures of the Company, especially those intended to safeguard its assets.

In general, Group internal control contributes to the management of its activities, to the efficiency of its operations and to the efficient use of its resources.

By contributing to preventing and controlling the risks inherent to the various activities of the Group, be they operational, financial or compliance-related, the internal control mechanism plays a key role in the management and decision-making processes.

However, internal control cannot provide absolute assurance that the objectives of the Company will be achieved and that the risks of errors or fraud have been completely controlled or eliminated.

VI.1.2. Reference framework

In 2010, the AMF updated its "Reference Framework" document, originally published in 2007. This document is the basis for the Soitec Group's internal control mechanism.

This mechanism has been implemented at Soitec since 2009 and applies to all entities within the scope of consolidation of the Group.

VI.2. Objective of internal control

The objective of internal control is focused on making financial and accounting information reliable and complying with the laws and regulations, particularly in the field of producing accounting and financial information, applying the instructions and guidelines established by the General Management and the proper functioning of the internal processes.

The adoption of the 2009 "Reference Framework" published by the AMF has led to the implementation of:

- internal control procedures applicable to all entities within the scope of consolidation of the Group;
- rules of access to the IT systems suited to roles and responsibilities of staff and to the principle of separation of tasks;
- rules for supervising accounting and financial operations that are identified as critical.

In a first phase, the formalization of these rules is contributing to strengthening key internal controls and in making the internal control process rollout more reliable, in addition to preventing and controlling major risks inherent to the business.

Subsequently, an assessment of the internal control mechanism will be specifically reported to the Audit Committee on an annual basis in the form of a presentation of indicators and follow-up on an action plan designed to continuously improve this mechanism. Beginning with the new fiscal year, a more detailed presentation will be made each quarter to the Executive Committee.

All internal control processes are audited externally by the statutory auditors once yearly, in the frame of the legal audit of the annual financial statements. Observations coming out of this audit will be reflected in an action plan prepared by the Internal Control Department and submitted to the Audit Committee along with the annual presentation of internal control indicators. This action plan will also be presented and followed up on by the Executive Committee on a quarterly basis.

In the absence of an Internal Control Department, the Finance Department of the Company spearheads internal control. In addition, the control and management of risks, other than financial ones, is central to the operation of the Company via the ongoing involvement of the Legal Department and Operational Departments. In this sense, all Group employees play a primary role in internal control.

The Company's Executive Committee identifies and treats key issues and approves the operational and strategic objectives. It ensures the implementation of the strategy and examines the options enabling its proper implementation, especially in the areas of technology and strategic options, safety, and human and financial recourses.

The Executive Committee is responsible for supervising the Company's internal control system, and in doing so, it relies on:

- the Finance Department of the Group;
- the Legal Department.

VII. Legal Department organization

To optimize the control of legal risks, in April 2005 the Company established a department to manage the Group's legal affairs.

This department is headed up by a Group General Counseul and has three lawyers in France, one lawyer in the United States and one assistant.

The Legal Department is under the direct authority of the Chairman and CEO.

VII.1. Scope of intervention

The Legal Department intervenes on all legal matters involving the Group, apart from social law (which is the remit of the Human Resources Department), and tax law (which is the remit of the Finance Department).

It is primarily responsible for matters relating to business law in the broad sense, trademark law, corporate law, financial law and securities market law.

The Legal Department also takes up matters regarding legal and regulatory compliance facing the Group.

The Legal Department also takes out and manages all insurance policies concerning the Group.

The Legal Department manages pre-litigation and litigation involving companies of the Group.

Lastly, each contract concluded by one or several of the Group's companies (except for employment contracts or other contracts falling in the area of social law), must at the very least be submitted to the Legal Department as soon as possible. Accordingly, the Legal Department is able to keep a copy of these in its physical and electronic archives, and if necessary, participate in following up on them. The Legal Department strives to store an original copy of each contract in a secure location with restricted access, to the extent possible. The same is true regarding the various registers concerning the Group's companies.

VII.2. Means of intervention

Each employee in the Group may bring a matter before the Legal Department.

Where the matter was not directly referred by a Director of the Group (hereinafter "VP"), the claim must be approved by a VP before the Legal Department will take it up.

The involvement of Legal Department is compulsory in a certain number of cases, such as where a subject is of strategic importance to the Group and it involves significant financial issues or brings about a modification of its legal structure, or where it involves negotiating and drafting contracts that could be characterized as regulated agreements, or contracts that involve providing guarantees or sureties, or long-term contracts (of three years or more), or contracts with unusual clauses or those involving the Group's intellectual property. The Legal Department also has the obligation to act in support of staff that is affected by contracts whose purpose is to negotiate, concede a right, acknowledge responsibility or solicit compensation. Issues relating to pre-litigation, litigation, insurance or Group image or reputation also must be brought before the Legal Department.

A contract approval procedure has been established. This requires that, prior to the signature of a contract by the General Management (or by a person authorized by mandate or proxy to represent General Management), a tracking ticket must be validated by the staff member in charge of a case, director concerned by a contract and/or the manager of the competent Business Unit. In addition, depending on the purpose, type, parties to and/or the amount of a contract, the Finance Department, the Intellectual Property Department

and/or the R&D Director must also validate the tracking ticket. Lastly, the Legal Department must sign the tracking ticket if it participated in negotiating, reviewing and/or drafting the contract.

The Legal department contributes to ensuring that issues that must be reviewed and/or approved by the Company's Board of Directors under the laws, regulations, Rules of Procedure or good governance rules, such as those stipulated under the AFEP-MEDEF Code, are actually brought before the directors and, if necessary, submitted for prior approval and/or subsequent ratification.

In performing its tasks, the Legal Department is supported by external lawyers where matters involve foreign law, or where matters concern specialized areas that fall outside the area of expertise of the Legal Department.

> *VIII. Accounting and financial organization management process*

VIII.1. Principles and Key Actors

VIII.1.1. General organization

The Group's accounting and financial organization is incorporated into the operational control system in place within the Group and is a component of this system.

The Company's Finance Department, placed under the responsibility of the Chief Financial Officer, includes:

- an Accounting Department;
- a Management Control Department;
- a Consolidation and Internal Control Department;
- a Treasury Department;
- an Investor Relations and Financial Communication Department.

Some of the Company's subsidiaries have an Accounting/Management Control Department and a Treasury Department headed by a financial controller placed under the authority of the Group's Chief Financial Officer. Other Group subsidiaries have an external Accounting Department placed under the responsibility of a financial controller who reports to the head of the Company's Group Management Control Department.

VIII.1.2. Application of the accounting rules

The Company is autonomous in maintaining and keeping its accounting books. The Accounting Departments make the entries, prepare the general ledger and prepare the social accounting declarations. Pursuant to Regulation (EC) No. 1606/2002 of July 19, 2002, the Company has published its consolidated financial statements in accordance with the international accounting standards (IFRS) since April 1, 2005.

VIII.2. Role of the Finance Department

VIII.2.1. Key role of the Chief Financial Officer

The Chief Financial Officer is a member of the Executive Committee, the internal management structure, and his main role is to achieve operational consistency around the Chairman and CEO, to whom all the members of the Executive Committee report directly.

The Chief Financial Officer is responsible for centralizing and presenting all the management indicators tracked by the Company's General Management and the Board of Directors.

VIII.2.2. Support of management and control of Group performance

The Group is organized into two Business Units: "Communication & Power" and "Digital Electronics".

The Group's management is organized by Business Unit based on the following principles:

- each operational unit is coordinated by a manager;
- together with the different operational units and the Functional Departments, the Finance Department prepares a budgetary plan for each fiscal year for the individual operational units and a comprehensive consolidated plan;
- detailed monthly reporting on the performance of the operational units (revenue and profitability indicators) and monthly reporting on the consolidated results of the Group are sent to the Chairman and CEO and to the members of the Executive Committee;

- regular management meetings between the members of the Company's General Management and the managers of the operational units that are attended by the Finance Department take place each month;
- investment authorizations are centralized and all approved by an ad hoc committee.

The subsidiaries' control procedures rely on a centralized control system based on subsidiary accounting and cash flow tracking.

During the fiscal year, the Group has continued its "Strategic Planning" process with the identification of the major strategic challenges for the Group in the medium term. This process, placed under the responsibility of the Chairman and CEO, leads the Group to a regular revision of its strategic challenges.

VIII.3. Role of the Board of Directors

VIII.3.1. Controls and verifications

Each year, the annual budget, a breakdown of the long-term plan, is approved by the Board of Directors, after analysis and approval by the Audit and Risks Committee. This budget is used for the management of the economic performance of each operational unit and of the entire Group.

At each meeting of the Board of Directors, the Chief Financial Officer presents the Group's actual situation compared to the annual budget.

VIII.3.2. Closing of the books

The draft annual consolidated and individual financial statements, along with notes, are sent prior to the Board meeting convened to approve the financial statements of the fiscal year to the members of the Audit and Risks Committee.

This Committee meets prior to the meeting of the Board of Directors finalizing the financial statements, and reviews the financial statements. The Audit and Risks Committee also meets with the statutory auditors without the Group Management and obtains their opinion on the accounting information presented.

The financial statements, once approved by the Audit and Risks Committee, are submitted to the Board of Directors, where they are approved.

VIII.3.3. Dealings with the statutory auditors

Pursuant to the legal provisions, the financial statements of the Soitec Group are audited by joint statutory auditors. Their mission includes all of the companies included in the scope of consolidation. Each company is subject to a complete audit or a limited review, as appropriate, twice a year. The statutory auditors are informed ahead of the preparation process of the financial statements. They present a summary of their work to the Group Finance Department and to the Audit and Risks Committee at each half-yearly and year-end close.

In performing their duties, the statutory auditors are also called upon to (i) familiarize themselves with the organization and operating of the internal control procedures applied, (ii) to present their observations, as appropriate, on the description given of the internal control and risk management procedures on the preparation and processing of the accounting and financial information, and (iii) to certify the preparation of other information required under Article L. 225-37 of the French Commercial Code of the Chairman of the Board of Directors report on corporate governance, internal control and risks management procedures and risk management, which, for such purposes, have been reviewed by the statutory auditors.

Ernst&Young and KPMG were appointed for a period of six years beginning at the Shareholders' General Meeting of July 25, 2016, and ending at the close of the Shareholders' General Meeting called to approve the financial statements for the year ended March 31, 2022.

VIII.4. Process for preparing published accounting and financial information

VIII.4.1. Quality criteria

The Company is committed to publishing true and accurate information, and to bring to the public's knowledge, as soon as possible, any event which may have a significant impact on the price of its financial instruments.

All of the Company's financial reporting documents are published on the Company's website under the heading "Company/Investors" at https://www.soitec.com/en/investors and are available for a minimum of five years.

VIII.4.2. Principles and key steps in the preparation of the published financial information

The accounting and financial information is developed using data prepared by the Finance Department.

The Head of Investor Relations is responsible for preparing the first draft of the document including the significant elements to be brought to the public's attention, which he submits for approval to the Chief Financial Officer and then to the Chairman and CEO. The Legal Department may also participate in drafting and/or reviewing the draft copy.

The draft is approved by all involved persons internally and is then sent to the members of the Audit and Risks Committee and/or, as appropriate, the Board of Directors. These entities then have the opportunity to make comments and/or suggestions of modifications they deem important.

If the draft has been validated by the Audit and Risks Committee and/or the Board of Directors, as appropriate, it is published under the terms typical to the field.

At each stage, the accuracy and precision of the information, its consistency, its prudent and non-misleading nature are the key points that undergo a systematic check.

a/ Investments/divestments/research and development

Research and development costs are accounted for as expenses as they occur, if the criteria required by IAS 38 making their activation possible on the balance sheet are not met, while amounts received in connection with contracts or grants are deducted from gross research and development costs to get a net amount allocated to the income statement. Some research and development costs may benefit from a research tax credit, which is deducted from the research and development costs in accordance with IAS 20.

Conditional grants in light of incurred expenses are accounted for based on the degree of probability that these grants will be paid, based on a final valuation validated by the Finance Department.

b/ Cash Flow/Financing and financial instruments

The Company adopts a very conservative policy for investing temporary surpluses, which are invested exclusively in cash products. The Company's cash assets are primarily expressed in euros and in U.S. dollars and are essentially concentrated in first-rate financial institutions or directly invested in securities issued by sovereign governments. Financial equilibrium between the entities of the Group is managed by means of:

- annual cash flow forecasts revised on a monthly basis;
- a centralized Group cash flow management system from the parent Company.

The Group's Finance Department handles its subsidiaries' financing wherever the regulations allow this, through cash centralization agreements or intra-Group financing contracts, and payment and collection of flows in foreign currencies.

This centralization allows General Management:

- to manage and analyze changes in its external debt;
- to manage the interest rate risk inherent in contracted debt;
- to finance the subsidiaries in their currency wherever the regulations so permit;
- to assimilate and manage foreign exchange risk inherent in commercial and financial flows.

The centralized worldwide choice of partner banks and their effective management over time are important components of internal control. Thanks to this organization, the Finance Department is able to ensure extensive control of the Group's cash flow operations.

c/ Consolidation

The consolidation process is a centralized process in the Soitec Group.

Monthly reporting, budgets and the consolidation of accounting data are managed on a single IT system.

The objectives of the consolidation and management system in terms of control are as follows:

- proceed with automated monitoring of the consistency of the financial data submitted by the subsidiaries;
- process collected information faster;
- increase the degree of homogenization via formatted submission and retrieval tables;
- apply international accounting standards (IFRS). Accounting principles and definitions are formalized and available to all users.

These tools are intended to improve the reliability of the data provided and also allow faster processing of data.

The financial statements of the subsidiaries are centralized by the Finance Department in order to harmonize the local financial statements with the Group's accounting principles.

The subsidiaries prepare a detailed financial report every month in accordance with the model selected by the Group. This model has been developed so as to permit precise analysis of the formation of financial flows, as well as that of revenues by comparing them with the budgets.

The reporting procedure thus aims to supply Management with a detailed analysis of changes in results and of specific key indicators, and makes it possible to measure the efficiency of the organization that has been implemented.

The reporting stages may be summarized as follows:

- preparation and approval of an annual detailed budget, which is then updated on a monthly basis;
- monthly reporting on the results, cash flow and investment;
- detailed analysis of differences;
- quarterly budgetary review during the coordination and control meetings.

The results and forecasts are reviewed on a quarterly basis to ensure that the objectives are achieved.

The monthly budget is used as a control tool to validate and analyze the actual monthly results. Regular tracking of the results makes it possible to take the necessary corrective measures as needed.

d/ Procedure for reporting and consolidation of data

The published consolidated financial statements are prepared by the Finance Department on the basis of the audited financial statements of the subsidiaries.

The financial statements are prepared by the subsidiaries in compliance with the Group's accounting regulations and following a schedule defined by the Finance Department.

The main accounting estimates and options used by the Group are mentioned in advance of the closing of the accounts with the statutory auditors.

e/ Group controls

The data provided by the subsidiaries is verified by the consolidation team at headquarters, which carries out consistency checks and validates the accounting entries presenting the highest risks prior to the consolidation of the financial statements.

These financial statements are consolidated at Group level. The Group Finance Department is therefore the only body empowered to make consolidation accounting entries.

The statutory auditors of the parent company audit the consolidated financial statements. The statements sent by the subsidiaries are reviewed by local external auditors as necessary.

The statutory auditors draw up, as part of their mission, letters of recommendation on the procedures and financial statements which are monitored by the Group's Finance Department.

f/ Management of external financial data

The Group's financial statements are prepared using data from the accounting software package and are then incorporated in the half-year and annual reports, which are reviewed by the external auditors.

The Group's publications are drafted in accordance with the information collected by the Finance Department and systematically validated by the Group Chief Financial Officer.

IX. Risks management

The Company's objective is to ensure that the internal control system allows for the prevention of, to the extent possible, the risks to which it is exposed. The Company has completed risk mapping, which provides it with a more systematic surveillance tool.

The risk mapping was transmitted to the statutory auditors during the internal control inspection process and provides an analysis of the gross risk, compensating controls and residual risk by category: operational, compliance and business.

In conclusion, the internal control procedures are now adapted to the size of the enterprise and the nature of its activities, thus responding to executives' and shareholders' needs.

The Company has successfully completed most of the projects it initiated, aiming to bring its internal control environment in line with that of the AMF's "Reference Framework."

The Chairman of the Board of Directors

16.5.2. Statutory auditors' report, prepared pursuant to Article L. 225-235 of the French Commercial Code, on the report of the Chairman of the Board of Directors of Soitec S.A.

Year ended 31 March 2017

To the Shareholders,

In our capacity as Auditors for Soitec S.A. and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of your Company, in accordance with the provisions of Article L. 225-37 of the French Commercial Code for the year ended 31 March 2017.

The Chairman is responsible for preparing and submitting for the approval of the Board of Directors a report on the internal control and risk management procedures implemented within the Company and providing the other information required by Article L. 225-37 of the French Commercial Code, particularly in relation to corporate governance.

It is our responsibility to:

- notify you of the observations we have made on the information contained in the Chairman's report concerning the internal control and risk management procedures relating to the preparation and treatment of the accounting and financial information; and
- certify that the report contains the other information required by Article L. 225-37 of the French Commercial Code, on the understanding that it is not our responsibility to check the reliability of this other information.

We have carried out our work in accordance with the professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and treatment of the accounting and financial information

Professional standards require the implementation of due diligence practices designed to assess the reliability of the information concerning the internal control and risk management procedures relating to the preparation and treatment of the accounting and financial information contained in the Chairman's report. Our due diligence specifically involved:

- familiarizing ourselves with the internal control and risk management procedures relating to the preparation and treatment of the accounting and financial information underlying the information presented in the Chairman's report and the existing documentation;
- familiarizing ourselves with the work underlying the preparation of this information and the existing documentation;
- determining whether any major internal control and risk management shortcomings concerning the preparation and treatment of the accounting and financial information which we may have revealed in our audit are appropriately explained in the Chairman's report.

On the basis of this work, we do not have any observation to make on the information concerning the Company's internal control and risk management procedures relating to the preparation and treatment of the accounting and financial information contained in the report of the Chairman of the Board of Directors, prepared in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

Other information

We certify that the report of the Chairman of the Board of Directors contains the other information required under Article L. 225-37 of the French Commercial Code.

Paris-La Défense and Lyon, 28 June 2017

Statutory auditors

KPMG Audit		Ernst & Young Audit
Stéphane Devin Associé	Jacques Pierre Associé	Nicolas Sabran Associé

17

PEOPLE

17.1. Job indicators

17.1.1. Employees and breakdown by age and work region

At 31 March 2017, total headcount [1] was 942 employees, 77 of whom were on fixed-term contracts.

The average age is 40.5.

The distribution of employees is as follows:

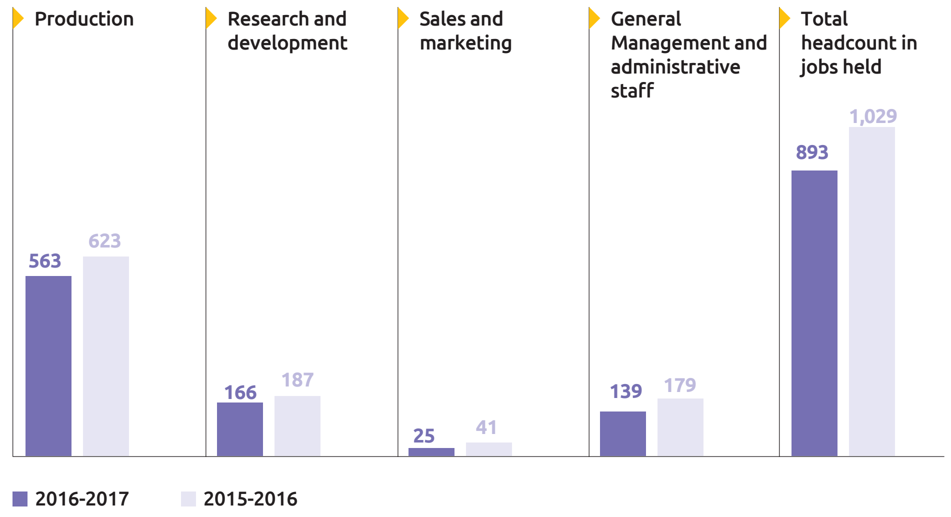
- the Electronics business is deployed through the following entities:
  - in France: Soitec S.A. (Bernin),
  - in the United States: Soitec USA Inc. (San Diego),
  - in Asia: Soitec Microelectronics Singapore Pte Ltd, Soitec Japan Inc., Soitec Trading Co, Soitec Korea LLC (Singapore, Japan, China, South Korea, Taiwan);
- the "other businesses" included the following entities for the year:
  - in the United States: Soitec Solar Inc. (San Diego),
  - in France: Soitec Solar (Paris),
  - in Germany: Soitec Solar GmbH (Freiburg).

Status of registered employees	Electronics France	Electronics United States	Electronics Asia	Other Businesses United States France* Germany*	Group
Workforce at 31 March 2017	911	13	13	5	942
of which fixed-term contracts	*71*	-	-	-	*71*
of which work-study contracts	*6*				*6*
Average age	40.2	49.3	46.7	34.3	40.5
Breakdown by category					
• Operators	31%	0%	0%	0%	30%
• Technicians and office workers	35%	15%	15%	80%	34%
• Engineers and executives	34%	85%	85%	20%	36%
Breakdown by activity					
• General Management and administrative staff	14%	38%	54%	0%	15%
• Sales and marketing	1%	54%	46%	0%	3%
• Research and development	19%	8%	0%	0%	19%
• Production	66%	0%	0%	100%	63%

* *At 31 March 2017, the Paris and Freiburg sites were closed and no employees are registered in either of them.*

Breakdown by age bracket	Electronics France	Electronics United States	Electronics Asia	Other Businesses United States France Germany	Group
Under 25	3%	0%	0%	0%	3%
25 to 35 years of age	23%	8%	15%	60%	23%
35 to 45 years of age	47%	31%	31%	20%	46%
45 to 55 years of age	23%	31%	46%	20%	23%
Over 55	4%	31%	8%	0%	5%

The Soitec headcount breaks down as follows:



(1) This involves registered employees.

17.1.2. Stable workforce and lower turnover

	Electronics France	Electronics United States	Electronics Asia	Other Businesses United States France Germany	Group
Changes in headcount in 2016-2017	17	(4)	3	(23)	(7)
• of which operators	11	-	-	(1)	10
• of which technicians and office workers	10	-	1	(5)	6
• of which engineers and executives	(4)	(4)	2	(17)	(23)
• of which new hires	130	1	5	2	138
Permanent work contracts	40	1	5	2	48
Fixed-term contracts	90	-	-	-	90
• of which outgoing	113	5	2	25	145
Resignations	15	1	2	2	20
Group departure plan	-	4	-	23	27
Dismissals	16	-	-	-	16
Terminations by mutual agreement	12	-	-	-	12
End of fixed-term contract	57	-	-	-	57
Other reasons for departure	13	-	-	-	13

The Group headcount includes 7 fewer employees than at the end of 31 March 2016, a decrease of 0.7%. Growth related to the increase in volume of the Electronics business was diminished by the winding down of the Solar Energies business, which continued during the year and involved the departure of 27 persons through a restructuring of the Group. The annual average headcount of the Group, calculated in numbers of jobs held, fell by 893 for the 2016-2017 fiscal year, compared to 1,029 for the 2015-2016 fiscal year, a decrease of 13%.

	Electronics France	Electronics United States	Electronics Asia	Other Businesses United States France Germany	Group
Turnover rate(1)	4.7%	28.6%	16%	77.4%	5.7%
Resignation rate(1)	1.7%	7.1%	16%	38.7%	2.2%

(1) Turnover and resignation rates are defined in Chapter 28, "Reconciliation table."

The Group's turnover rate continues to fall: 5.7% for the 2016-2017 fiscal year, compared to 6.5% for 2015-2016.

In the scope of Soitec S.A. [2], the resignation rate from one year to the next was halved (2.9% for 2015-2016) and is very low, which attests to the quality of working conditions at Soitec.

(2) The resignation rate pertains to Soitec S.A. It is not relevant to compare the resignation rate throughout the Group between 2015-2016 and 2016-2017 due to the major reduction in staff worldwide through the halting of the Solar, Lighting and Other Equipment businesses.

17.2. Interests and stock options

17.2.1. Interests held by the administrative and management bodies in the Company's share capital

Reference is made to paragraph 14.1.1.5 of this Reference Document.

17.2.2. Stock options and free performance shares

The following elements present the transactions of granting, exercising and cancelling stock options, as well as the transactions of allocating, vesting and cancelling free performance shares, that occurred during the fiscal year ended on March 31, 2017.

17.2.2.1. Stock options

At the present date, there is no longer any outstanding stock option plan.

a/ Corporate officer

No new stock option has been granted to Mr Paul Boudre during the 2016-2017 fiscal year.

No stock option has been exercised by Mr Paul Boudre during the 2016-2017 fiscal year.

b/ Employees

No new stock option has been granted to the employees during the 2016-2017 fiscal year.

No stock option has been exercised by the employees during the 2016-2017 fiscal year.

c/ Special report on stock options for the 2016-2017 fiscal year

Pursuant to Article L. 225-184 of the French Commercial Code, we disclose below the transactions of granting, exercising and cancelling of stock options of your Company (the "Company") undertaken during the 2016-2017 fiscal year.

I. Granting of stock options during the 2016-2017 fiscal year:

During 2016-2017 fiscal year, no stock option has been granted to employees or to the corporate officer, neither by the Company or by the companies under its control as per the meaning of Article L. 233-16 of the French Commercial Code, or by the companies or consortiums bound to the Company under the conditions set forth by Article L. 225-180 of the French Commercial Code.

II. Exercising of stock options during the 2016-2017 fiscal year:

1. Exercising of stock options under plans granted in 2016-2017:
Not applicable.

2. Exercising of stock options under plans previously granted:
No stock option has been exercised by the employees or by the corporate officer under plans previously granted.

III. Cancelling of stock options during the 2016-2017 fiscal year:

Under the stock options allocation plan set up by the Board of Directors on July 6, 2006, and ended on July 5, 2016:

- 55,976 options granted to an executive employee have been cancelled further to the expiry of the plan and given that no option have been exercised as of that date.

Under the stock options allocation plan set up by the Board of Directors on October 26, 2006, and ended on October 25, 2016:

- 319,861 options granted to the corporate officer, Mr Paul Boudre, have been cancelled further to the expiry of the plan and given that no option have been exercised as of that date.

17.2.2.2. *Free allocations of performance shares*

Reference is made to paragraph 15 and 21 of this Reference Document giving detailed explanation on the free shares plans existing before 2016-2017 fiscal year, as well as on the implementation, during the fiscal year ended on March 31, 2017, of a free preference shares allocation plan, with performance conditions, granted to certain employees and to the corporate officer, Mr Paul Boudre.

a/ Corporate officer

44,947 conditional rights to preference shares have been allocated to the corporate officer, Mr Paul Boudre, during the 2016-2017 fiscal year, corresponding to plan no. 3 of the table shown in c/below.

b/ Employees

A total of 189,472 free shares (data before reverse stock split operations that became effective on February 8, 2017) has been vested by employees during the 2016-2017 fiscal year, corresponding to plans no. 1 and 2 of the table shown in c/below, that existed before the 2016-2017 fiscal year.

A total of 250,756 conditional rights to preference shares has been allocated to certain employees (excluded the corporate officer) during the 2016-2017 fiscal year, c corresponding to plan no. 3 of the table shown in c/below.

c/ Summary table

Table 9 of annex 3 of the AFEP-MEDEF Code

History of performance shares allocations
Information on performance shares

	Plan no. 1	Plan no. 2	Plan no. 3	Plan no. 4
Shareholders' General Meeting date	06/24/2011	07/02/2013	April 11 & 29, 2016	-
Board of Directors date	06/04/2012	03/06/2014	07/26/2016	-
Total number of allocated shares, including the number that may be allocated to:	244,760*	108,800*	295,703**	-
Mr Paul Boudre	*0*	*0*	*44,947***	-
Vesting date of the shares	06/04/2016	03/06/2016	07/26/2017***	-
End of the holding period	-	03/05/2018	07/26/2019****	-
Performance conditions	yes	yes	yes	-
Vested shares as of March 31, 2017	80,672*	108,800*	0	-
Cumulative number of canceled or void shares	164,088*	0	0	-
Remaining performance shares at the end of the fiscal year (March 31, 2017)	0	0	295,703**	-

* *Data before reverse stock split operations that became effective on February 8, 2017.*
** *Conditional rights to preference shares.*
*** *Definitive vesting period of the preference shares.*
**** *Availability date of the ordinary shares (after conversion of the preference shares into ordinary shares).*

d/ Special report on the transactions of free allocation of shares for the 2016-2017 fiscal year

Pursuant to Article L. 225-197-4 of the French Commercial Code, we disclose below the transactions of free shares allocation of the Company (the "Company") undertaken during the 2016-2017 fiscal year.

I. Free allocations of shares during the 2016-2017 fiscal year:

In accordance with the authorization granted by the Joint Shareholders' General Meeting of the Company held on April 11, 2016 on first notice and on April 29, 2016 on second notice, the Board of Directors made use of the delegation granted to it for the purpose of implementing a free preference shares allocation plan, with performance and presence conditions, in favor of certain employees and of the corporate officer, Mr Paul Boudre, in the following proportions:

Shareholders' General Meeting date						**April 11 & 29, 2016**
Board of Directors date	07/26/2016	12/06/2016	03/30/2017	07/26/2016	12/06/2016	03/30/2017
Number of allocated preference shares (PS)	236,157	3,798	29,410	20,639	2,832	2,867
including the number of preference shares for the corporate officer	*44,947*	*0*	*0*	*0*	*0*	*0*
including the number of preference shares for the 10 employees of the Company, non corporate officers, to whom the number of allocated free shares is the highest	*169,229*	*0*	*16,500*	*0*	*0*	*0*
Beneificiaries number	18	2	9	3	1	1
PS conditional allocation date	07/26/2016	12/06/2016	03/30/2017	07/26/2016	12/06/2016	03/30/2017
PS definitive allocation date	07/26/2017	12/06/2017	03/30/2018	07/26/2019	12/06/2019	03/30/2020
Conversion date into ordinary shares (OS)	07/26/2019	12/06/2019	03/30/2020	07/26/2019	12/06/2019	03/30/2020
Maximum coefficient of conversion into ordinary shares	5 OS for 1 PS					

It is specified that during 2016-2017 fiscal year, no free share has been granted to the corporate officer, Mr Paul Boudre, due to the duties and functions held by him, by the companies that are controlled by the Company as per the meaning of Article L. 233-16 of the French Commercial Code.

It is also specified that during 2016-2017 fiscal year, no free share has been granted to the employees or to the corporate officer by the companies or consortiums bound to the Company under the conditions of Article L. 225-197-2 of the French Commercial Code.

II. Vesting during 2016-2017 fiscal year of shares freely allocated during previous fiscal years:

At the present date, there is no longer any free share to be vested under the free shares allocation plans coming from the authorizations adopted by the Shareholders' General Meetings held on June 24, 2011 and July 2, 2013.

The last free shares coming from the said plans have been vested during the fiscal year ended on March 31, 2017, as hereinafter explained.

Under the free performance shares allocation plan set up by the Board of Directors on June 4, 2012, granted to executive employees of the Company, the vesting period having expired on June 3, 2016, the Board of Directors convened on June 14, 2016 has firstly noted the expiry of the vesting period of the last 80,672 free shares allocated during its meeting of June 4, 2012 (data before reverse stock split operations that became effective on February 8, 2017), and secondly found the correlative share capital increase of the Company.

Under the free performance shares allocation plan set up by the Board of Directors on March 6, 2014, granted to an executive employee of the Company, the vesting period having expired on March 5, 2016, the Board of Directors convened on June 14, 2016 has firstly noted the expiry of the vesting period of all the 108,800 free shares allocated during its meeting of March 6, 2014 (data before reverse stock split operations that became effective on February 8, 2017), and secondly found the correlative share capital increase of the Company. The Board of Directors has also specified that the inscription in registered account of the 108,800 new shares (data before reverse stock split operations that became effective on February 8, 2017) issued in favor of the beneficiary of the plan dated March 6, 2014 would mention their unavailability until the expiry of the holding period set forth by the said plan on March 5, 2018.

III. Cancellations during 2016-2017 fiscal year of shares freely allocated during previous fiscal years:

Under the free shares allocation plan set up by the Board of Directors on June 4, 2012:

- 34,528 free shares (data before reverse stock split operations that became effective on February 8, 2017) granted to two executive employees, have been cancelled further to their departures on April 2, 2015 and December 18, 2015.

Under the free shares allocation plan set up by the Board of Directors on March 6, 2014:

- no free share has been cancelled because all the 108,800 free shares (data before reverse stock split operations that became effective on February 8, 2017) of the said plan have been vested by the beneficiary during the fiscal year ended on March 31, 2017 (cf. paragraph II. above).

17.3. Agreement providing for employees profit-sharing schemes and participation of the employees in the Company's share capital

Reference is made to paragraph 17.2.2 of this Reference Document describing the stock options and the free allocations of shares granted to the employees, giving them the opportunity, under certain conditions, to participate in the Company's share capital.

In accordance with Article L. 225-102 of the French Commercial Code, it is stated, on the basis of the information coming from the registered shareholders' list dated June 14, 2017, that the participation of the employees in the Company's share capital corresponds to 48,714 shares in registered accounts, i.e. approximately 0.16% of the capital.

17.4. Additional social information regarding the Company

17.4.1. A better-controlled payroll

Gross payroll for Soitec S.A. (1) for the year was €68.7 million. It includes €24.3 million in employer contributions.

The increase in payroll is due mainly to the increase in staff in France, (+1.1% of jobs held on average), as well as a noticeable increase in social contributions related to the resumption of additional supplementary pension contributions during the year (Article 83).

Despite the increase in compensation related to the Soitec S.A. salary policy (+3.3% without social contributions), the payroll remains under control because of a more detailed analysis of costs over the year and the distillation of the managerial structure. These payroll management measures caused a drop in the average salary of 1.4% between the 2015-2016 and 2016-2017 fiscal years.

The compensation system includes the remuneration elements linked to a given job, and to individual performance (base salary and bonuses for meeting targets) as well as compensation linked to collective performance and/or to the Company's results, through incentives and efficiency bonuses.

> *Extended scope of bonuses for meeting targets and collective bonuses*

During the 2016 annual negotiations, it was agreed to extend the scope of bonuses for meeting targets to new beneficiaries: technicians with coefficient grades of 335 and 365 and level C2 and C3 executives. A total of 205 persons again received a bonus for meeting individual targets over three quarters in the 2016-2017 fiscal year.

In addition, the ceiling for existing collective bonuses was increased by 10%. These are paid to all employees not affected by a bonus for meeting targets, regardless of their business line.

(In € thousand)	
Payroll in 2016-2017	68,722
• of which employer contributions	24,354
Average salary increases	2.16%
Average annual salary *(in €)*	40,107

(1) All the data that follow will be calculated for Soitec S.A., i.e., 97% of the headcount (see Chapter 28 "Reconciliation table").

FOCUS: A NEW PROFIT-SHARING AGREEMENT TO IMPROVE EMPLOYEES' UNDERSTANDING OF SHARED INTERESTS.

The Company's employees are involved in achieving results through the award of a profit-sharing bonus. A new profit-sharing agreement was signed on 21 June 2016, between Soitec S.A. and all the union organizations, and will remain in force for three years. Its objective is to strengthen employees' understanding of shared interests by giving them a share in the Company's profits.

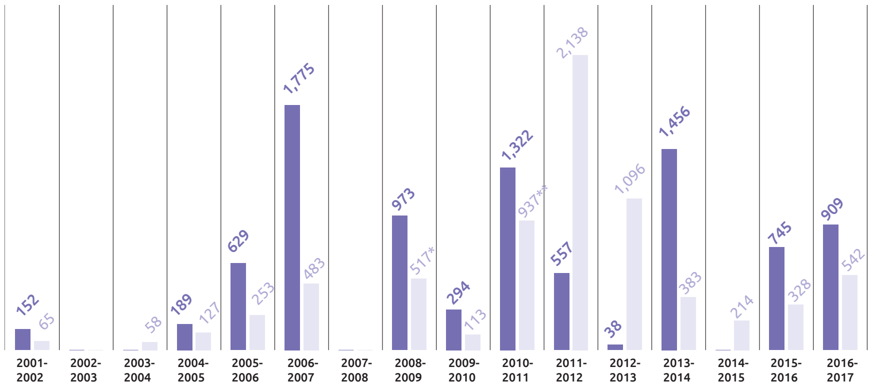
The agreement involves three distinct types of profit-sharing plans:

- an annual profit-sharing award based on the Company's end of year EBITDA, representing up to 8% of payroll for the 2016-2017 period;
- two half-yearly profit-sharing plans based on sales achieved by the Company in the half-year just ended, whose amounts are potentially increased or decreased depending on achieving targets based on the following four criteria:
  - well-being at work (rate of availability of employees),
  - competitiveness (decreases in production costs of the 200 mm wafers),
  - safety (number of near misses reported),
  - quality (index of the quality of wafers produced).

These two half-yearly profit-sharing plans represent a maximum of 2% of payroll to be distributed uniformly to all eligible employees.

Profit-sharing awards and contributions in past years

(in € thousand)



Profit-sharing awards   Contributions to employee savings plans

* *Includes contributions under BSAAR warrants in the amount of €317,000.*
** *Includes contributions under BSAAR warrants in the amount of €182,000.*

17.4.2. Absenteeism is down thanks to heightened awareness among employees

Absenteeism at Soitec was 4.3% for the 2016-2017 fiscal year, of which 2.7% was related to short-term absences (< 3 months). Absenteeism was 4.5% in 2015-2016, of which 2.9% was related to short-term absences. This figure is declining, especially among operators, who showed a 1% drop between 2015-2016 and 2016-2017. It is lower than the average rate of absenteeism for companies with over 100 employees, which is 4.76% (1).

This decrease can be partially explained by the strong effort to make staff aware of the psycho-social risks of this phenomenon with the reporting on the *Safe 3* and Karasek surveys. Employees were educated on both the psycho-social risk factors and the impact of short-term absenteeism on collective work. Action plans were put in place among staff to promote idea sharing and to identify ways to improve the quality of life in the workplace.

In addition, when the profit-sharing agreement came up for renegotiation with the social partners, the rate of collective "presenteeism" was selected as an indicator of well-being at work. Accordingly, this indicator is regularly monitored and the achievement of a half-yearly objective has weight in determining the amount of the profit-sharing bonus, in the same manner that safety, competitiveness and quality indicators do.

Also, a new work schedule for staff was implemented under the Transformation process. For some years now, employee requests regarding this have been emerging. This schedule reduces the number of posts worked on a schedule different from the usual schedule of employees. (See Chapter 17.4.3. "Organization of working time – Focus on the reordering of staff schedule").

17.4.3. Organization of working time

Organization of working time in France, by population type, was defined by a collective agreement in March 2000.

For production and production support staff, the schedule in place is based on five alternating teams which provides for 24-hour staffing, 365 days per year. The average actual working time for hourly staff members is 30.75 hours per week.

The schedule of personnel working on a continuous schedule is composed of four annual cycles, during which employees work on a schedule different from their usual schedule. This system of changing shifts makes it possible for employees on night shifts, for example, to occasionally work on day shifts. In 2016, collective discussions were conducted to reorder work schedules so as to improve the shift changing system.

FOCUS ON THE REORDERING OF STAFF SCHEDULES

The analysis and reordering of staff schedules was carried out under the "transformation initiative" (see Chapter 5.3. "Soitec's CSR Strategy", Focus "The Transformation project"). Changing work schedules for staff that work on 24/7 shift patterns is a complex social dialogue challenge because the interests of particular persons do not converge. This is because each change benefiting one team exerted a negative impact on another team, and had been a stumbling block to discussions for several years. Nonetheless, this initiative format, by involving employees working during all hours, resulted in the design of a new schedule, which was adopted following a survey of all employees concerned. The new schedule took effect beginning on 1 January 2017.

(1) Data from Ayming's (formerly the Alma Consulting Group) 8th Absenteeism Barometer® index of 2015.

For staff in administrative and support functions, especially at headquarters and R&D, actual work time is 34.6 hours; they receive recuperation days under the agreement due to a reduction in work time (*RTT*) implemented on 1 March 2000.

In accordance with the agreement to reduce work time implemented at the same time, engineers and managers work a maximum of 218 days per year, according to the agreement.

There are 71 employees working part-time, all in France, which represents 8% of the total headcount (8% in France), a 12% decrease compared to 2015-2016, related to parental leave.

An experimental agreement on teleworking was negotiated (see Chapter 17.5. "Dialogue with our employees – Focus on Teleworking").

17.5. Dialogue with our employees

17.5.1. A new form of dialogue with Transformation

Staff elections were held in 2016. Representatives were voted in to various bodies: staff representatives, the Works Council and the Hygiene, Safety and Working Conditions Committee (CHSCT). Participation in the voting process for all elections was good, with 78% of staff voting. Union representation at Soitec was modified slightly, with the arrival of a fourth union organization.

The Transformation also affects social dialogue with discussions carried out on such varied subjects as recognition, teleworking, working hours and annual interviews in the form of "initiatives" (see Chapter 5.3. "Soitec's CSR Strategy", Focus "The Transformation project"). This system of initiatives is useful in working on complex issues that have an impact on many employees. It can be used to deal with issues collectively in a constructive and iterative manner to find specific solutions to subjects that had been critical for several months or even years.

This transformation is also a part of the spirit adopted by the social partners in agreeing on the National Cross-Industry Agreement of 19 June 2013, "Toward a policy of improving the quality of working life and professional equality," which establishes the basis for extended social dialogue to all employees.

Among the results of this new form of social dialogue is the signature of an experimental agreement on teleworking (see Focus on the right).

Furthermore, Soitec regularly provides resources outside of the legal arena and Soitec company agreements to allow social dialogue with employee representatives, especially during annual negotiations.

FOCUS: AN EXPERIMENTAL AGREEMENT ON TELEWORKING NEGOTIATED THROUGH AN "INITIATIVE"

The subject had been discussed for several years among the social partners and management, without any significant progress. As part of the transformation of the Company, the overall discussions concerning well-being at work, and at the request of employees, a working group was formed to analyze and formulate proposals about the implementation of teleworking as a new form of labor organization. This group was made up of volunteers from among employees reflecting the diversity of jobs and structures of the Company who had direct or indirect experience with teleworking situations.

The initiative led to an experimental agreement for a set period concerning some 40 employees, with the members of the initiative setting out themselves the way the process would be carried out. The objective of the agreement is to measure the impact of this new method of organization on employees with regard to quality of life, involvement, performance, relations with the Company and maintaining social ties; on personnel, with regard to cohesion, results and workload; on management, regarding maintaining social ties and distance management; and on the Company, with regard to overall performance. At the end of a six-month experimental period, the parties will prepare a report on the experiment to extend the teleworking concept, if appropriate, in accordance with management rules to be determined.

Another issue at the core of the transformation relates to the quality of work relations overall on the quality of life at work. Based on a diagnostic carried out in October 2015 on the basis of the Karasek survey, particular focus was placed on the prevention of psycho-social risks in 2016 (for more details, see Chapter c., "Ensuring the well-being and safety of our employees/i. Preventing psycho-social risks,"). A group made up of Soitec employees was formed to work on this issue. The group is called the Well-Being at Work Committee (BE@T). It is steered jointly by Company management and CHSCT representatives. The conclusions of the BE@T Committee were rounded out by those of the audit commissioned by CHSCT on psycho-social risks. In order to sustain the framework of these processes, negotiations began on a quality of life at work agreement in late 2016.

17.5.2. Several collective agreements signed

Two agreements were renegotiated in 2016-2017: the profit-sharing agreement and the agreement on continuous shift schedules; an experimental agreement on teleworking was signed.

In the area of impact on the economic performance of Soitec S.A., the profit-sharing agreement signed with all the union organizations more significantly involves employees with the Company's performances, with hopes to achieve strong gains with regard to the agreement and criteria that have been reviewed.

The implementation of a profit-sharing program that is funded each half year based on operational performance criteria and distributed uniformly among all beneficiaries complies with the union requests that sought to thus promote coherence and team spirit.

As to the annual allowance, which is subordinated to a consolidated financial results criterion, EBITDA, its objective is to assimilate the actual performance achieved by all employees, taking into account the Company's structure on an overall level.

This agreement ensured proper balance between a partly egalitarian and partly proportional split for employees who respond to the aspirations of the social fabric as a whole.

Regarding the annual negotiations agreement pertaining to salaries for the 2016-2017 period, it reassessed and broadened the scope for performance-related bonuses and significantly increased the number of beneficiaries of variable bonuses based on individual targets. Accordingly, all employees now receive a variable amount awarded under the agreement, which provides Soitec with heightened resources for rewarding individual and collective performance.

Furthermore, continuing on previous agreements, the 2016 agreement includes commitments in the area of career development and its related salary increases that Soitec can use to guarantee sustained motivation of its employees and to increase the employability and skill sets of staff.

In this agreement, Soitec committed to a numerical reduction of the wage gap between women and men managers, whose targets have been achieved.

Regarding the working conditions of employees, the objective of the experimental teleworking agreement signed by all the union organizations is to determine the conditions of implementing experimental teleworking for Soitec as part of a combined and negotiated social experiment, as provided for in Chapter VII of the Soitec agreement relating to the exercise of the right to organize and to social dialogue dating from April 2015. This agreement is the result of the recommendations of a working group in the form of an initiative and of discussions with the social partners (see Focus on the left).

Founded on the principle of mutual trust between employees, the Company and managers, teleworking is based on two-way voluntary action between managers and employees, and takes into account both the organizational requirements of the Company and the individual expectations of employees, to include personal organization, commuting time, a detached perspective, work environment, etc.

The objective of the agreement is to measure the impact of this new method of organization on employees, with regard to quality of life, involvement, performance, relations with the Company and maintaining social ties; on personnel, with regard to cohesion, results and workload; on management, regarding maintaining social ties and distance management; and on the Company, with regard to overall performance.

17.6. Ensuring employee well-being and safety

17.6.1. Special attention paid to managing psycho-social risks

Soitec is convinced that psycho-social risks must be considered on the same level as the other occupational hazards. It is necessary to evaluate and plan for suitable prevention measures and to make a priority of collective measures that could eliminate the risks as far upstream as possible.

To identify these risks, Soitec set up a dedicated working group called the Well-Being at Work Committee (BE@T), which carried out the Karasek survey of the entire workforce with the assistance of a specialized firm. The Karasek model draws a link between experience at work and the health risks of this job. It uses a questionnaire which evaluates the intensity of psychological demands to which each employee is subjected, the decisional latitude which is available to them, and the social support that they receive in the workplace.

At the beginning of the 2016-2017 fiscal year, the results of the Karasek survey were analyzed and returned to all staff by the members of the BE@T Committee, together with the results of the *Safe 3* survey.

The BE@T Committee used the responses to the Karasek questionnaire to identify the departments where support actions proved necessary. A professional mediator was brought in to set up working groups with these departments with a view to identifying the source of risks and to assist employees and managers in finding relevant solutions.

After reporting on these results, managers developed action plans specific to their structures, which they then submitted to their employees.

As the objective of the BE@T Committee is to prevent psycho-social risks, it favors a collective prevention approach, focusing on work and its organization. This process addresses an overall work situation and focuses on the primary known risk factors. In this vein, the BE@T Committee identified the areas of primary prevention, which are:

- promoting autonomy: suggestion for looking into the practice of clocking break periods to promote self-regulation of operators' break times;
- working on trust between managers and employees through the launching of a project on leadership styles;
- suggestions for supporting the training of managers in identifying psycho-social risks.

In order to strengthen its role of managing quality of life at work, the BE@T Committee also began to develop quality of work life indicators (QWL) and made an ideas box available to employees to make it easier for everyone to express their needs.

Soitec is aware that prevention is also achieved by making employees aware of issues. Accordingly, it set up workshops on the theme at the Health, Safety and Well-Being at Work event organized in November 2016 (see Focus on the health, safety and well-being event):

- a company theater workshop: interpersonal relationships at work portrayed by actors in humorous mini-sketches;
- a game to reduce social tension: a game of snakes and ladders led by a professional mediator, to determine individually or as a team what themes are related to the quality of labor relations.

17.6.2. Safety: *Safe 3*, a cultural transformation program focused on improving behavior

At Soitec, substantial attention is paid to the condition of health, hygiene and safety, and the major entities in this domain direct joint efforts toward it. This includes Health, Safety and Environment (HSE), the Medical Department, General Management and Site Management, and staff representative bodies, in particular, CHSCT.

At Soitec, HSE comprises three engineers and one technician, the Medical Department has two nurses and a physician, and CHSCT has six representatives in addition to management representatives and ex officio members.

Since April 2007, a safety management program has existed under the name of Safe. It ensures sustained safety performance up to the standards of the profession.

This program consists mainly of the following actions:

- systematic safety risk analyses under the responsibility of management and with the support of HSE on 100% of workstations and new projects using a methodology that prioritizes them and implements preventive actions such as adapting workstations and providing personal and group protective equipment, as well as drafting safety recommendations;
- focus on training employees for different types of risks that they may encounter in their work (chemical, ergonomic, ionizing radiation, electrical, etc.), but also for their role and responsibility related to safety;
- regular on-site safety visits by managers;
- systemic analysis of hazardous situations, near-accidents and accidents and sharing lessons learned;
- communication and awareness-raising activities related to safety for all employees with the active participation of management;
- integration of safety criteria in performance evaluation for each employee and manager;
- improvement of safety management processes for the work of subcontractors at the Bernin site.

In spite of these efforts, it was observed that in 2016-2017 the frequency rate of lost-time accidents (FR) worsened, although it remained below the average levels of the profession, which is between 9 and 10. It was also noted that all lost-time accidents had at least one common root cause: behavior and lack of vigilance, with the characteristic of not being "business line" accidents, such as ones related to chemicals, mechanical risks or handling.

At the end of the fiscal year 2015-2016, a third phase of the Safe program was then launched, with the objective of transforming corporate culture and focusing on improving behavior patterns in workplace safety. This project started through a safety diagnostic phase to evaluate safety leadership of management and the level of interdependence in our safety ethos, with the support of an outside consultant. This diagnosis was reported on jointly with the Karasek survey results over the first quarter of the 2016-2017 fiscal year. An action plan was set up as a result of this:

- action plans prepared for each organization based on the results of the Karasek/*Safe 3* surveys were implemented;
- assistance was provided to managers by HR partners or outside consultants and the rolling out of action plans was monitored by the site's Safety Steering Committee (CDS);
- employees were made aware of the need to develop an interdependent safety ethos:
  - prior to this, a Safe newsletter containing safety essentials had been sent to all managers. It is now sent to all employees and is more educational and more lively due to animations on a rapid e-learning tool. Each subject is shared at department meetings to emphasize the safety fundamentals at Soitec and to spark discussions on these issues,
  - events focusing on health, safety and well-being were set up in November 2016 (see Focus on the Health, Safety and Well-Being event);
- appropriate conduct was promoted by encouraging the reporting of near misses;
- risk prevention was bolstered with the implementation of an "OK to Go" training program for maintenance operations that improved risk analysis prior to work and the establishment of an experimental five minutes of warm-ups at the beginning of shifts for two job types, OGM operators and warehouse personnel, to prevent musculoskeletal disorders (see Chapter 17.6.4. "Monitoring work accidents and occupational illness").

The Bernin production site successfully underwent a renewal audit as part of its OHSAS 18001 certification by the LRQA certification organization. This audit identified the areas of improvement for managing chemical risk and crisis management, which were rolled out over 2016-2017 to contribute to the continued improvement of the safety management system.

FOCUS: THE HEALTH, SAFETY AND WELL-BEING EVENT

The Health, Safety and Well-Being event was set up in November 2016 through the joint effort of HSE, the Medical Department and the BE@T Committee to provide greater awareness among employees regarding the various themes related to health, safety and well-being at work. These event days featured workshops in which employees participated during working hours on such topics as resisting change, awareness of near misses and dangerous situations and actions. An osteopathy workshop was also offered, with five osteopaths in their final year of studies at the CEESO osteopathy institute in Lyon. Each day began with a one-hour lecture on osteopathy followed by 30 openings for individual massages. In view of the success of the initiative, the Company plans to continue this service.

17.6.3. Limiting fatigue from working at night

At Soitec, the hardship factor recognized within the meaning of the national legislation is night work. The proportion of Soitec employees subject to this hardship factor was 18% in 2016. Several actions were implemented over 2016-2017 to mitigate this hardship:

17.6.3.1. Training on Sleep and Nutrition

In terms of prevention for persons working on these schedules, a training course is offered on sleep and nutrition. The purpose of this awareness-raising effort is to allow individuals to take stock of their sleep and dietary habits and practices. It also provides information and recommendations for adopting healthy practices.

Since its implementation in 2015, 178 people have taken this cause.

17.6.3.2. The Generational Agreement

Soitec is aware of what it means for people over 50 to work nights. Accordingly, it decided to foster a transition wherever possible to day shifts during the week or on weekends through its generational agreement signed in 2015 for a period of three years. Under this program, all employees over 50 who have worked night shifts for over 10 years have priority in the Company for getting day shifts.

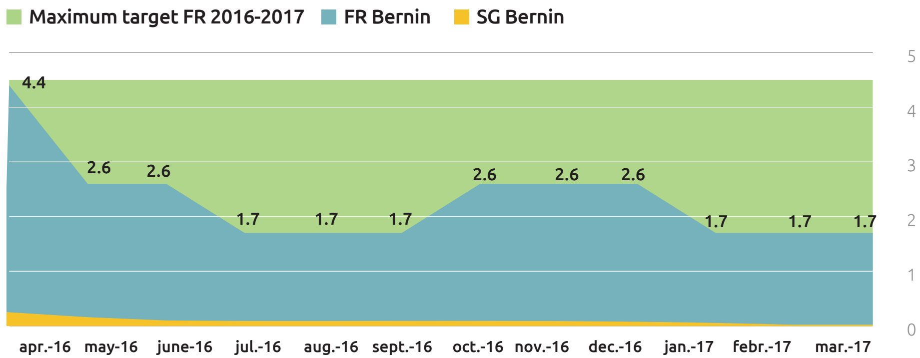
Soitec also committed to offer day shift jobs (E1/E2/E4) under identical terms to all employees over 57 who so request and to exempt them from night work.

17.6.3.3. The new production schedule

The new production schedule agreed on in 2016 following participatory processes with employees (see Chapter 17.4.3. "Organization of working time") resulted in reducing and even eliminating shift rotations, which had already been lowered to three per year. This new schedule was submitted to the employees for a vote and was adopted by a large majority.

17.6.4. Monitoring work accidents and occupational illnesses

At the end of March 2017, the frequency rate of lost-time accidents (FR) for Soitec S.A. was 1.68 related to reported lost-time accidents (2 in 2016-2017), and 0.02 for the severity rate (SR) related to the number of days lost (24 in 2016-2017). The decrease in FR since the preceding fiscal year is significant.



For 2016-2017, the objective of a frequency rate lower than 4.5 had been set consistent with targets achieved in 2015-2016 and the rate for the profession in France (equal to 5.05 [(1)]).

17.6.4.1. Analysis of accidents

An analysis is now systematic for lost-time accidents or any other significant accident or near miss. These analyses are carried out using the 8D methodology and the cause tree analysis, in working groups, with the victim present if possible, as well as CHSCT, Medical Department and HSE representatives. These are steered by managers and are intended to:

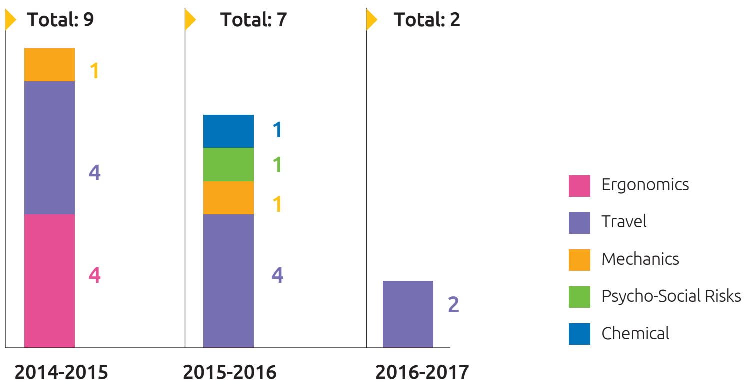
- precisely identify the root causes of accidents;
- determine and implement preventive and corrective actions;
- maintain traceability of all of these events and monitor improvements of the system;
- provide feedback to staff regarding these accidents.

A report of the analysis is then distributed at a minimum to CHSCT, the Medical Department, the accident victim and that person's immediate supervisor. An internal procedure titled "Dealing with Safety and Environmental Accidents and Incidents" describes how to send the report depending on severity of the accident.

In 2016-2017, two 8D analyses were performed following reported lost-time accidents. At the end of the year, all the actions of the 8D reports were closed out. These analyses disclosed the behavioral causes, in this case lack of vigilance, of each of these accidents.

17.6.4.2. Change in lost-time accidents

The number of accidents declined significantly over the 2016-2017 period. This has been the best performance ever achieved by Soitec. In addition, two events that were recorded had nothing to do with the business as they were driving accidents occurring in the parking area.



17.6.4.3. Lost-time accidents among subcontractors working on-site

There were no lost-time accidents among employees of subcontracting companies working at Soitec during the 2016-2017 period. This is excellent performance: no accidents with recorded lost time have occurred in 4 years, since 21 February 2013.

Analyses of accidents, involving 8D analyses for lost-time accidents, are systematically requested from companies concerned via their clients.

A report on all lost-time accidents, or of all other accidents or near misses, is made by a working group with the participation of the Soitec Client Department, the manager of the subcontracting company, the HSE Department and a representative of CHSCT.

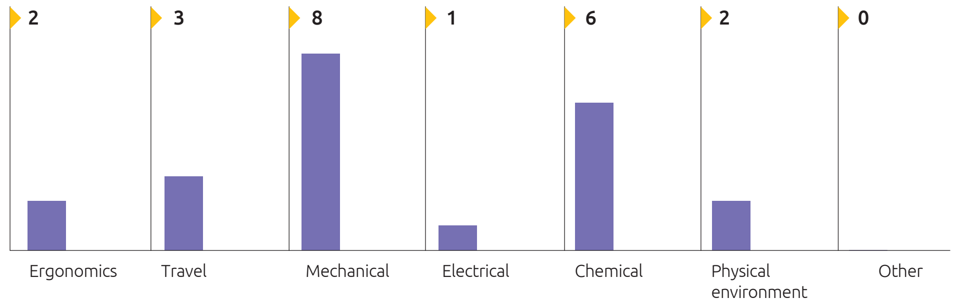
17.6.4.4. Treatment or minor work accidents that do not result in lost time

An indicator for following the number of times treatment is dispensed at the infirmary or by site emergency staff following a work accident exists and is communicated monthly to employees through the Safe newsletter. The chart below shows the change of this indicator for 2016-2017:

The number of treatment cases rose slightly from 18 in 2015-2016 to 22 in 2016-2017. Major treatment and all chemical related accidents are subject to an 8D analysis. The ratio of accidents with and without lost time conforms to the standard statistics (Bird pyramid). This constitutes a major change for this year, which is explained in large part by the emphasis placed on safety by the *Safe 3* project (see Chapter 17.6.2. "Safety: *Safe 3*, a cultural transformation program focused on improving behavior").

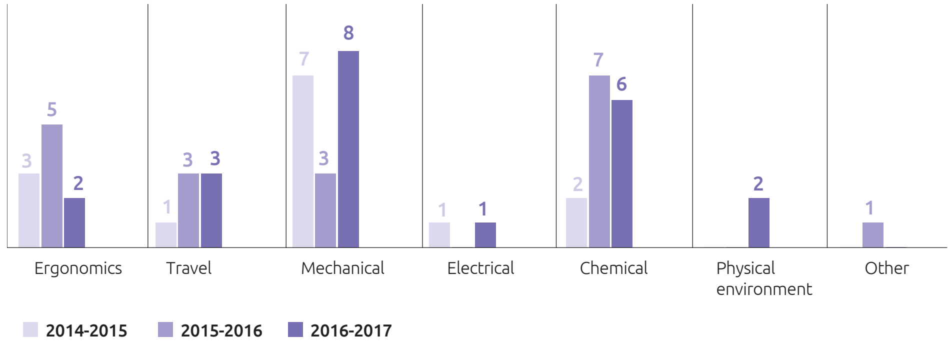
(1) Data from 2015, ACSIEL, Alliance Électronique, grouping all the entities in the electronics value chain together.

The types of treatment for the 2016-2017 period are as follows:



There was a noticeable increase in mechanical origin accidents and a decrease in those with ergonomic causes. The other categories are stable overall. A very large majority of accidents are due to behavior, i.e., non-compliance with good practices rules and recommendations, and/or lack of vigilance. The breakdown of treatment by category indicates that 70% of accidents occur with employees in Production and Maintenance Departments.

Changes in treatment types of the last five years show no clear trend.



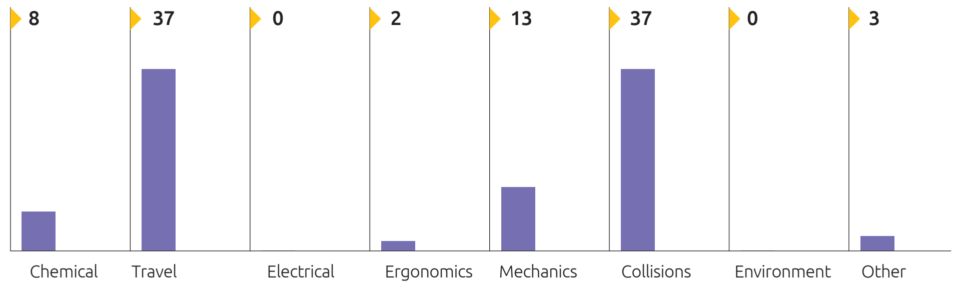
17.6.4.5. *Better reporting of near misses*

In order to facilitate reporting and monitoring near misses, a new reporting and monitoring tool was developed for near misses. Reporting objectives for near misses were determined at the Company level with an impact on the amount of profit-sharing distributed, in order to encourage all employees to report this type of event and to ensure that each one has a positive impact on a safety indicator, because providing notice of situations leading to near misses reduces the probability of a more serious event.

The impact was extremely significant, with the number of near misses reported nearly doubling between April 2016 and March 2017, for a total of 100 events reported for the year.

Near misses are systematically recorded and analyzed, and the person reporting them is informed of what corrective action has been triggered and its tracking process. Depending on criticality, near misses may be subject to an 8D analysis.

The major near misses reported over the year originated with risks of collision and travel. Near misses of a chemical and mechanical nature are declining perceptibly, with the proportion of this type cut by one-third. In contrast, it has been observed that ergonomics risk, the risk that constitutes a major source of accidents, is under-detected and inadequately reported.



An analysis of all near misses is carried out each half year in order to better prepare for the possible recurrence of such events.

17.6.4.6. *Occupational illness: focus on ergonomics*

As of the end of March 2017, Soitec had nine occupational illnesses recognized by the medical insurance authorities since the Company was established in 1992. These occupational illnesses relate to shoulders (3), elbows (3) and wrists (3), and the persons concerned are operators (8) and maintenance technicians (1). The workstations involved were subject to detailed analysis by an outside ergonomics professional to identify what improvements could be made to working conditions from an ergonomic standpoint.

In addition, the rollout of the R!Go process was continued in 2016-2017. This program consists in implementing a process and tools to facilitate ergonomic streamlining of workstations and lead to the redesign of the "*Movements and Postures*" and "*Workstation Ergonomics*" trainings.

For three years, Soitec has been participating in the TMSPRO process under the aegis of CARSAT. This four-phase process seeks to implement and perpetuate a structure, methods and tools for assessing and diminishing the risk of musculoskeletal disorders in the Company.

Over the 2016-2017 period, CARSAT noted that Soitec had validated all steps of the process.

FOCUS: STRETCHING AND WARM-UP AT THE WORKSTATION

In addition to the actions mentioned above, an initiative emerged for mobilizing employees in the prevention of musculoskeletal disorders: the implementation of warm-up exercises and stretching at workstations for personal and professional well-being.

For employees in Industrial Operations, the shift begins with a five-minute warm-up for all operators in two pilot areas, unpacking of raw materials and packaging of finished products in clean rooms and warehouse areas. This initiative is guided by a kinesiologist and began with a study of workstations in order to analyze risky movements and to determine suitable prevention exercises. An awareness session was given by the kinesiologist to all concerned staff on the importance of warm-ups prior to starting work and engaging in active prevention. One volunteer coach was then selected in each team shift. These volunteers are the guarantors of the process for their team and were trained by the kinesiologist to help assimilate mechanisms for the prevention of musculoskeletal disorders and to acquire a degree of technical understanding sufficient for coaching exercises aimed at easing joint and muscle pain and thus to become authentic prevention specialists for musculoskeletal disorders on a daily basis. Since September 2016, all staff in these teams perform warm-up exercises prior to beginning work. After six months of experimentation, the feedback from staff is very positive and the advantages are clear: muscle toning, mental alertness and increased group cohesion. An analysis is under way regarding how to extend this initiative to other workstations.

An initiative was implemented for employees on flexible schedules from 1 January to 31 March, 2016, with stretching sessions led by a sports coach. The intent was to work muscles of employees prior to the start of the workday. As this initiative did not really take root, it was decided not to renew it for 2016-2017.

Nonetheless, an awareness action on office ergonomics using a rapid e-learning tool was developed internally and rolled out by the HSE and Medical Departments during the Health, Safety and Well-Being event days in November 2016 (see Chapter 17.6.2. "Safety: *Safe 3*, a cultural transformation program focused on improving behavior, Focus: Health, Safety and Well-being event").

17.7. Attracting and developing diverse talent

17.7.1. Training and assessing employees

Decentralizing the training offer

Soitec offers employees a wide catalog of over 130 training programs led by internal trainers and external consultants qualified by the Company. This catalog is the foundation for supporting the integration of new hires, internal mobility and development within the Company.

Management of training is now partially delegated to the management team, which has better knowledge of the cost and offer of training programs and which is developing a solid training strategy through a budget allocated by department.

Soitec belongs to the Rezo Formation training structure, which enables it to pool its training programs with other companies in the Grenoble metropolitan area in order to share the cost and to promote professional contact with other participants in the same employment region.

Digitizing the training offer in order to diversify learning methods

For one year now, Soitec has been implementing a digitization project for training so as to introduce diverse learning methods. A project team made up of training and IT experts is working together to select the best performing and most intuitive tools for users.

In particular, it has tested a content creation software on a pilot group, which was trained in migrating a number of modules related to integration and safety into digital formats. It also plans to acquire other ready-to-use modules to round out the training offer already available to employees on such subjects as professional effectiveness and management.

This digital content is hosted on a Learning Management System platform that will provide greater flexibility and autonomy to trainees and better monitoring of training programs for managers.

Total number of training hours

This year, 851 employees participated in a training program, totaling 22,140 hours, or 25 hours of training per employee, compared to 24 hours for the previous year.

These figures confirm Soitec's determination to implement a genuine training strategy to develop its employees' skills.

The training investment represents 2.06% of total payroll costs, whereas it was 2.6% over the 2015-2016 period. This gap appears paradoxical in view of the slight increase in training volume; it may be explained by the significant efforts of the training team to streamline costs by seeking financing and adopting a pooling strategy.

Through its promotions policy, Soitec fosters skills development in its employees in several ways.

In the 2016-2017 fiscal year, it supported the promotion of six operators and four technicians through career charters involving skills training or degree programs in such technical areas as productive maintenance, physical measurements, logistics, technological or cross-functional management such as managing an autonomous team and human resources management.

The Company also structures full training programs by combining internal and external modules that can represent up to 105 hours of training and 150 hours of immersion courses to bring operators to a level of technical expertise, multi-functional capacity or area management that promotes autonomy of production teams, through the operator N3 cross-functional course, the N3 technical course, the N4 area leader course and the N4 technical course.

Lastly, all new managers also enter a training course comprised of several modules that promotes standardization of practices and good knowledge of available HR tools.

Evaluating employees in a more collaborative manner

In the spring of 2016, a Transformation initiative was established to rethink the annual review. The initiative's objective was to devise a simpler annual review that features more collaboration and a scalability, to focus on achieving a more authentic exchange of views between employees and managers. The initiative was sponsored by a group made up of managers, employees, members of the Human Resources Department and representatives of union organizations and was instrumental in gaining the support of the majority of participants in this new method, on an issue that formerly generated major tensions with the social partners. Feedback from employees is now very positive:

“This new interview format allows more time for exchange of views.”

“I was able to be a player in targeting my objectives.”

17.7.2. Promoting gender equality

Soitec has been committed since 2007 to a policy that promotes gender equality. The objectives of actions implemented in this direction via agreements signed with the union organizations in 2007-2010 and 2011-2014 were:

- develop gender diversity and promote hiring of women;
- promote the development of women in the Company and increase the number of women in all levels of responsibility;
- guarantee equal pay between men and women;
- promote balance between professional and family life.

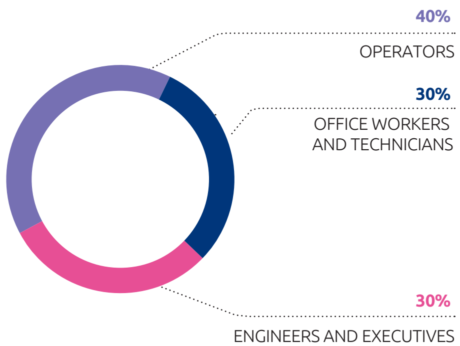
The guidelines of the latest agreement for 2015-2018 reinforce Soitec’s determination in obtaining better representation of women in the Company at the highest levels of responsibility.

In this regard, several actions were implemented for 2016-2017.

Promoting diversity

To date, women represent 33% of staff and are present in all business lines (33% in 2015-2016 as well).

Breakdown of female employees by category



Although the proportion of women employed at Soitec is around 2% to 3% higher than the employment rate of women in the industry (source: Key figures-2015 Edition – Ministry of Social Affairs, Health and Women’s Rights), the efforts to hire women, especially in the technical realm, remain constant.

To compensate for this lack of women in the technical areas, Soitec has undertaken different actions, such as:

- experimentation with a new hiring by simulation method (MRS) in cooperation with Pôle Emploi (see Chapter 17.7.4. “Fighting all forms of discrimination”). Through this method, a work situation is simulated where candidates are evaluated for their aptitude to fit into the work environment at Soitec. By excluding past professional experience and focusing on candidates’ aptitude, Soitec is determined to eliminate any bias that may occur in standard recruiting processes. The objective is to guarantee equal hiring practices, and more specifically, equal treatment of men and women. The MRS project was launched in the second half of the fiscal year, and the first hires through this method will take place in the new year;
- for 10 years, Soitec has participated on the Inn.OTech initiative, formerly “High Tech U,” to introduce secondary school students to scientific or technical jobs (see Chapter 5.5.1.2. “For youth”). The objective of this initiative is to help them in their future choices and to spotlight the careers of technician and engineer. In selecting participants for the program, Soitec and the other partners put special emphasis on ensuring exact parity between girls and boys, as they are conscious of the stereotypes about career paths of young people, especially girls.

Increasing the number of promotions to high levels of responsibility

In the area of promoting women in the Company, Soitec’s efforts in recent years have resulted in a representation of women in the various levels of responsibility close to the employment rate of their socio-professional category. These advances are especially visible in the promotion of operators and technicians.

With regard to women engineers and executives, recent years’ results feature a rebalancing of the representation of women in the lowest levels of management, expertise and in the project management line. Nevertheless, major differences persist in the highest levels of management.

In order to act decisively on general types of behavior and on the cultural and societal obstacles to advancement, a program named "Toutes en action" has been established and put into an experimental phase. It targets female managers who wish to reinforce their leadership skills and their impact on the Company.

This program fed off of dialogue with women and managers on the issue of "women's careers." It borrows from the "Springboard" program that several women had a chance to try out and focuses on better awareness of the organizational, cultural and behavioral obstacles encountered by women in their careers. Each participant was challenged to reflect on her own behavior and to acquire or develop her own levers, such as assertiveness or working on increasing personal visibility and self-marketing.

A pilot program has been implemented and it will be included in the training catalog.

FOCUS: DELPHINE TALKS ABOUT THE *"TOUTES EN ACTION"* PROGRAM

Delphine has worked at Soitec since 2002, where she has worked in various jobs in the IT Department. She currently works as coordinator in Product Data Management. She participated in the first session of the Toutes en action program.

Why did you decide to participate in the "Toutes en action" program?

I attended a group discussion on women's careers offered by our HR Manager. A group of women managers got together and discussed our career paths, the obstacles and the factors that helped our advancement.

Naturally, everybody's experience was different and personalities differed, but I noticed two points in common. The first relates to stereotypes. Many of us had been victims of stereotyping, especially the one that says that a woman favors her private life over her professional life and as she is therefore less reliable, there's a hesitation to give her greater responsibility.

The second is a strong desire to advance felt by all of these women, especially to management positions. Despite this, they were reluctant to do so because they did not feel comfortable with a management method based on power relationships and therefore hesitated to apply for those positions.

Of course, this caused me to reflect on my own experience and when an HR Manager offered to enroll me in the "Toutes en action" course, I agreed so that I could follow up on my reflections more in depth.

What does the "Toutes en action" program consist of?

It's a program for female managers. Our group has eight women.

There are three phases:
- *the first day is dedicated essentially to stereotypes;*
- *one half-day focuses on assertiveness: how to express one's opinion self-confidently but not aggressively;*
- *a second half-day concentrates on women's networks.*

Each of these phases is spaced one month apart to give us the time to experiment with what we've learned. Each session begins with going around the table, to check the mood for the day. Each one of us talks about what occurred over the past month, on the subject of diversity.

I really enjoyed those times; it was a period of sincere discussion and above all a feeling of wanting to help each other, through advice.

Has this program made you change your personal and professional way of functioning?

The program has mainly boosted my self-confidence. I think that one gains a surge of confidence by going over all of our successes and the attributes that we put in play, and I noted that like many women, I had difficulty speaking about my successes, so I often hid behind indirect formulas, or devices like using "we" instead of "I," which I strive to avoid now in speaking of things I've been successful at.

In conclusion, what advice can you give to your female colleagues in the Company?

We spoke a lot about women, as this program addresses women, but to conclude, I'd like to speak to the men. I note that around me, men also want to reconcile their personal and professional lives. Some bring out masculine management/leadership stereotypes and get good results, so I'd like to encourage them to continue in that direction and to be proud when they get good results.

> Equal pay

The first two agreements in the area of gender equality resulted in major progress in the area of pay gaps.

Specific budgets were allocated with the primary objective of reducing the pay gap between men and women with like responsibilities.

Furthermore, we implemented mechanisms for compensating losses relating to maternity and parental leave.

At present, the pay gap between men and women has been fully eliminated in the Soitec office workers and technicians and operators categories. Among executives, the pay gap between executive men and women was -8% at end March 2017. The main reason for this large difference is the continued paucity of women at the highest managerial levels. Over the 2016-2017 year, the pay gap between men and women managers nevertheless fell by one point to -8% at end March 2017, compared to -9% at end March 2016.

Soitec has not allocated a specific sum as a cure for irregular practices but rather required that managers, when handling pay raises, consider the issue of reducing pay gaps and proactively deal with this process.

> Greater representation of women on our Board of Directors

In order to prepare for the gender parity requirements in Boards of Directors designated by the Copé-Zimmerman law, Soitec's Board of Directors appointed five new women directors: three independent women directors and two who permanently represent the key shareholders: CEA Investissement and Bpifrance.

17.7.3. Disabled workers

> The 2014-2016 agreement

Soitec's disabled workers policy is based on a 2014-2016 agreement that is currently being renegotiated; its actions have produced positive results. It should be noted that the rate of employment of disabled workers rose from 4.86% in 2014 to 5.97% in 2016. At 31 December 2016, Soitec had 41 employees recognized as having disabilities, 10 more than at the beginning of the agreement.

As the employment obligations were achieved in 2015 in this area, all actions to promote disabled workers were financed from shareholders' equity in 2015 and 2016.

Actions to promote employment

In 2016, two disabled workers were hired on work-study contracts for more than six months, and one disabled worker was brought into Soitec for two months via the GETH program (Employer's Group for Employing Disabled Workers). This brings the number of disabled workers hired over the period of the agreement to nine, two of whom have open-ended contracts.

In the area of recruitment, representatives of the HR team participated in the annual Employment Forum set up by Exéco in 2016, LinkDay®. This forum is an opportunity to accelerate and invigorate the hiring of disabled employees, while confirming Soitec's commitment to support these persons. The ambassadors of our disabled policy have gone to meet and advise the candidates via the Recruitment Area or through the Village Mission Handicap.

By renewing its membership in GETH, an organization for securing the integration and careers of disabled persons, Soitec also confirms its determination to participate in the insertion of these persons in professional life.

Actions to promote training

During the 2016-2017 period, one disabled intern was hosted for two weeks, prior to that person's work-study contract.

As part of a consideration of a career change, one employee was assisted in carrying out a skills assessment report and a training program for building inspectors, which was co-funded by Soitec. Financial aid was also provided for the employee's accommodation during the training program.

Actions to promote integration and retain jobs

In 2016, 34 in-depth medical monitoring interviews were carried out by nurses at Soitec on disabled employees. As part of the support effort for the RQTH application process (recognition as a disabled worker), four persons were allowed paid absences to prepare an application for this status, and two persons were assisted by an external entity, Exéco.

Keeping people in jobs also means participating in improving living conditions. For this reason, Soitec covered the purchase of hearing aid batteries and part of the accommodation for a disabled person who went to Paris to get medical care.

In terms of upgrading and improving work conditions, Soitec continues to pay for a portion of the accommodation of an employee so that she can live near work, and brought in an entity called "Raisonnance Entreprise," which specializes in assisting companies and employees deal with mental handicaps.

One way of strengthening our partnership with companies in the protected workers sector is to develop subcontracting services. Accordingly, landscaping services, provisioning administrative supplies and installing lighting are all subcontracted to companies in the protected worker sector.

> *A new agreement currently being negotiated*

In early 2017, Soitec began the negotiation of a new agreement with its social partners to pursue a proactive policy of professional insertion of disabled workers. A special effort will be made to recruit qualified employees and to keep employees in jobs over the long term.

17.7.4. Fighting all forms of discrimination

Soitec is committed to fighting all forms of discrimination in its internal and external relations.

Soitec has always made it a priority to guarantee equal treatment of candidates in its hiring process. This year, the Company decided to reinforce this process by testing an innovative hiring tool developed by Pôle Emploi: the recruitment by simulation method (MRS). While standard hiring is based on experience and educational qualifications outlined in a résumé, the simulation method emphasizes aptitude necessary at a workstation, which broadens the search for candidates and bypasses stereotyping.

The process is currently in testing for the hiring of production operators, for which aptitude and motivation outweigh experience and education. After a review phase to determine key aptitude characteristics, Pôle Emploi set up exercises that reproduce job situations. Soitec bases its assessment of candidates on successful completion of these exercises and an interview without a résumé. This process is useful in fighting against discrimination related to gender, race, age, experience, etc.

Regarding the recruitment of production operators, Soitec also contracts with a local partner, GRETA. This organization trains people, who are often undergoing a career change, awarding professional operator certificates in micro-nanotechnology. By allowing these persons to do their internships in the Company, Soitec opens up the possibility of hiring profiles with no experience and little proximity to the labor market.

Soitec has also adopted a Code of Conduct. It is emphasized that it is "absolutely forbidden to practice any form of discrimination or unequal treatment based on gender, sexual orientation, ethnic affiliation, descent, race, country of origin, skin color, nationality, political or philosophical opinion, religion, membership in a union, disability, age, civil status or family situation. Likewise, Soitec will not tolerate any form of harassment, intimidation, bullying or physical, psychological or sexual violence."

17.7.5. Developing an employer brand

Since the beginning of the year, Soitec has been working to develop its employer brand in order to attract candidates and recruit better.

Due to the more difficult economic situation in recent years, Soitec became less attractive on the local level. The objective of this project is to lend value to the Company's results and its successes in order to regain a positive image locally, and to develop its reputation in France and abroad. This project is being carried out through different avenues:

- the social networks, primarily LinkedIn and Twitter, where the Company's news events are shared regularly. A Facebook page has also just been created. The networks are useful for creating interaction with Soitec's stakeholders. The number of subscribers to Twitter and LinkedIn accounts is growing steadily.
  - LinkedIn :
    - Subscribers increased by 21% in the 2016-2017 fiscal year
    - Commitment rate: 1.97%
    - Number of publications: 71
- drafting of job offers, which has undergone a change in style, becoming more specific regarding business lines, tasks and profiles sought. They are intended to address the emotional side and to be more relational;
- counting on the Company's employees to convey a truer and more authentic image of Soitec. Employees express themselves through a group of video testimonials that have been produced. They provide specific explanations of their business lines and state why they choose to remain at Soitec. These videos are available on Soitec's website (https://www.soitec.com/en/people) and YouTube channel (https://www.youtube.com/channel/UCRQ6yG3xI4sgWJjuTReo1lA). Communication formats for the recruitment forums have also been produced, putting Soitec employees at the forefront. Lastly, employees provide testimonials on the social networks, particularly Soitec's jobs page on LinkedIn.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18

MAIN
SHAREHOLDERS

18.1. Breakdown of capital and voting rights

18.1.1. Breakdown of capital and voting rights as of March 31, 2015

Data before reverse-stock split that became effective on February 8, 2017

Shareholders	Number of shares	As % of capital	Exercisable voting rights*	As % of exercisable voting rights*	Theoretical voting rights**	As % of exercisable voting rights**
Public	192,050,535	83.071	197,584,156	77.681	197,584,156	77.647
Bpifrance Participations	22,071,781	9.547	34,199,133	13.445	34,199,133	13.440
Caisse des Dépôts et Consignations	6,647,404	2.875	6,647,404	2.613	6,647,404	2.612
The Auberton-Hervé family group	5,854,656	2.532	11,471,216	4.510	11,471,216	4.508
incl. André-Jacques Auberton-Hervé	*5,324,949*	*2.303*	*10,411,802*	*4.093*	*10,411,802*	*4.092*
incl Auberton-Hervé family	*529,707*	*0.229*	*1,059,414*	*0.416*	*1,059,414*	*0.416*
Shin-Etsu Handotaï Co Ltd.	4,452,599	1.926	4,452,599	1.750	4,452,599	1.750
Treasury shares (self-owned)	111,451	0.048	0	0	111,451	0.044
TOTAL	**231,188,426**	**100**	**254,354,508**	**100**	**254,465,959**	**100**

* *The total number of exercisable voting rights (or "net" voting rights) is calculated after taking into account the number of shares entitled to double voting rights on 03/31/2015, and after deduction of the shares without voting rights (in the present case, the 111,451 self-owned shares held on 03/31/2015).*

** *The total number of theoretical voting rights (or "gross" voting rights) is used as the basis for calculating the crossing of shareholding thresholds. In accordance with Article 223-11 of the AMF General Regulation, this number is calculated on the basis of all shares to which voting rights are attached, including shares without voting rights (in the present case, the 111,451 self-owned shares held on 03/31/2015) and after taking into account the number of shares entitled to double voting rights on 03/31/2015.*

18.1.2. Breakdown of capital and voting rights as of March 31, 2016

Data before reverse-stock split that became effective on February 8, 2017

Shareholders	Number of shares	As % of capital	Exercisable voting rights*	As % of exercisable voting rights*	Theoretical voting rights**	As % of exercisable voting rights**
Public	190,451,869	82.331	196,704,787	77.082	196,704,787	77.049
Bpifrance Participations	22,071,781	9.541	34,199,133	13.401	34,199,133	13.396
Caisse des Dépôts et Consignations	8,641,629	3.736	8,641,629	3.386	8,641,629	3.385
The Auberton-Hervé family group	5,594,855	2.419	11,189,683	4.385	11,189,683	4.383
incl. André-Jacques Auberton-Hervé	*5,065,148*	*2.190*	*10,130,269*	*3.970*	*10,130,269*	*3.968*
incl Auberton-Hervé family	*529,707*	*0.229*	*1,059,414*	*0.415*	*1,059,414*	*0.415*
Shin-Etsu Handotaï Co Ltd.	4,452,599	1.925	4,452,599	1.745	4,452,599	1.744
Treasury shares (self-owned)	111,451	0.048	0	0	111,451	0.044
TOTAL	**231,324,184**	**100**	**255,187,335**	**100**	**255,298,786**	**100**

* *The total number of exercisable voting rights (or "net" voting rights) is calculated after taking into account the number of shares entitled to double voting rights on 03/31/2016, and after deduction of the shares without voting rights (in the present case, the 111,451 self-owned shares held on 03/31/2016).*

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18.1.3. Breakdown of capital and voting rights as of March 31, 2017

Data after reverse-stock split that became effective on February 8, 2017

Shareholders	Number of shares	As % of capital	Exercisable voting rights*	As % of exercisable voting rights*	Theoretical voting rights**	As % of exercisable voting rights**
Public	16,177,109	53.370	16,177,110	52.306	16,177,109	52.296
Bpifrance Participations	4,393,795	14.495	4,393,795	14.206	4,393,795	14.204
CEA Investissement	4,393,795	14.495	4,393,795	14.206	4,393,795	14.204
NSIG Sunrise S.à.r.l.	4,393,796	14.495	4,393,796	14.206	4,393,796	14.204
Caisse des Dépôts et Consignations	432,081	1.425	432,081	1.397	432,081	1.397
The Auberton-Hervé family group	292,733	0.966	585,464	1.893	585,464	1.892
incl. André-Jacques Auberton-Hervé	*266,247*	*0.878*	*532,493*	*1.757*	*532,493*	*1.721*
incl Auberton-Hervé family	*26,486*	*0.087*	*52,971*	*0.175*	*52,971*	*0.171*
Shin-Etsu Handotaï Co Ltd.	222,629	0.734	222,629	0.734	222,629	0.720
Treasury shares (self-owned)	5,572	0.018	0	0	5,572	0.018
TOTAL	**30,311,510**	**100**	**30,928,064**	**100**	**30,933,636**	**100**

* *The total number of exercisable voting rights (or "net" voting rights) is calculated after taking into account the number of shares entitled to double voting rights on 03/31/2017, and after deduction of the shares without voting rights (in the present case, the 111,451 self-owned shares held on 03/31/2017).*

** *The total number of theoretical voting rights (or "gross" voting rights) is used as the basis for calculating the crossing of shareholding thresholds. In accordance with Article 223-11 of the AMF General Regulation, this number is calculated on the basis of all shares to which voting rights are attached, including shares without voting rights (in the present case, the 111,451 self-owned shares held on 03/31/2017) and after taking into account the number of shares entitled to double voting rights on 03/31/2017.*

18.1.4. Breakdown of capital and voting rights as of June 14, 2017

Data after reverse-stock split that became effective on February 8, 2017

Shareholders	Number of shares	As % of capital	Exercisable voting rights*	As % of exercisable voting rights*	Theoretical voting rights**	As % of exercisable voting rights**
Public	16,202,109	53.452	16,202,109	52.423	16,202,109	52.423
Bpifrance Participations	4,393,795	14.495	4,393,795	14.216	4,393,795	14.214
CEA Investissement	4,393,795	14.495	4,393,795	14.216	4,393,795	14.214
NSIG Sunrise S.à.r.l.	4,393,796	14.495	4,393,796	14.216	4,393,796	14.214
Caisse des Dépôts et Consignations	432,081	1.425	432,081	1.398	432,081	1.398
The Auberton-Hervé family group	267,733	0.883	535,465	1.732	535,465	1.732
incl. André-Jacques Auberton-Hervé	*241,247*	*0.796*	*482,494*	*1.561*	*482,494*	*1.561*
incl Auberton-Hervé family	*26,486*	*0.087*	*52,971*	*0.171*	*52,971*	*0.171*
Shin-Etsu Handotaï Co Ltd.	222,629	0.734	222,629	0.720	222,629	0.720
Treasury shares (self-owned)	5,572	0.018	0	0	5,572	0.018
TOTAL	**30,311,510**	**100**	**30,906,305**	**100**	**30,911,877**	**100**

* *The total number of exercisable voting rights (or "net" voting rights) is calculated after taking into account the number of shares entitled to double voting rights on 06/14/2017, and after deduction of the shares without voting rights (in the present case, the 111,451 self-owned shares held on 06/14/2017).*

** *The total number of theoretical voting rights (or "gross" voting rights) is used as the basis for calculating the crossing of shareholding thresholds. In accordance with Article 223-11 of the AMF General Regulation, this number is calculated on the basis of all shares to which voting rights are attached, including shares without voting rights (in the present case, the 111,451 self-owned shares held on 06/14/2017) and after taking into account the number of shares entitled to double voting rights on 06/14/2017.*

18.1.5. Comments on the breakdown of capital and voting rights

It exists three main shareholders holding the Company's share capital: Bpifrance Participations (14.495%), CEA Investissement (14.495%), NSIG Sunrise S.à.r.l. (14.495%).

Moreover, a study about the shareholding composition made at the beginning of civil year 2017 has shown that the Company's shareholding is notably composed of other institutional investors (approximately 30% of the capital) and a wide dissemination among the public for the remaining part.

18.1.6. Crossing of thresholds

The number of shares and voting rights mentioned in the present paragraph are given before Company's reverse-stock split that became effective on February 8, 2017.

Dimensional Fund Advisors LP disclosed having crossed:

- on May 26, 2015, below the 3% statutory threshold of the Company's capital, holding 6,655,273 shares of the Company, representing 2.877% of the capital of the latter as of that date;

EPIC Bpifrance disclosed it had indirectly crossed via Bpifrance Participations:

- on April 29, 2016, below the 10% threshold of the Company's voting rights, holding 22,071,781 shares of the Company, representing 9.54% of the capital of the latter, and 22,071,781 voting rights, representing 9.08% of the voting rights of the latter;
- on May 2, 2016, above the 10% threshold of the capital and voting rights of the Company, holding 53,701,944 shares of the Company, representing 14.5% of the capital of the latter, and 53,701,944 voting rights representing 14.05% of the voting rights of the latter.

NSIG Sunrise S.à.r.l. disclosed having crossed:

- on May 2, 2016, above the 10% threshold of the capital and voting rights of the Company, holding 53,701,944 shares of the Company, representing 14.5% of the capital of the latter, and 53,701,944 voting rights representing 14.05% of the voting rights of the latter.

CEA Investissement disclosed having crossed:

- on May 2, 2016, above the 10% threshold of the capital and voting rights of the Company, holding 53,701,944 shares of the Company, representing 14.5% of the capital of the latter, and 53,701,944 voting rights representing 14.05% of the voting rights of the latter.

Caisse des Dépôts et Consignations, through Bpifrance Participations disclosed having crossed:

- on April 29, 2016, below the 15% legal threshold of voting rights of the Company, holding 30,713,405 voting rights representing 12.63% of the voting rights of the latter;
- on May 2, 2016, above the 15% threshold of the capital and voting rights of the Company, holding 62,343,568 shares of the Company representing 16.83% of the capital of the latter, and 62,343,568 voting rights, representing 16.31% of the voting rights of this latter.

To the Company's knowledge, no other natural or legal person than the abovementioned ones, acting alone or in concert, would hold, directly or indirectly, a number of shares of the Company representing more than 5% of its share capital or of its voting rights, and who would then be obliged to inform the Company in accordance with the applicable national laws.

18.2. Different voting rights

Voting right is proportional to the capital represented by the shares.

When meetings are held, each share carries one vote.

However, following the decision of the Combined Ordinary and Extraordinary Shareholders' General Meeting of November 30, 1998, the Company's by-laws provide that a double voting right is conferred to shares held in registered form for at least two (2) years by the same shareholder, effective as of August 31, 2000.

The double voting right ceases for any share converted to bearer form or subject to a transfer.

The exact number of voting rights of the main shareholders of the Company as of June 14, 2017, as well as their respective proportions in the total number of exercisable and theoretical voting rights of the Company, are described in paragraph 18.1.4 above.

18.3. Control of the company

To the Company's knowledge, there is no shareholder who holds, directly or indirectly, a portion of the share capital or the voting rights of the Company that would put him/her/it in a control position.

Reference is made to paragraph 21.2.6 of this Reference Document for a detailed description of the Memorandum of Association, the by-laws, any charter or regulation of the Company which might entail delaying, deferring or preventing a change of its control.

18.4. Agreement which might entail a change of control

To the Company's knowledge, there is no agreement whose implementation might entail, in the future, a change of its control.

19 RELATED PARTY TRANSACTIONS

Statutory auditors' special report on related party agreements and commitments

(Shareholders' General Meeting approving the financial statements of the fiscal year ending 31 March 2017)

Dear Shareholders,

In our capacity as statutory auditors for your Company, we hereby present our report on the related party agreements and commitments.

Based on the information given to us, it is our responsibility to report to you on the main terms and characteristics and the reasons justifying the relevance for the Company of the agreements and commitments notified to us and which we discovered during our audit without having to rule on their appropriateness or on their merits or look for the existence of other agreements and commitments. It is your responsibility, according to the terms of Article R. 225-31 of the French commercial Code, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

Further, it is our responsibility, as appropriate, to provide you with the information set out in Article R. 225-31 of the French Commercial Code, related to the performance of agreements and commitments already approved by the Shareholders' General Meeting in the past fiscal year.

We conducted the due diligence we deemed necessary with regard to the professional standards of the French national auditing body *Compagnie Nationale des Commissaires aux Comptes* for this assignment. Such due diligence consisted of checking that the information given to us corresponds to that in the source documents from which it comes.

Agreements and commitments submitted for the approval of the Shareholders' General Meeting

We hereby inform you that we have not been advised of any agreement or commitment authorized during the past year for submission to the Shareholders' General Meeting in accordance with the provisions of Article L. 225-38 of the French Commercial Code.

Agreements and commitments already approved by the Shareholders' General Meeting

In accordance with Article R. 225-30 of the French Commercial Code, we have been informed of the performance, in the past fiscal year, of the following agreements and commitments, which were already approved by Shareholders' General Meetings of previous years.

> 1. With Bpifrance Participations, a shareholder of your Company

Nature and purpose

Authorization during the Board of Directors' meeting of 20 April 2015, of the signature by your Company of a financing agreement with Bpifrance Participations along with pledged securities.

Terms

Financing agreement in the amount of €15 million, intended for the financing of the working capital and operating expenses of your Company. This financing was due to mature in 2016, on the first anniversary date of the funds being made available, with the loan being ultimately repayable. The interest rate was 12% per year, fully capitalized, and could be reduced in case of issue of BSA and subscription by Bpifrance Participations to such BSA by debt offsetting.

This financing was fully settled by repayment and by offsetting of receivables in order to subscribe to the capital increase with continuation of the preferential subscription rights carried out on 8 June 2016.

The interest expenditure recognized for the fiscal year ending 31 March 2017, for this financing amounted to €186,690.

2. With CEA Investissement, a shareholder of your Company

Nature and purpose

Authorization during the Board of Directors' meeting of 20 April 2015, of the signature by your Company of a financing agreement with CEA Investissement along with pledged securities.

Terms

Financing agreement in the amount of €9 million, intended for the financing of the working capital and operating expenses of your Company. This financing was due to mature in 2016, on the first anniversary date of the funds being made available, with the loan being ultimately repayable. The interest rate was 12% per year, fully capitalized, and could be reduced to 6% in case of issue of BSA and subscription by CEA Investissement to such BSA by debt offsetting.

This financing was fully settled by repayment and by offsetting of receivables in order to subscribe to the capital increase with continuation of the preferential subscription rights carried out on 8 June 2016.

The interest expenditure recognized on the fiscal year ending 31 March 2017, for this financing amounted to €134,874.

3. With SEH

Person concerned

Mr Satoshi Onishi.

Nature and purpose

Authorization during the Board of Directors' meeting of 20 April 2015, of the signature by your Company of a financing agreement with SEH along with pledged securities.

Terms

Financing agreement in the maximum amount of €30 million available in several tranches, the first two of which amount to a maximum of $17 million for Soitec USA, Inc., and the third for Soitec S.A. This financing was due to mature on 15 May 2016, with the loan being ultimately repayable.

The interest rate is Euribor +3%. The implementation of the corresponding financing entailed the signature by Soitec USA, Inc., of a Promissory Note of a maximum amount of $17 million.

This financing has been repaid in full.

The interest expenditure recognized on the fiscal year ending 31 March 2017, for this financing amounted to €54,050.

4. With Bpifrance Participations, CEA Investissement and National Silicon Industry Group/NSIG Sunrise S.à.r.l., shareholders of your Company

The shareholders' agreement concluded on 7 March 2016, between your Company and its three majority shareholders, Bpifrance Participations, CEA Investissement and National Silicon Industry Group/NSIG Sunrise S.à.r.l., which was previously approved by the Board of Directors on 3 March 2016, was extended for the remainder of the year.

In this regard, each of the three majority shareholders has a percentage of the voting rights of your Company higher than 10%. Furthermore, six of the 13 directors are affected by this shareholders' agreement:

- Bpifrance Participations, represented by Sophie Paquin;
- Bpifrance Investissement, represented by Thierry Sommelet;
- CEA Investissement, represented by Guillemette Picard;
- Christophe Gégout, in his capacity as an executive of CEA Investissement;
- Weidong Ren, in his capacity as an executive of National Silicon Industry Group; and
- Xi Wang, in his capacity as an executive of National Silicon Industry Group.

5. With Paul Boudre, Chairman of the Board of Directors and Chief Executive Officer

Nature and purpose

Authorization by the Board of Directors on 11 September 2015, to take out a key man insurance policy.

Terms

The beneficiaries of the policy are the Company and the family of Mr Paul Boudre, each for the amount of €1 million.

At present, an application for this insurance policy has been submitted but it is not yet in effect. Annual premiums for this insurance are estimated at €15,000.

Paris-La Défense and Lyon, 28 June 2017

Statutory auditors

KPMG S.A.		Ernst & Young Audit
Stéphane Devin Partner	Jacques Pierre Partner	Nicolas Sabran Partner

FINANCIAL INFORMATION: NET ASSETS, FINANCIAL POSITION AND EARNINGS

20

20.1. Historical financial information

Pursuant to Article 28 of the European Regulation (EC) No. 809/2004, the following information is included in this Reference Document:

- the Group's consolidated financial statements at 31 March 2015 and the corresponding audit reports appearing on pages 77 et seq. and on page 116 of the Reference Document, submitted to the French Financial Markets Authority on 10 June 2015 under number D.15-0587;
- the Company's annual financial statements at 31 March 2015 and the corresponding audit reports appearing on pages 117 et seq. and on page 119 of the Reference Document, submitted to the French Financial Markets Authority on 10 June 2015 under number D.15-0587;
- the Group's consolidated financial statements at 14 March 2016 and the corresponding audit reports appearing on pages 72 et seq. and on page 119 of the Reference Document, submitted to the French Financial Markets Authority on 4 July 2016 under number D.16-0665;
- the Company's annual financial statements at 31 March 2016 and the corresponding audit reports appearing on pages 110 et seq. and on page 111 of the Reference Document, submitted to the French Financial Markets Authority on 4 July 2016 under number D.16-0665;
- The parties not included in these documents are either not relevant for the investor, or are covered elsewhere in this Reference Document.

The Reference Documents cited above are available on the Company's website (www.soitec.com) and the website of the French Financial Markets Authority (www.amf-france.org).

20.2. Pro forma financial information

Not applicable.

20.3. Financial statements

20.3.1. Consolidated financial statements at 31 March 2017

20.3.1.1. Consolidated financial statements at 31 March 2017

Consolidated income statement

(In € thousand)	Notes	Year ended 31 March 2017	Year ended 31 March 2016*
Sales	**3.1.**	**245,710**	**233,194**
Cost of sales	-	(168,282)	(170,961)
Gross margin	**-**	**77,428**	**62,233**
Sales and marketing expenses	-	(7,843)	(5,550)
Research and development costs	4.2.	(18,656)	(16,658)
General and administrative expenses	-	(23,200)	(17,669)
Current operating income	**-**	**27,729**	**22,356**
Other operating income	4.4.	-	-
Other operating expenses	4.4.	(8,195)	(29,372)
Operating income/(loss)	**3.1.**	**19,532**	**(7,016)**
Financial income	4.5.	1,388	1,358
Financial expenses	4.6.	(12,989)	(23,838)
Financial income/(expense)	**-**	**(11,602)**	**(22,480)**
Profit/(loss) before tax	**4.7.**	**7,931**	**(29,496)**
Income tax	4.7.	(682)	(4,075)
Net profit/(loss) from continuing operations		**7,249**	**(33,571)**
Net profit/(loss) from discontinued operations	**4.9.**	**1,128**	**(38,651)**
CONSOLIDATED NET PROFIT/(LOSS) FOR THE PERIOD	**-**	**8,375**	**(72,221)**
NET PROFIT/(LOSS) (GROUP SHARE)	**-**	**8,375**	**(72,221)**
Basic earnings/(loss) per share *(in €)***	4.8.	0.30	(6.25)
Diluted earnings/(loss) per share *(in €)***	4.8.	0.30	(6.25)

* *The scope of discontinued operations pursuant to IFRS 5 has changed and includes financing activities in the solar sector. Furthermore, in the course of the application of IAS 8, the income statement at 31 March 2016 was corrected. See the effects of the restatement for fiscal year 2015-2016 in note 2.6.*

** *Following the reverse stock split effective on 8 February 2017 (decision approved by the General Shareholders' Meeting of 25 July 2016) involving the exchange of 20 old ordinary shares with a par value of €0.10 each for one new share with a par value of €2.00, the basic earnings/(loss) per share and the diluted earnings/(loss) per share at 31 March 2016 were recalculated to enable the comparability of the financial statements.*

Diluted earnings per share totaled €0.30, of which €0.26 represent continuing operations and €0.04 represent discontinued operations.

Consolidated statement of comprehensive income

(In € thousand)	Notes	31 March 2017	31 March 2016*
Consolidated net profit/(loss) for the period	**-**	**8,375**	**(72,221)**
Items of comprehensive income that may be reclassified to the income statement		4,265	16,282
• Foreign exchange gains/(losses) on translation of foreign operations	-	3,234	16,282
• Changes in the fair value of hedging instruments		1,031	-
Items of comprehensive income that may not be reclassified to the income statement		(2,892)	174
• Actuarial gains/(losses) on defined benefit plans	-	(2,672)	174
• Changes in the fair value of non-current assets		(220)	-
Income and expenses recognized directly in equity	**-**	**1,373**	**16,456**
COMPREHENSIVE INCOME FOR THE PERIOD		**9,748**	**(55,765)**
Total comprehensive income (Group share)	-	*9,748*	*(55,765)*

* *The Other Activities segment was classified as discontinued operations pursuant to IFRS 5. Furthermore, in the course of the application of IAS 8, the income statement at 31 March 2016 was corrected for an income tax expense of €556 thousand.*

Consolidated statement of financial position

Assets *(In € thousand)*	Notes	31 March 2017	31 March 2016
Non-current assets			
Intangible assets	3.2.	4,009	5,678
Property, plant and equipment	3.3.	113,475	120,642
Non-current financial assets	3.5.	12,167	8,900
Other non-current assets	3.6.	31,341	24,692
Deferred tax assets		-	-
Total non-current assets	**-**	**160,992**	**159,912**
Current assets			
Inventories	3.7.	33,642	30,910
Trade receivables	3.8.	39,975	40,436
Other current assets	3.9.	14,840	17,508
Current financial assets	3.10.	1,797	1,444
Cash and cash equivalents	3.11.	109,286	49,068
Total current assets	**-**	**199,540**	**139,366**
Assets held for sale and related to discontinued operations	3.12.	29,069	25,856
TOTAL ASSETS	**-**	**389,601**	**325,134**

Equity and liabilities *(In € thousand)*	Notes	31 March 2017	31 March 2016*
Equity			
Share capital	3.13.1.	60,623	23,132
Share premium	3.13.1.	887,516	780,441
Treasury shares	3.13.2.	(475)	(475)
Reserves and retained earnings	-	(806,050)	(817,064)
Other reserves	3.13.3.	7,501	6,129
Equity (Group share)	-	149,115	(7,837)
Total equity	**-**	**149,115**	**(7,837)**
Non-current liabilities			
Long-term financial debt	3.15.	104,656	159,980
Provisions and other non-current liabilities	3.16.	15,180	14,148
Total non-current liabilities	**-**	**119,836**	**174,128**
Current liabilities			
Short-term financial debt	3.15.	16,204	58,960
Trade payables	3.17.	44,430	42,551
Provisions and other current liabilities	3.18.	46,271	40,849
Total current liabilities		**106,906**	**142,360**
Liabilities related to discontinued operations	3.12.	13,744	16,483
TOTAL EQUITY AND LIABILITIES		**389,601**	**325,134**

* *In the course of the application of IAS 8, the statement of financial position at 31 March 2016 was corrected to include the Singapore subsidiary's income tax liability of €726 thousand due for prior years.*

Statement of changes to equity

(In € thousand)	Number of shares**	Share capital	Share pre-mium	Trea-sury shares	Reserves and retained earnings	Other reserves	Equity attributable to Group sharehol-ders	Total equity
31 March 2015 published	**231,188,426**	**23,119**	**782,058**	**(475)**	**(737,437)**	**(17,270)**	**49,994**	**49,994**
Impact of correction of errors					(170)		(170)	
31 March 2015 restated*	**11,559,421**	**23,119**	**782,058**	**(475)**	**(737,607)**	**(17,270)**	**49,824**	**49,824**
Items of comprehensive income that may be reclassified to the income statement								
Foreign exchange gains/(losses) on translation of foreign operations	-	-	-	-	(22,850)	39,132	16,282	16,282
Items of comprehensive income that may not be reclassified to the income statement								
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	174	174	174
Total income and expenses for the period recognized directly in equity	**-**	**-**	**-**	**-**	**(22,850)**	**39,306**	**16,456**	**16,456**
Income/(loss) from continuing operations*	-	-	-		(33,571)		(33,571)	(33,571)
Income/(loss) from discontinued operations					(38,651)		(38,651)	(38,651)
COMPREHENSIVE INCOME FOR THE period	**-**	**-**	**-**		**(95,072)**	**39,306**	**(55,766)**	**(55,766)**
Exercise of stock options and/or definitive allocation of free shares	6,788	14	-	-	(14)	-	-	-
ABSAAR redeemable warrants			(675)				(675)	(675)
Net capital increase costs			(941)				(941)	(941)
Soitec Specialty Electronics full asset transfer (TUP)					15,930	(15,930)		
Share-based payments					(222)		(222)	(222)
IFRIC 21					(79)	23	(56)	(56)
31 MARCH 2016 RESTATED*	**11,566,209**	**23,132**	**780,442**	**(475)**	**(817,065)**	**6,129**	**(7,837)**	**(7,837)**

* *Pursuant to IAS 8, the statement of financial position at 31 March 2015 was corrected for the income tax expense of €170 thousand due for fiscal year 2014-2015 and the net profit/(loss) at 31 March 2016 includes an income tax expense correction of €556 thousand for the Singapore subsidiary.*

** *The number of ordinary shares was divided by 20 following the reserve stock split effective on 8 February 2017 as approved by the General Shareholders' Meeting of 25 July 2016 to exchange 20 ordinary shares with a par value of €0.10 each for one new share with a par value of €2.00.*

(In € thousand)	Number of shares**	Share capital	Share pre-mium	Trea-sury shares	Reserves and retained earnings	Other reserves	Equity attri-butable to Group share-holders	Total equity
31 March 2016 published	**231,324,184**	**23,132**	**780,442**	**(475)**	**(816,339)**	**6,129**	**(7,111)**	**(7,111)**
Impact of correction of errors					(726)			
31 March 2016 restated*	**11,566,209**	**23,132**	**780,442**	**(475)**	**(817,065)**	**6,129**	**(7,837)**	**(7,837)**
Items of comprehensive income that may be reclassified to the income statement						4,265	4,265	4,265
• Of which: Foreign exchange gains/(losses) on translation of foreign operations						3,234	3,234	3,234
• Of which: Changes in the fair value of instruments eligible for hedge accounting						1,031	1,031	1,031
Items of comprehensive income that may not be reclassified to the income statement						(2,892)	(2,892)	(2,892)
• Of which: Changes in the fair value of non-current assets						(220)	(220)	(220)
• Of which: Actuarial gains/(losses) on defined benefit plans						(2,672)	(2,672)	(2,672)
Total income and expenses for the period recognized directly in equity						**1,373**	**1,373**	**1,373**
Income/(loss) for the period from continuing operations					7,249		7,249	7,249
Income/(loss) for the period from discontinued operations					1,128		1,128	1,128
COMPREHENSIVE INCOME for the period	**-**	**-**	**-**	**-**	**8,375**	**1,373**	**9,748**	**9,748**
Exercise of stock options and/or definitive allocation of free shares	9,474	19			(19)		-	-
Capital increase	18,735,827	37,472	114,415				151,887	151,887
Capital increase costs			(7,341)				(7,341)	(7,341)
Share-based payments					2,603		2,603	2,603
Other					56		56	56
31 MARCH 2017	**30,311,510**	**60,623**	**887,516**	**(475)**	**(806,050)**	**7,501**	**149,115**	**149,115**

* *Pursuant to IAS 8, the statement of financial position at 31 March 2015 was corrected for the income tax expense of €170 thousand due for fiscal year 2014-2015 and the net profit/(loss) at 31 March 2016 includes an income tax expense correction of €556 thousand for the Singapore subsidiary.*

** *The number of ordinary shares was divided by 20 following the reserve stock split effective on 8 February 2017 following a decision approved by the General Shareholders' Meeting of 25 July 2016 to exchange 20 ordinary shares with a par value of €0.10 each for one new share with a par value of €2.00.*

Statement of cash flows

(In € thousand)	Notes	31 March 2017	31 March 2016*
Net profit/(loss) from continuing operations	-	7,249	(33,571)
Net profit/(loss) from discontinued operations		1,128	(38,651)
CONSOLIDATED NET PROFIT/(LOSS)		**8,375**	**(72,221)**
Elimination of non-cash items			
(Reversal)/Impairment of investments in equity-accounted companies			
Depreciation and amortization expenses	4.3. - 5.5.	20,822	23,972
Impairment of non-current assets and accelerated depreciation/amortization	3.3.	(309)	20,883
Provisions, net	3.5. - 3.7. - 3.8. - 3.9. - 3.10.	(1,220)	(1,294)
Provisions for retirement benefit obligations	5.1.	547	449
Income on asset disposal		(967)	(485)
Taxes	4.7.	681	4,075
Financial income/(expense)	4.5. - 4.6.	11,602	22,480
Share-based payments		2,603	(227)
Non-cash items relating to discontinued operations		(10,002)	(19,765)
Total		**23,757**	**50,089**
Of which continuing operations		*33,759*	*69,852*
EBITDA		**32,132**	**(22,133)**
Of which continuing operations		*41,008*	*36,282*
Increase/(decrease) in cash relating to:			
Inventories		(3,963)	(5,189)
Trade receivables		1,397	(11,025)
Other receivables		(3,786)	(225)
Trade payables		2,837	(4,131)
Other liabilities		1,793	4,690
Change in working capital requirement on discontinued operations		1,154	25,551
Change in working capital requirement		**(568)**	**9,669**
Of which continuing operations		*(1,721)*	*(15,883)*
NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES		**31,564**	**(12,464)**
Of which continuing operations		*39,287*	*20,398*

(In € thousand)	Notes	31 March 2017	31 March 2016*
Purchases of intangible assets		(1,173)	(752)
Purchases of property, plant and equipment		(5,784)	(8,077)
Proceeds from sales of intangible assets and property, plant and equipment		983	312
(Acquisition) and disposal of financial assets		146	1,173
Investment/divestment flows related to discontinued operations		3,383	34,277
NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES		**(2,445)**	**26,933**
Of which continuing operations		*(5,828)*	*(7,343)*
Proceeds from shareholders: capital increases and exercise of stock options		143,794	(132)
Redemption of ABSAAR warrants			(675)
Issuance of debt			65,436
Drawings of credit lines		11,048	918
Repayment of borrowings (including finance leases)		(114,426)	(22,984)
Interest received		164	49
Interest paid		(7,996)	(9,264)
Financing flows related to discontinued operations		(225)	(20,957)
NET CASH GENERATED BY FINANCING ACTIVITIES		**32,360**	**12,392**
Of which continuing operations		*32,584*	*33,349*
Effects of exchange rate fluctuations		(1,260)	(705)
CHANGE IN NET CASH POSITION		**60,217**	**26,157**
Of which continuing operations		*64,783*	*45,699*
Cash at beginning of the period		**49,068**	**22,911**
Cash at end of the period		**109,286**	**49,068**

* *The Other Activities segment was classified as discontinued operations pursuant to IFRS 5. Furthermore, in the course of the application of IAS 8, the income statement at 31 March 2016 was corrected for an income tax expense of €556 thousand.*

20.3.1.2. Notes to the consolidated financial statements for the year ended 31 March 2017

1. Overview of the Company and business

Soitec S.A. is a French joint-stock company *(société anonyme)* listed in Euronext Paris compartment B. Soitec S.A. and its subsidiaries are referred to hereinafter as the “Group”. Soitec S.A. is hereafter referred to as the “Company”.

In fiscal year 2016-2017, the Group operated in two business segments:

- the Electronics segment, namely the production and marketing of substrates and components for the semiconductor industry. The wafers produced and sold are 300 mm wafers and thin wafers (mainly 200 mm);
- the Other Activities segment covering the Group’s discontinued operations and primarily the Solar Energy segment, which involved the production and marketing of concentrator photovoltaic modules, the development, design and construction of turnkey solar power plant projects and the operation of photovoltaic installations. It notably includes the financing activities related to the Touwsrivier solar power plant in South Africa (a 20% equity-accounted investment and a loan provided to one of the plant’s shareholders), which are classified as available for sale and include some maintenance activities still ongoing, primarily in Europe and the United States.

On 14 June 2017, the Board of Directors finalized the Group’s annual consolidated financial statements for the year ended 31 March 2017, which will be submitted to vote to the Shareholders’ Meeting to be held on 26 July 2017.

2. Accounting policies

2.1. Statement of compliance

Pursuant to Regulation (EC) No. 1606/2002 of 19 July 2002 on the application of international accounting standards, the consolidated financial statements of the Group have been prepared in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB), adopted by the European Union and made compulsory for the approval of accounts.

These standards, available on the European Commission’s website (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm), include international accounting standards (IAS and IFRS), as well as the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

2.2. Basis of preparation

Going concern basis

Following the two capital increases in April-May 2016 for a gross amount of €151.9 million, including the share premium, the Company has a stronger shareholder base and renewed financial flexibility with which to pursue its profitable growth strategy in its core electronics business.

At 31 March 2017, the Group posted net profit of €8.4 million, shows net cash generated by operating activities of €31.5 million and share equity of €149 million. On this basis, the Group considers that it will be able to continue its business activity for the coming twelve months in 2017-2018. The consolidated financial statements have thus been prepared on a going concern basis.

Presentation currency

The Group’s presentation currency is the euro. The consolidated financial statements are stated in thousands of euros and all amounts are rounded to the nearest thousand unless stated otherwise.

Changes in accounting policies

The accounting policies are identical to those applied in the consolidated financial statements for the year ended 31 March 2016, except for the new standards, amendments and interpretations detailed below, which have been adopted by the European Union.

- The Group has applied the following standards, amendments and interpretations, adopted by the European Union, which are mandatory for reporting periods beginning on or after 1 April 2016:
  - amendment to IAS 1: Disclosure Initiative;
  - amendments to IAS 19: Defined Benefit Plans: Employee Contributions;
  - amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations;
  - amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization;
  - IFRS annual improvements cycle 2012-2014 (September 2014).

  The application of these amendments did not have a material impact on the financial statements at 31 March 2017.
- The European Union adopted the standards published by the IASB, which are mandatory for reporting periods beginning on or after 1 January 2018:
  - IFRS 9 Financial Instruments;
  - IFRS 15 Revenue from Contracts with Customers.
- The IASB has also issued the following standards, amendments and interpretations, available for early adoption at 1 April 2016 but not yet adopted by the European Union:
  - IFRS 14 Regulatory Deferral Accounts;
  - IFRS 16 Leases;
  - IFRS 2014-2016 Improvement Cycle;
  - amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
  - amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses
  - amendments to IFRS 2, relating to the classification and measurement of certain share-based payment transactions
  - IFRIC 22 Foreign Currency Transactions and Advance Consideration.

The Group has elected not to early adopt the new standards, amendments and interpretations the application of which is optional at 31 March 2017.

The impact of these standards, amendments and interpretations that have not been adopted early by the Group is currently being assessed.

2.3. Highlights of the year

Reverse stock split

The decision approved by the General Shareholders' Meeting of 25 July 2016 to carry out a reverse stock split involving the exchange of 20 old ordinary shares with a par value of €0.10 each for one new share with a par value of €2.00 was implemented on 8 February 2017.

Capital increases and repayment of debt

Soitec completed capital increases respectively reserved for Bpifrance Participations, CEA Investissement and NSIG Sunrise, pursuant to the decisions approved by the Shareholders' Meeting of 29 April 2016. As part of these capital increases with preemptive subscription rights waived (the following information is presented in post- reverse stock split terms):

- Bpifrance Participations subscribed for 1,581,508 new shares, comprising 8.54% of the post-increase share capital, at a price of €11 per share, representing a capital increase of €17,396,589.65 (including the share premium). Upon completion of this transaction, Bpifrance Participations held 14.5% of the share capital and 14.055% of the voting rights;
- CEA Investissement subscribed for 2,685,097 new shares, comprising 14.5% of the post-increase share capital, at a price of €11 per share, representing a capital increase of €29,536,069.20, including the share premium. Upon completion of this transaction, CEA Investissement held 14.5% of the share capital and 14.055% of the voting rights;
- NSIG Sunrise subscribed for 2,685,097 new shares, comprising 14.5% of the post-increase share capital, at a price of €11 per share, representing a capital increase of €29,536,069.20 (including the share premium). Upon completion of this transaction, NSIG Sunrise held 14.5% of the share capital and 14.055% of the voting rights.

In total, these three transactions resulted in 6,951,702 new shares issued at a par value of €11 per share and admitted for trading on the regulated Euronext Paris market, representing a total amount of €76,468,728.05 including the share premium.

The Company subsequently carried out a capital increase with preemptive share subscription rights, issuing 11,784,125 new shares at a price of €6.4 per share, representing a total amount of €75,418,403.20 including the share premium.

The completed capital increases for a gross total amount of €151.9 million (net proceeds of around €145 million) were used to repay (i) the outstanding amount on the bridge loans granted by Bpifrance Participations, CEA Investissement and Shin-Estu Handotai in May 2015, (ii) interest totaling €44.6 million, (iii) CEA Leti invoices under moratorium for €7.8 million, and (iv) to redeem 59% of the convertible bonds due in September 2018 for €58.3 million.

Free preferred share plan

On 26 July 2016, the Board of Directors decided to allot a maximum number of 295,703 preferred shares to eligible employees and corporate officers following the decisions approved by the Shareholders' General Meetings of 11 April and 29 April 2016. The objective of this plan is to collectively encourage the participants to persevere in their efforts and to allow them to share in the fruits of the Group's growth by converging their interests with those of the Company's shareholders.

The number of ordinary shares granted depends on reaching a target stock market price and on achieving the target EBITDA level over fiscal years 2017-2018 and 2018-2019, as well as employment conditions.

The impact on the financial statements at 31 March 2017 is discussed in section 3.14.1.

2.4. Significant accounting policies

A. Consolidation principles and scope

All the companies which the Group controls are consolidated.

The Group considers that it has exclusive control over an entity when (i) it has power over the entity, (ii) it is exposed to or has rights to variable returns through its links to this entity, and (iii) it has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date control is effectively transferred until the date that control ceases.

At 31 March 2017, the consolidated financial statements include the accounts of the Company and the subsidiaries listed below:

Entity	Date of consolidation	Percentage interest	Country	Functional currency
Soitec USA Inc.	1997	100%	United States	US dollar
Soitec Japan Inc.	June 2004	100%	Japan	Japanese Yen
Soitec Microelectronics Singapore Pte Ltd	June 2006	100%	Singapore	US dollar
Soitec Korea	July 2011	100%	South Korea	US dollar
Soitec Corporate Services	July 2012	100%	France	Euro
Soitec Trading Shanghai	November 2013	100%	China	Yuan
Entities in the Solar Energy segment:				
Soitec Solar GmbH	December 2009	100%	Germany	Euro
Soitec Solar Inc.	December 2009	100%	United States	US dollar
Soitec Solar Industries LLC	December 2009	100%	United States	US dollar
Soitec Solar Real Estate LLC	January 2014	100%	United States	US dollar
Soitec Solar Development LLC	September 2010	100%	United States	US dollar
Soitec Solar France S.A.S	October 2011	100%	France	Euro
Soitec Solar Chile	July 2013	100%	Chile	Chilean peso
Soitec Solar RSA Ltd	April 2011	100%	South Africa	Rand
CPV Power Plant No. 1 Ltd (Touwsrivier)	October 2009	20%	South Africa	Rand
CPV Power Plant No. 1 Bond SPV Ltd	September 2012	20%	South Africa	Rand
Project entities* in the solar segment:				
Newberry Solar 1 LLC	September 2010	100%	United States	US dollar
Sorrel Solar Farm LLC	February 2012	100%	United States	US dollar
CPV Power Plant No. 1 Equity SPV Ltd	February 2014	100%	South Africa	Rand
CPV Power plant No. 2 Ltd	September 2010	100%	South Africa	Rand
Black Mountain CPV Power Plant No. 3	March 2012	100%	South Africa	Rand
Schmidtsdrift CPV Power Plant No. 4	March 2012	100%	South Africa	Rand

* *As part of its Solar Energy business, the Group established special purpose entities to hold the permits, administrative authorizations, costs and income associated with a solar power plant project. In general, the intention was to sell these legal entities to investors once the projects were sufficiently advanced.*

The following entity was removed from the scope of consolidation during the year:

Entity	Change in scope
Soitec Solar Italia Srl	Liquidated company

Balances and transactions between Group companies are eliminated in consolidation.

Business combinations are accounted for using the acquisition method. In the event of an acquisition, the acquired entity's identifiable assets and liabilities that meet the IFRS 3 recognition criteria are carried at fair value as determined at the acquisition date, except non-current assets classified as assets held for sale which are recorded at fair value less selling costs.

Accounting rules governing business combinations and transactions with non-controlling interests include the following:

- acquisition costs are expensed at the acquisition date;
- the impact of repurchases of non-controlling interests in a subsidiary that is already controlled and of divestments of interests with no loss of control is recognized directly within equity without impacting goodwill or income;
- changes in the value of assets and liabilities relating to acquisitions recognized on a provisional basis (due to independent appraisal reports or further analyses not yet having been completed) are recorded as a retrospective adjustment to goodwill if they occur within 12 months of the acquisition date. After this period, any changes are recorded directly in income. Contingent consideration (earn-outs) is measured at acquisition-date fair value. If the obligation to pay contingent consideration meeting the definition of a financial instrument was classified in equity it is not remeasured and is recognized in equity when settled. If not, any other contingent consideration is remeasured at fair value at each closing date and changes in contingent consideration, along with amounts owed to non-controlling interests (calls and puts) are recognized directly in income.

B. Translation of the financial statements of foreign operations

The Group's presentation currency is the euro. The Company's functional currency is the euro and the functional currencies of its subsidiaries are:

- Euro;
- US dollar;
- Yen;
- Rand;
- Chilean peso;
- Yuan.

Details of subsidiaries' functional currencies are provided in note 2.4.A.

The financial statements of Group entities with functional currencies other than the euro are translated into euros as follows:

- assets and liabilities are translated at the closing rate on 31 March 2017;
- income statement items of each foreign operation are translated at the average exchange rate for the period or fiscal year which is deemed to represent the rate applicable on the effective transaction date;
- exchange differences resulting from the application of these different rates are recognized in other items of comprehensive income and accumulated in reserves under "Foreign exchange gains/(losses) on translation of foreign operations."

C. Intangible assets

Goodwill

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (CGU) or groups of CGUs that are expected to benefit from the combination. Goodwill is not amortized but is tested for impairment at the end of each reporting period or whenever there are indications that its value may be impaired. Impairment losses recognized against goodwill cannot be reversed.

Other intangible assets

Intangible assets acquired separately by the Group are recognized at their acquisition cost, which corresponds to their acquisition-date fair value for assets acquired through business combinations. They mainly include software applications, which are accounted for at their purchase price and amortized using the straight-line method (1 to 5 years) along with project development costs (amortized over their estimated useful lives, typically 10 years).

Development costs must be capitalized under IAS 38 if the following criteria are met:

- the Group has the intention and technical ability to complete the development project;
- it is highly probable that the future economic benefits attributable to the development costs will flow to the Group, generally evidenced by current orders or contracts;
- the costs can be measured reliably;
- the Group has the capacity to use or sell the intangible asset;
- the Group has the necessary resources to complete the project.

Research and development costs that do not fully meet the above criteria are expensed as incurred within “Research and development costs”.

D. Property, plant and equipment

Property, plant and equipment are measured at acquisition cost less accumulated depreciation and any impairment losses. Subsequent expenditure Is included in the carrying amount of the asset or, where applicable, recognized as a separate asset when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of replaced components is no longer recognized. All repair and maintenance costs are recognized in the income statement.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Buildings, fixtures and fittings	15 to 30 years
Equipment and tooling	3 to 8 years
Other fixtures and fittings	5 to 10 years
Transport equipment	5 years
ITand office equipment	3 to 7 years
Office furniture	5 to 10 years

Residual value may be recognized where appropriate. The assets’ residual value, useful life and depreciation method are reviewed at the end of each annual reporting period and amended on a prospective basis where applicable.

E. Leases

Property leases or equipment leases (finance leases with or without purchase options) are recognized in the statement of financial position at the lower of the fair value of the leased asset and the present value of minimum lease payments, where substantially all of the risks and rewards inherent to ownership have been transferred to the Group. Finance lease payments are apportioned between the finance charge and the repayment of the outstanding liability. When the lease contains a transfer-of-title clause upon the completion of its term, the asset depreciation conditions are the same as those applied to similar types of assets owned by the Group. Where this is not the case, the assets are depreciated in the same manner over the term of the lease.

Leases classified as operating leases are not restated and rental payments made are expensed as incurred.

The impact of applying IFRS 16 is currently being reviewed.

F. Acquisition expenses for non-current assets

For property, plant and equipment, intangible assets and investment property, these acquisition expenses increase the value of the assets.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale (generally over six months) are included in the cost of that asset. All other borrowing costs are expensed as incurred.

G. Impairment of non-current assets

IAS 36 defines the procedures that a company must apply to ensure that the carrying amount of its assets does not exceed their recoverable amount, which is the amount that is expected to be recovered from their use or sale. Besides goodwill and intangible assets with an indefinite life that are systematically tested for impairment each year, the recoverable amount of an asset is estimated whenever there is an indication that the asset’s value may be impaired.

Cash-generating units (CGU)

A cash-generating unit is the smallest group of identifiable assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

In the Electronics business segment, the Group has identified two CGUs, each of which was centrally managed with production capacity organized so as to optimize utilization regardless of geographical location. These two CGUs are:

- *Electronics 300 mm,* primarily serving the digital market and leveraging the production capacity of the Bernin 2 plant and the Singapore plant;
- *Electronics small diameters,* primarily serving the radio-frequency and power markets and leveraging the production capacity of the Bernin 1 plant.

In the Other Activities segment (Solar Energy business segment):

On 19 January 2015, the Group announced its decision to withdraw from this business segment and to dispose of its main assets, and accordingly classified the related assets under discontinued operations held for sale.

Impairment indicators

The Group regularly compares actual results to forecast results for all of its businesses in order to identify any indicators of impairment.

Determining the recoverable amount

When circumstances or events indicate that a non-current asset may be impaired, the Group reviews the recoverable amount of the asset (or of the group of assets to which it belongs).

The recoverable amount is the higher of its fair value less costs to sell and its value in use. It is estimated separately for each asset. Where this is not possible, assets are pooled into groups of CGUs for which the recoverable amount is then calculated.

Fair value less selling costs is the amount that could be obtained from the sale of an asset in an arm's length transaction between knowledgeable willing parties, less costs to sell.

Value in use is the present value of the future cash flows expected to be derived from the continuous use of an asset and from its disposal at the end of its useful life. Value in use is determined using cash flows estimated on the basis of business plans or budgets typically drawn up for a period of five years, taking into account the specific risks inherent to the technological nature of the Group's business activity.

Impairment

An impairment loss is recognized as soon as the carrying amount of an asset or the CGU to which it belongs exceeds its recoverable amount. Impairment losses are expensed under "Other operating income and expenses".

Except in the case of goodwill, impairment losses recognized in previous years may be reversed if, and only if, there has been a change in the estimates used to calculate the recoverable amount of the asset since the previous recognition of an impairment loss. However, the reversal of an impairment loss must not result in the carrying amount of the asset exceeding the carrying amount that would have been determined had no impairment been recognized for the asset in previous years.

H. Financial assets

Financial assets are classified into four categories depending on their nature and the purpose for which they are held:

- held-to-maturity assets;
- financial assets at fair value through profit or loss;
- loans and receivables;
- assets available for sale.

The Group has no held-to-maturity assets. Except for assets carried at fair value through profit or loss, all financial assets are initially recognized at cost, which represents the fair value of the price paid plus acquisition costs.

All standard purchases and sales of financial assets are recognized at the settlement date.

Loans and receivables

These are financial assets, issued or acquired by the Group, which are received in exchange for a direct transfer of money, goods or services to a debtor. They are initially measured at fair value plus directly attributable transaction costs. After initial recognition, they are carried at amortized cost calculated using the effective interest rate method. Non-current financial assets consist of loans, deposits, guarantees and restricted cash. Current financial assets mainly consist of receivables initially recognized at their fair value.

Trade receivables, the maturities of which are generally between 30 and 90 days, are recognized at their nominal value, which is deemed to reflect their fair value. These receivables are then evaluated at the amortized cost, after deducting the losses of value of the amounts that cannot be recovered.

An impairment loss is recognized whenever there is an objective indication that the Group may not be able to recover some or all of its receivables. Debt claims that cannot be recovered are recognized as a loss when they are identified as such.

Financial assets at fair value through profit or loss

These represent assets held for trading, i.e., assets acquired by the Company with a view to selling them in the near term. They are stated at their fair value, with any changes in fair value recognized in the income statement.

Assets available for sale

Classified as non-current financial assets, these represent the Group's equity interests in companies over which it does not exercise significant influence or control. They are initially measured at fair value plus directly attributable transaction costs. Following initial recognition, they are stated at their fair value, with any changes in fair value recognized in equity until the asset is either sold, cashed in or otherwise removed from the scope of consolidation or until it is demonstrated that the asset has suffered a prolonged and material loss in value. In such cases, the gain or loss previously recognized in other items of comprehensive income is transferred to income.

I. Financial liabilities

Financial liabilities are classified into two categories:

- financial liabilities at amortized cost;
- financial liabilities at fair value through profit or loss.

Financial liabilities at amortized cost

Borrowings and other financial liabilities (including trade payables) are carried at amortized cost using the effective interest rate method. Issuance costs, issue premiums and redemption premiums are included in the amortized cost of borrowings and debt. They are shown as reductions or increases in borrowings, as appropriate, and are amortized on an actuarial basis.

Financial liabilities at fair value through profit or loss

These represent liabilities held for trading purposes, i.e., liabilities intended to be settled in the near term. They are stated at fair value, with changes in fair value recognized in the income statement.

J. Financial instruments

Hedging derivatives

The Group hedges its currency risk on certain transactions denominated in US dollars, as well as its interest rate risk, using derivatives (forward sales, options). These derivatives are solely designed to hedge the interest rate and foreign exchange risks on fixed commitments or highly probable future transactions.

Derivatives are initially recognized at fair value upon acquisition. Attributable transaction costs are expensed as incurred. In the absence of a hedging relationship, following initial recognition, changes in the fair value of derivatives are immediately expensed.

If the derivative is designated as a hedge of the fair value of assets or liabilities recognized in the consolidated statement of financial position, changes in the value of the derivative and of the hedged item are recognized in income in the same period.

If the derivative is designated as a cash flow hedge, changes in the value of the effective portion of the derivative are recognized in equity. It is recognized in income when the hedged item is itself recognized in income. However, the ineffective portion of the derivative is immediately recognized in financial income/(expense).

Fair value of financial instruments

The Group applies IFRS 7 regarding financial instruments measured at fair value in the statement of financial position. Fair value measurements are broken down by level in the fair value hierarchy, as follows:

- Level 1: the instrument is quoted in an active market;
- Level 2: fair value is determined using valuation techniques based on observable inputs, other than the prices quoted in level 1, either directly (prices) or indirectly (pricing data);
- Level 3: at least one significant fair value component is based on non-observable inputs.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency, and those prices represent regularly occurring market transactions. These instruments are classified in Level 1.

The fair value of financial instruments not quoted in an active market (e.g., over-the-counter derivatives) is calculated using valuation techniques. These valuation techniques maximize the use of observable market data where available and rely as little as possible on the Group's own estimates. If all inputs required to calculate the fair value of an instrument are observable, the instrument is classified in Level 2 of the fair value hierarchy.

If one or more of the principal inputs is not based on observable market price data, the instrument is classified in Level 3.

K. Inventories

Inventories of raw materials and consumables are stated at acquisition cost. A provision for impairment is funded for obsolete or surplus items.

Finished goods are carried at production cost except for those whose cost exceeds their selling price during the start-up phase of production and obsolete or surplus items. A provision for impairment writes down the carrying amount of finished goods to their realizable value less proportionate selling expenses.

Work-in-progress is measured using the same principles in accordance with the percentage of completion of production.

L. Assets held for sale

Non-current assets held for sale (or disposal groups) are classified as "Assets held for sale" when it is highly likely that they will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale may be a component of an entity, a disposal group or a separate non-current asset.

On initial classification as held for sale, non-current assets and disposal groups are carried at the lower of their carrying amount and their fair value less costs to sell.

Impairment losses resulting from the classification of an asset (or a group of assets and liabilities) as held for sale or distribution plus gains and losses from subsequent measurements are recognized in income. Once classified as assets held for sale, intangible assets and property plant and equipment are no longer depreciated.

M. Cash and cash equivalents

Cash and cash equivalents primarily consist of demand deposits and marketable securities readily convertible into cash that have an initial maturity of three months or less and are not exposed to a significant interest rate risk.

Investments with a maturity of more than three months with no early exit options along with investments in money-market UCITS (OPCVM) which do not meet the criteria for recognition as cash equivalents under IAS 7 are classified within other financial assets.

N. Equity

Equity instruments and convertible bonds

Classification in equity depends on a specific analysis of the characteristics of each instrument issued.

Trading costs on equity instruments

External costs directly attributable to capital transactions or equity instruments are recognized net of tax as a deduction from equity. Other costs are expensed as incurred.

Treasury shares

Purchases of treasury shares are recorded as a deduction from equity based on their acquisition cost. Any gains or losses upon disposal or use are recognized in other reserves. When treasury shares are used as payment for an acquisition, the value used for accounting purposes corresponds to their market price at the transaction date.

Share-based payments

In accordance with IFRS 2 – Share-based Payment, equity-settled transactions are measured at the grant date. The fair value of these instruments, determined by an independent expert, is calculated using a model that reflects the instrument's characteristics. This valuation model accounts for the exercise price and life of the option, the price of the underlying shares, the expected volatility of the share price and the risk-free interest rate over the life of the option. The value of these options is recognized on a straight-line basis in employee-related costs between the grant date and the exercise date, with a corresponding adjustment to equity, since the options all relate to equity-settled plans.

For free share awards, fair value is also determined according to the characteristics of the plan, market data at the date of the allocation and an assumption of the employee's continuing presence on the payroll at the end of the vesting period. If the plan does not specify the vesting arrangements, the expense is recognized in full as soon as the plan is awarded. Otherwise, the expense is recognized over the vesting period as and when the vesting conditions are met.

O. Provisions

A provision is recognized when the Group has a present (legal or constructive) obligation arising from a past event, the amount of which can be estimated reliably, and the settlement of which is expected to result in an outflow of resources embodying economic benefits for the Group. The provisions are updated when the impact of the update is significant.

A provision for restructuring is only recognized when there is an implicit obligation to a third party, originating from a decision of Management materialized before fiscal year-end by the existence of a detailed and formalized plan and the announcement of this plan to the persons concerned.

Contingent liabilities correspond to potential obligations arising from past events the existence of which can only be confirmed by the occurrence of uncertain future events which are not under the control of the entity or to current obligations for which an outflow of resources is not probable. Contingent liabilities are not recognized but information on them is provided in the notes.

P. Retirement benefit obligations and other related benefits

Retirement indemnities and related benefits

French law provides for the one-off payment of pension costs. This compensation is determined depending on the years of service and the level of remuneration at the time of retirement. Entitlements are only enjoyed by employees working in the Company at retirement age. The Group has entered into an agreement to supplement statutory retirement benefits.

Other pension plans

In addition to statutory benefits, the Group operates a supplementary pension plan for certain employees. This defined benefits plan is managed by an external organization.

In the US, Soitec USA Inc. pays into a funded pension plan under section 401(k) of the US Internal Revenue Code. This defined contribution pension plan is exempt from tax and covers the majority of US employees.

Defined benefit plans are measured on an actuarial basis using the projected unit credit method, which factors in demographic (salary trends, age upon retirement, staff turnover, mortality rate) and financial (discount and inflation rate) assumptions. Actuarial gains and losses resulting from the revision of calculation assumptions are immediately recognized in other items of comprehensive income (equity) under "Actuarial gains/(losses) on defined benefit plans".

For defined contribution plans, payments are expensed as incurred. There are no actuarial liabilities in respect of these.

Q. Revenue recognition

Revenue mainly comes from the sale of products. It is supplemented by license income. Revenue is recognized when it is probable that future economic benefits will flow to the Group and the revenue can be measured reliably.

Revenue recognition criteria and procedures in the Electronics segment:

- silicon wafer sales are recognized in income when the risks and benefits are transferred pursuant to the incoterms specified in the contracts;
- licensing revenue is recognized on a straight-line basis over the period during which the rights are granted or may be recognized on the basis of a percentage of sales as defined in the contract. When the licensing agreements provide, in addition to royalties, for payments of advances or interim invoices allowing for the financing of the developments implemented to respond to the specific needs of a client, these are recorded in income over the foreseeable duration of the use by the client of the transferred technology.

The impact of applying IFRS 15 is currently being reviewed.

R. Gross margin

Gross margin represents "income from ordinary activities" less the total cost of sales. Cost of sales includes the cost of resources used in the production of goods sold (raw materials, consumables, employee-related costs, depreciation and amortization, energy and fluids).

S. Sales and marketing expenses

Sales and marketing expenses comprise costs incurred by the Sales & Business Development and Strategic Marketing Departments. They primarily consist of employee-related costs and expenses relating to trade fairs, consulting and travel.

T. Research and development costs

This item includes costs that do not meet the criteria for recognition as intangible assets. These costs are net of prototype sales made as part of the research and development business, any research tax credits and grants recognized in income for the period.

Grants received, corresponding to grants for which the financing agreements have been signed and the administrative authorizations obtained, are deducted from the amortization of capitalized development costs (if the project meets the criteria set out in IAS 38) or are recognized in the income statement in proportion to the research and development costs expensed during the period on the projects concerned. Grants are invoiced to the relevant bodies following project reviews, based on the milestones set out in the grant agreements.

Support for research and development activities may also take the form of repayable advances. These advances are recognized within borrowings and debt if the corresponding projects meet the criteria for capitalization as research and development costs or if it is likely that the advance will be repaid. Where these criteria are not met, the accounting treatment of repayable advances is in line with that applied to grants obtained (i.e., recognition on a pro rata basis in the income statement against research and development costs).

U. General and administrative expenses

General and administrative expenses comprise costs incurred by support functions less the portion allocated to production costs. These support functions include General Management, finance, human resources, legal, communications, quality and IT.

V. Other operating income and expenses

This item shows the effects of major events occurring during the accounting period that are liable to skew analyses of the Group's recurring performance. This includes a limited number of unusual, abnormal, infrequent and material income and expense items. It includes non-recurring restructuring costs, impairment losses charged against non-current assets and goodwill, and transaction costs related to acquisitions of equity interests.

W. Financial income/(expense)

Financial income/(expense) comprises the cost or income of debt, dividends received from non-consolidated subsidiaries, changes in the fair value of financial assets excluding cash and derivatives not eligible for hedge accounting, gains and losses on the disposal of financial assets excluding cash, gains and losses on discounting and foreign exchange gains and losses on items not included in net debt.

X. Income tax and deferred taxes

Income tax expense represents the sum of income tax payable by Group companies and deferred taxes. Income tax expense is recognized in income except where it relates to items directly recognized in equity, in which case it is also recognized in equity.

Deferred tax is accounted for using the liability method. The amount of tax expense calculated is influenced by the change in the receivable or liability attributable to the change in the income tax rate from one year to the next (liability method of tax allocation).

For finance leases, the Group initially recognizes deferred tax on the net amount of any positive and negative temporary differences resulting from the initial recognition of the finance lease, and recognizes any subsequent changes in income.

A deferred tax asset is recognized when the following conditions are met:

- the entity has sufficient taxable temporary differences involving the same taxation authority and the same taxable entity or tax group, which will result in taxable amounts against which the unused tax credits or tax losses may be utilized before they expire;
- it is probable that the entity will generate taxable income before the unused tax credits or tax losses expire.

No deferred tax asset is recognized to the extent that it is unlikely that the entity will post taxable income against which the unused tax credits or tax losses can be utilized.

Y. Earnings/(loss) per share

Earnings per share are calculated based on the weighted average number of shares depending on the date of issuance of shares during the fiscal year, less any treasury shares held. Diluted earnings per share are calculated using the treasury stock method, which adds to the denominator the number of shares that would result from dilutive instruments (options), less the number of shares that may be bought back at market price using the funds raised from exercising the relevant instruments. The number of shares used to compute diluted earnings per share takes into account the weighted average number of ordinary shares outstanding during the period, adjusted for the impact of the potential ordinary shares that could result from the exercise of options, share warrants and other financial instruments that may be converted into ordinary shares, where their impact is dilutive. Dilutive instruments are not taken into account in the calculation of diluted earnings per share when they lead to a reduction in the loss per share based on the average number of shares outstanding.

Z. Discontinued operations

A discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale, and:

- represents either a separate major line of business or a geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The discontinued operation classification must be used as soon as the operation has been sold or the business meets the conditions to be classified as held for sale.

The discontinued operation classification results in the separate presentation of "Net income/(loss) from discontinued operations" in the income statement.

This line comprises the following items:

- income generated by the discontinued operation as well as any expenses directly attributable to the operation, net of tax, for the entire period presented;
- any impairment losses that may have been recognized when the disposal group was recognized as held for sale in accordance with IFRS 5;
- the gain or loss on disposal at the time the assets and liabilities relating to the disposal group are effectively no longer recognized.

The net cash flows attributable to operating, investing and financing activities of discontinued operations are calculated as the difference between these various headings and the amounts of continuing operations in the statement of cash flows and separately in the notes to the financial statements.

The termination of negotiations with ConcenSolar in connection with the sale of certain Solar Energy assets, as announced in the 5 August 2015 press release, led Soitec to press ahead with its plan to discontinue its production and R&D operations in San Diego (US) and Freiburg (Germany) and to sell the residual assets. Since the criteria set out in IFRS 5 are met, the net income/(loss) from the discontinued operations are therefore shown separately within "net profit/(loss) from discontinued operations" in the income statement. The share of income/(loss) of equity-accounted companies, which concerns assets held for sale in the Solar Energy business segment, is also shown within "Net income/(loss) from discontinued operations".

2.5. Significant accounting judgments and estimates

As part of the normal process of preparing consolidated financial statements, the determination of certain items requires Group Management to make estimates and assumptions that affect the amounts reported for assets and liabilities, as well as the disclosures provided in certain notes as of the reporting date and the amounts reported for income and expenses for the period. This specifically relates to the depreciation of non-current assets, the evaluation of the cost of the free preferred share plan, inventory depreciation, the recognition of tax loss carryforwards, the amount of provisions for contingencies and charges or provisions for employee and commercial obligations. These assumptions and estimates are prepared on the basis of available information or situations prevailing at the reporting date. Depending on the changes in the assumptions used or economic conditions that differ from those existing as of now, the amounts in the Group's future financial statements could differ significantly from the current estimates, particularly with respect to the cost of closing or disposing of the business activities in the Solar Energy segment and the recoverable amount of the Singapore assets. Regarding the assets held for sale, the expected selling prices are not inferior to their net book value.

2.6. Restatement of the year ended 31 March 2016

The financial statements at 31 March 2016 were adjusted for the corporate tax recognized in accordance with IAS 8. The income tax liability for the Singapore subsidiary increased by €726 thousand (breaking down into €170 thousand for 2014-2015 and €556 thousand in the income statement for 2015-2016), offset by a reduction in reserves and retained earnings.

Furthermore, the financing activity for the solar segment, presented in the previous year as held for sale under continuing operations was reclassified as held for sale under discontinued operations. The financial statements for fiscal year 2015-2016 have been restated to allow comparison. These financial assets held for sale include the financial assets related to the solar power plant in South Africa: the equity-accounted investments in CPV Power Plant No. 1 and CPV Bond (20% interests), and the financing (principal and interest) provided to one of the shareholders of the Touwsrivier plant, for which the Group believes that the highly probable sale criterion within 12 months has been met. The restatement of profit/(loss) for fiscal year 2015-2016 resulted in a €2,796 thousand decline in financial income of continuing operations and a €2,837 thousand decrease in financial expenses of continuing operations, representing a total impact on financial income/(expense) of €41 thousand. Profit/(loss) of discontinued operations was adjusted by -€41 thousand.

3. Notes to the statement of financial position

3.1. Segment reporting

As discussed in "Overview of the Company and business", the Group has two business segments:

- production and marketing of substrates and components for the microelectronics industry ("Electronics");
- the Group's other discontinued operations (Other Activities): Solar Energy business (operation and maintenance of photovoltaic installations), the Lighting business disposed of in March 2016 (development of materials for the production of light-emitting diodes) and the Equipment business sold in March 2016 (sale of equipment).

EBITDA presented in the segment analysis table represents current operating income (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 should not be considered an alternative to any other financial indicator.

Key segment information is presented below:

Breakdown of the consolidated income statement

	31 March 2017			31 March 2016*		
(In € thousand)	Electronics	Other Activities	Total	Electronics	Other Activities	Total
Sales	245,710		245,710	233,194		233,194
Gross margin	**77,428**		**77,428**	**62,233**		**62,233**
Gross research and development costs	(45,193)		(45,193)	(43,059)		(43,059)
Sales of prototypes and other income	4,393		4,393	5,499		5,499
Grants and repayable advances	22,144		22,144	20,901		20,901
Net research and development costs	(18,656)		(18,656)	(16,658)		(16,658)
Sales and marketing expenses	(7,843)		(7,843)	(5,550)		(5,550)
General and administrative expenses	(23,200)		(23,200)	(17,669)		(17,669)
Current operating income/(loss)	**27,729**		**27,729**	**22,356**		**22,356**
Other operating income	-		-	-		-
Other operating expenses	(8,195)		(8,195)	(29,372)		(29,372)
Other operating income and expenses	(8,195)		(8,195)	(29,372)		(29,372)
EBIT	**19,532**		**19,532**	**(7,016)**		**(7,016)**
Depreciation/amortization	20,822		20,822	23,972		23,972
Impairment of non-current assets and accelerated depreciation/amortization	(309)		(309)	20,882		20,882
Share-based payments	2,603		2,603	(227)		(227)
Provisions, net	(1,219)		(1,219)	(1,294)		(1,294)
Provision for retirement benefit obligations	547		547	449		449
Gains/(losses) on disposals of assets	(967)		(967)	(485)		(485)
EBITDA from discontinued operations		(8,873)	(8,873)		(58,415)	(58,415)
EBITDA	**41,006**	**(8,873)**	**32,138**	**36,281**	**(58,415)**	**(22,134)**

* *Pursuant to IFRS 5, the consolidated income statement has been restated to reflect the activities of the Other Activities business segment, which are shown within discontinued operations.*

Breakdown of the statement of financial position

	31 March 2017			31 March 2016*		
(In € thousand)	Electronics	Other Activities	Total	Electronics	Other Activities	Total
Intangible assets, net	4,009		4,009	5,679		5,679
of which goodwill						
Property, plant and equipment, net	113,475		113,475	120,642		120,642
Non-current financial assets	8,201	3,966	12,167	6,160	2,740	8,900
Other non-current assets	31,341		31,341	24,692	-	24,692
Non-current assets (1)	**157,026**	**3,966**	**160,992**	**157,172**	**2,740**	**159,912**
Inventories	33,642		33,642	30,910		30,910
Trade receivables	39,975		39,975	40,436		40,436
Current financial assets	1,797		1,797	1,066	378	1,444
Other current assets	14,840		14,840	17,512		17,512
Current assets (2)	**90,254**	**-**	**90,254**	**89,924**	**378**	**90,302**
Trade payables	44,430		44,430	42,552		42,552
Other current and non-current liabilities	61,451		61,451	54,997		54,997
Current and non-current liabilities (3)	**105,881**		**105,881**	**97,549**		**97,549**
Assets held for sale and related to discontinued operations (a)		29,069	29,069		25,856	25,856
Liabilities held for sale and related to discontinued operations (b)		13,744	13,744		16,483	16,483
Net assets held for sale and related to discontinued operations* (4 = a - b)		**15,325**	**15,325**		**9,373**	**9,373**
CAPITAL EMPLOYED (1) + (2) - (3) + (4)	**141,399**	**19,291**	**160,690**	**149,547**	**12,491**	**162,038**

* *In the course of the application of IAS 8, the statement of financial position at 31 March 2016 was corrected and reflects a tax liability of €726 thousand for the Singapore subsidiary (Electronics).*

Current and non-current financial assets and other non-current assets were included in the breakdown of the segment statement of financial position at 31 March 2017 and 31 March 2016.

Non-current financial assets for the Solar Energy business segment reflect a guarantee deposit related to the South African bond in the amount of €3,966 thousand.

Breakdown of revenue

Revenue by segment and product type breaks down as follows:

(In € thousand)	31 March 2017	31 March 2016
Electronics – 300 mm SOI	56,663	53,596
Electronics small diameters	182,495	170,510
Royalties	6,551	9,088
Total Electronics	*245,710*	*233,194*
TOTAL REVENUE	**245,710**	**233,194**

3.2. Intangible assets

Intangible assets break down as follows:

(In € thousand)	Gross value	Accumulated amortization	Provision for impairment	Net value
31 March 2015	**92,102**	**(55,391)**	**(25,642)**	**11,068**
Goodwill – Electronics segment	13,295	-	(13,295)	-
Capitalized development projects	3,710	(1,855)	-	1,855
Concessions, patents and other rights	5,511	(4,438)	-	1,072
Software	50,694	(48,595)	-	2,099
Intangible assets in progress	653	-	-	653
31 March 2016	**73,863**	**(54,888)**	**(13,296)**	**5,678**
Goodwill – Electronics segment	13,295	-	(13,295)	-
Capitalized development projects	3,710	(2,226)	-	1,484
Concessions, patents and other rights	5,511	(4,962)	-	548
Software	52,557	(51,510)	-	1,047
Intangible assets in progress	929	-	-	929
31 MARCH 2017	**76,003**	**(58,698)**	**(13,296)**	**4,009**

At 31 March 2017, capitalized development projects with a gross value of €3,710 thousand relate to a research project in the field of image sensors, which resulted in a licensing agreement to be amortized over the term of the contract.

In the year to 31 March 2017, changes in the net value of each asset category break down as follows:

(In € thousand)	Goodwill	Capitalized development projects	Concessions, patents and other rights	Software	Intangible assets in progress	Total
31 March 2015	**-**	**2,226**	**3,745**	**4,552**	**545**	**11,068**
Assets put into service	-	-		643	(643)	-
Acquisitions	-	-	-	-	751	751
Currency translation adjustment	-		-	(2)		(2)
Amortization (expense for the period)	-	(371)	(1,084)	(3,094)	-	(4,550)
Impairment and accelerated amortization		-	(1,588)			(1,588)
31 March 2016	**-**	**1,855**	**1,072**	**2,099**	**653**	**5,678**
Assets put into service	-	-	-	897	(897)	-
Acquisitions	-	-	-	-	1,173	1,173
Amortization (expense for the period)	-	(371)	(524)	(1,948)	-	(2,843)
31 MARCH 2017	**-**	**1,484**	**548**	**1,047**	**929**	**4,009**

3.3. Property, plant and equipment

Property, plant and equipment break down as follows:

(In € thousand)	Gross value	Accumulated depreciation	Provisions for impairment	Net value
31 March 2015	**700,988**	**(503,790)**	**(40,462)**	**156,736**
Buildings*	240,444	(157,478)	(48)	82,918
Equipment and tooling*	416,370	(360,899)	(23,633)	31,838
Other property, plant and equipment*	12,642	(11,977)	(0)	665
Property, plant and equipment in progress	7,809	-	(2,588)	5,221
31 March 2016	**677,265**	**(530,354)**	**(26,269)**	**120,642**
Buildings*	246,169	(169,683)	(45)	76,442
Equipment and tooling*	407,956	(359,333)	(19,285)	29,338
Other property, plant and equipment*	11,888	(11,457)	(60)	371
Property, plant and equipment in progress	9,829	-	(2,506)	7,323
31 MARCH 2017	**675,842**	**(540,473)**	**(21,894)**	**113,474**

* *Of which assets financed under finance leases:*

(In € thousand)	Gross value	Accumulated depreciation	Provisions for impairment	Net value
31 March 2015	**31,918**	**(14,419)**	**(3,645)**	**13,854**
Buildings	3,439	(1,055)	-	2,384
Equipment and tooling	66,883	(45,798)	(7,380)	13,705
Other property, plant and equipment	44	(36)	-	8
31 March 2016	**70,366**	**(46,889)**	**(7,380)**	**16,097**
Buildings	3,663	(1,124)	-	2,539
Equipment and tooling	66,883	(50,283)	(5,980)	10,620
Other property, plant and equipment	47	(39)	-	8
31 MARCH 2017	**70,593**	**(51,446)**	**(5,980)**	**13,167**

In the year to 31 March 2017, changes in the net value of each asset category break down as follows:

(In € thousand)	Buildings	Equipment and tooling	Other	Property, plant and equipment in progress	Total
31 March 2015	**116,153**	**36,160**	**1,189**	**3,232**	**156,736**
Assets put into service	290	5,171	237	(5,698)	-
Acquisitions	-	-	-	7,689	7,689
Change in scope		(1,379)	(49)		(1,428)
Currency translation adjustments	(2,677)	(45)			(2,722)
Depreciation (expense for the period)	(10,476)	(9,684)	(698)		(20,858)
Impairment and accelerated depreciation*	(20,169)	(511)	(19)	(3)	(20,702)
Disposals or retirements		1,923	5		1,928
31 March 2016	**82,918**	**31,838**	**665**	**5,221**	**120,642**
Assets put into service	786	5,806	119	(6,711)	-
Changes in the fair value	(220)	-	-	-	(220)
Acquisitions	-	-	-	8,504	8,504
Currency translation adjustments	2,217	-	-	-	2,217
Depreciation (expense for the period)	(9,259)	(8,306)	(413)	-	(17,978)
Impairment and accelerated depreciation	-	-	-	309	309
31 MARCH 2017	**76,442**	**29,338**	**371**	**7,323**	**113,474**

* *These amounts correspond to provisions for impairment recognized under "Other operating expenses" in the income statement (see note 4.4).*

3.4. Value of non-current assets

Impairment testing

The Singapore plant was built in order to increase 300 mm-wafer production capacity. Due to the downturn in demand, most of the production of 300 mm wafers was transferred to the Bernin plant in September 2013 and the Singapore clean room has since been dormant. Pursuant to IAS 36, at 31 December 2015, the Company re-appraised the market value of the asset and, at the same time, determined its value in use on the basis of its business plan, which confirmed the medium-term need to expand production capacity for 300 mm wafers. The test had led the Group to recognize a €20 million impairment loss in the interim financial information at 31 December 2015. The value in use was updated at 31 March 2017 on the basis of its business plan, which continues to confirm the medium-term need for expanded production capacity for 300 mm wafers. As a result, no further impairment loss was recognized at 31 March 2017.

3.5. Non-current financial assets

Non-current financial assets break down as follows:

(In € thousand)	31 March 2017	31 March 2016
Financial assets – Investments	**7,743**	**7,067**
Loans	180	
Deposits and guarantees	8,822	8,822
Restricted cash	133	133
Derivative financial instruments (positive fair value)	1,833	
Gross value	**18,711**	**16,023**
Financial assets – Investments	(1,509)	(1,040)
Loans	(180)	
Other financial assets	(4,856)	(6,082)
Provision for impairment	**(6,545)**	**(7,122)**
NON-CURRENT FINANCIAL ASSETS, NET	**12,167**	**8,900**

Deposits and guarantees chiefly concern a guarantee deposit relating to bonds in South Africa with a net value of €4 million. This asset is classified under continuing operations due to its long payback period.

"Financial assets – Investments" break down as follows:

	31 March 2017			31 March 2016		
(In € thousand)	**Gross value**	**Provisions**	**% held**	**Gross value**	**Provisions**	**% held**
Cissoïd	340	(340)	0.36%	340	(340)	3.09%
Exagan*	906		15.32%	606	-	15.00%
Simgui**	4,441		2.69%	4,441	-	3.89%
Ceotis***	281	(281)	30.00%	281	-	30.00%
Technocom****	1,775	(888)	8.00%	1,400	(700)	8.00%
Total financial assets – Investments	**7,743**	**(1,509)**		**7,067**	**(1,040)**	

* *Soitec increased its stake in Exagan by €300 thousand and continues to hold 15.32%.*
** *The Group's investment in China-based Simgui amounting to €4,441 thousand was acquired as part of a partnership to develop production capacity of 200 mm SOI wafers. No impairment loss was identified at 31 March 2017.*
*** *Ceotis holds the former Lighting business. It was created in March 2016 and is not controlled by the Group. Provisions have been fully funded for the shares.*
**** *Soitec increased its investment in Technocom by €375 thousand and continues to hold 8%. Provisions were funded for 50% of the value of the investment.*

3.6. Other non-current assets

Other non-current assets break down as follows:

(In € thousand)	31 March 2017	31 March 2016
Tax receivables	30,819	24,219
Prepayments on orders of non-current assets	170	35
Deposits and guarantees	352	438
Gross value	**31,341**	**24,692**
OTHER NON-CURRENT ASSETS, NET	**31,341**	**24,692**

The tax receivable of €30.8 million at 31 March 2017 represents:

- the non-current portion of the research tax credit for the calendar years 2015, 2016 and Q1 2017, for €27.5 million (€21.2 million at 31 March 2016);
- the non-current portion of the job competitiveness tax credit for the calendar years 2014, 2015, 2016 and Q1 2017, for €3.3 million (€3 million at 31 March 2016).

The total amount of the research tax credit receivable (current portion and non-current portion) is €35.5 million (€29.7 million at 31 March 2016).

3.7. Inventories

Inventories break down as follows:

(In € thousand)	31 March 2017	31 March 2016
Raw materials	19,555	22,817
Work-in-progress	8,113	5,974
Finished products and goods	14,057	10,629
Gross value	41,723	39,420
Provisions for depreciation	(8,081)	(8,510)
INVENTORIES, NET	**33,642**	**30,910**

3.8. Trade receivables

Trade receivables break down as follows:

(In € thousand)	31 March 2017	31 March 2016
Trade receivables, gross	40,529	40,838
Provisions for impairment	(554)	(402)
TRADE RECEIVABLES, NET	**39,975**	**40,436**

Changes in the provision for impairment of trade receivables break down as follows:

(In € thousand)	31 March 2017	31 March 2016
Provision for impairment at beginning of period	**(402)**	**(209)**
Expense for the period	(147)	(323)
Reversals of utilized provisions: bad debts	-	-
Reversals of surplus provisions	-	-
Currency translation adjustment	(5)	10
Reclassifications		120
Provision for impairment at end of period	**(554)**	**(402)**

At 31 March 2017, the aged analysis of receivables is as follows:

(In € thousand)	Total trade receivables	Not due and not impaired	Less than 30 days past due	30 to 60 days past due	60 to 90 days past due	More than 90 days past due
Gross value	40,529	38,209	859	926		535
Provision for impairment	(554)	(12)		(6)		(536)
Net value at 31 March 2017	**39,975**	**38,197**	**859**	**920**		**(1)**
Gross value	40,838	34,348	5,172	402	176	740
Provision for impairment	(402)	-	(21)	-	(16)	(366)
Net value at 31 March 2016	**40,436**	**34,348**	**5,151**	**402**	**160**	**375**

3.9. Other current assets

Other current assets break down as follows:

(In € thousand)	31 March 2017	31 March 2016
Tax and social security receivables*	9,581	10,630
Receivables on disposals of assets		13
Prepaid expenses	586	961
Grants receivable**	4,137	4,760
Advances, goods paid for on order	384	614
Deposits and guarantees	63	65
Other	89	465
Gross value	**14,840**	**17,508**
Provisions for depreciation	-	-
CURRENT ASSETS, NET	**14,840**	**17,508**

* *At 31 March 2017, tax and social security receivables included a research tax credit amounting to €7.5 million for the 2013 calendar year (€8 million at 31 March 2016).*
** *Operating grants receivable are as follows:*

(In € thousand)	31 March 2017	31 March 2016
Operating grants receivable at beginning of period	**4,760**	**1,382**
Received during the period	(8,045)	(6,252)
Recognized in income	7,421	9,630
Operating grants receivable at end of period	**4,137**	**4,760**

In accordance with IAS 20, research and development subsidies receivable are recorded as grants receivable when the financing agreements have been signed and administrative authorizations obtained. They are recorded in the income statement in proportion to the research and development expenses recognized during the period and eligible for subsidized projects, after verifying that the grant conditions were met. Grants are invoiced and recognized according to the milestones set out in the agreements.

3.10. Current financial assets

These break down as follows:

(In € thousand)	31 March 2017	31 March 2016
Loans	34	447
Accrued interest	19	33
Prepaid expenses	159	-
Restricted cash	-	1,000
Derivative financial instruments (positive fair value)	1,586	
Gross value	**1,797**	**1,479**
Loans	-	(34)
Provisions for depreciation	-	(34)
CURRENT FINANCIAL ASSETS, NET	**1,797**	**1,444**

3.11. Cash and cash equivalents

Cash and cash equivalents break down as follows:

(In € thousand)	31 March 2017	31 March 2016
Cash	68,286	49,068
Cash equivalents	41,000	-
TOTAL CASH AND CASH EQUIVALENTS	**109,286**	**49,068**

Cash at bank is principally denominated in euros (83% of the total) and US dollars (15% of the total).

Cash is held in interest-bearing accounts.

In order to determine if an investment is eligible to be classified as a cash equivalent, the Group complies with the AMF guidance issued on 3 May 2011 relating to the classification of UCITS money-market funds as cash equivalents in accordance with IAS 7.

3.12. Assets and liabilities held for sale and related to discontinued operations

Following the decision to withdraw from the Solar Energy sector, the Group shut down all its production and research and development activities in San Diego (US) and Freiburg (Germany) and continued to sell off its remaining assets. These remaining held for sale assets include the financial assets related to the solar power plant in South Africa: the equity-accounted investments in CPV Power Plant No. 1 and CPV Bond (20% interests), and the financing (principal and interest) provided to one of the shareholders of the Touwsrivier plant, for which the Group believes that the highly probable sale criterion within 12 months has been met. These financial assets were presented for the previous year as held for sale within continuing operations. The financial statements for fiscal year 2015-2016 have been restated to allow comparison.

The remaining assets and liabilities are presented below:

(In € thousand)	Assets and liabilities held for sale and related to discontinued operations	
	31 March 2017	**31 March 2016**
Property, plant and equipment	-	-
Solar power plant projects	1,360	304
Equity-accounted companies	8,698	8,060
Non-current financial assets	16,495	14,433
Other non-current assets	8	254
Non-current assets	**26,561**	**23,051**
Inventories	-	-
Trade receivables	869	1,993
Other current assets	287	679
Current financial assets	1,352	133
Current assets	**2,508**	**2,805**
TOTAL ASSETS (1)	**29,069**	**25,856**
Long-term financial debt	-	-
Provisions and other non-current liabilities	-	-
Non-current liabilities	**-**	**-**
Short-term financial debt	1,165	96
Trade payables	573	589
Provisions and other current liabilities	12,006	15,799
Current liabilities	**13,744**	**16,484**
TOTAL LIABILITIES (2)	**13,744**	**16,484**
NET ASSETS (1) – (2)	**15,325**	**9,372**

The assets and liabilities held for sale relating to the Touwsrivier solar power plant in South Africa at 31 March 2017 were comprised of:

- a 20% interest in CPV Power Plant No. 1 Ltd (Touwsrivier) and its subsidiary CPV Bond. The investments were measured at fair value (€8,698 thousand at 31 March 2017 compared with €8,060 thousand at 31 March 2016);
- a €16,495 thousand receivable at 31 March 2017 (compared with €13,993 thousand at 31 March 2016, the year-on-year change solely relating to exchange rate movements).

With respect to the remaining assets and liabilities:

- Solar power plant projects concerns the net assets of the Newberry power plant in the United States totaling €1,360 thousand (€304 thousand at 31 March 2016). This power plant is measured at its fair value at 31 March 2017 (effective disposal on 1 May 2017);
- non-current financial assets at 31 March 2016 included the €331 thousand investment in the non-consolidated company Suncoutim. This investment was disposed of in December 2016, and generated a capital gain of €454 thousand;
- current financial assets and current financial liabilities relate to cash payable to a third party following the distributions by CPV Power Plant No. 1;
- provisions and other liabilities mainly include the provisions that are detailed below. They are for operations that have been discontinued or sold and the commitments underlying these discontinuations or sales of operations:

(In € thousand)	31 March 2016	Expense for the period	Reversals (utilized)	Reversals (not utilized)	Currency translation adjustment	Reclassifications	31 March 2017
• Employee departure plan	845	-	(841)	-	-	-	3
Bernin site	**845**	**-**	**(841)**	**-**	**-**	**-**	**3**
• Employee departures	438	184	(437)	-	-	-	184
• Dismantling of solar power plants (excl. US) & compensation	3,944	2,774	(2,722)	(740)	-	732	3,988
• Cost of cessation of operations	3,230	385	(1,430)	-	-	(732)	1,453
Freiburg site	**7,612**	**3,343**	**(4,589)**	**(740)**	**-**	**-**	**5,626**
• Employee departures	127	-	(133)	-	5	-	0
• Cost of cessation of operations	2,359	1,863	(3,090)	-	125	-	1,257
• Dismantling of solar power plants located in the United States & compensation	878	1,154	-	-	83	-	2,116
San Diego site	**3,364**	**3,017**	**(3,222)**	**-**	**214**	**-**	**3,372**
• Cost of cessation of operations	129	179	(159)		22	-	172
South African site	**129**	**179**	**(159)**	**-**	**22**	**-**	**172**
• Employee departures	97	-	(97)	-	-	-	-
French site	**97**	**-**	**(97)**	**-**	**-**	**-**	**-**
TOTAL	**12,046**	**6,540**	**(8,908)**	**(740)**	**236**	**-**	**9,174**

3.13. Issued capital and reserves

3.13.1. Share capital and share premium

At 31 March 2017, the number of Company shares outstanding was 30,311,510. These are ordinary shares with a par value of €2 per share.

(number of shares)	**31 March 2017**	**31 March 2016***
Ordinary shares with a par value of €2	30,311,510	11,566,209

* *The General Shareholders' Meeting of 25 July 2016 decided to carry out a reverse stock split of the Company's shares such that 20 ordinary shares with a par value of €0.10 each would be exchanged for one new share with a par value of €2.00. The reverse stock split went into effect on 8 February 2017. In order to enable the comparability of the financial statements, the number of ordinary shares at 31 March 2016 was divided by 20.*

In fiscal year 2016-2017, the share capital was increased by €37,491 thousand to €60,623 thousand at end March 2017, as detailed in the table below:

Date	Type of transaction	Ordinary shares issued and fully paid up *(in number of shares)*	Ordinary shares issued and fully paid up* *(in number of shares)*	Share capital	Share premium
				Increase (decrease) *(in € thousand)*	
31 March 2015		**231,188,426**	**11,559,421**	**23,119**	**782,058**
28 April 2015	Vesting of free shares	114,894	5,745	11	
18 December 2015	Vesting of free shares	20,864	1,043	3	
	Capital increase costs deducted from the share premium				(942)
	ABSAAR redeemable warrants				(675)
31 March 2016		**231,324,184**	**11,566,209**	**23,132**	**780,442**
2 May 2016	Reserved capital increase	139,034,051	6,951,702	13,903	62,565
27 May 2016	Capital increase with preemptive right	58,176,958	2,908,848	5,818	12,799
8 June 2016	Capital increase with preemptive right	177,505,552	8,875,278	17,751	39,051
14 June 2016	Issue of free shares	189,472	9,474	19	
2 December 2016	Issue of shares following the conversion of OCÉANE bonds	1			
6 December 2016	Cancellation of shares	(18)	(1)		
	Capital increase costs deducted from the share premium				(7,341)
31 MARCH 2017		**606,230,200**	**30,311,510**	**60,623**	**887,516**

* *The General Shareholders' Meeting of 25 July 2016 decided to carry out a reverse stock split of the Company's shares such that 20 ordinary shares with a par value of €0.10 each would be exchanged for one new share with a par value of €2.00. The reverse stock split went into effect on 8 February 2017.*

3.13.2. Treasury shares

At 31 March 2017, the Company had 5,572 treasury shares.

	31 March 2017	31 March 2016*
Number of treasury shares	5,572	5,573
Gross value *(in € thousand)*	475	475
Unrealized capital gain/(loss) *(in € thousand)*	(245)	(411)

* *The Shareholders' General Meeting of 25 July 2016 decided to carry out a reverse stock split of the Company's shares such that 20 ordinary shares with a par value of €0.10 each would be exchanged for one new share with a par value of €2.00. The reverse stock split went into effect on 8 February 2017. In order to enable the comparability of the financial statements, the number of ordinary shares at 31 March 2016 was divided by 20.*

The cost of these treasury shares along with gains or losses on disposal are deducted from equity.

3.13.3. Other reserves

(In € thousand)	Revaluation differences	Actuarial gains/(losses) on retirement benefit obligations	Changes in fair value of foreign exchange hedging	Gains/(losses) on disposals of treasury shares	Other changes	Currency translation adjustment	Total
31 March 2015	**705**	**(1,101)**		**1,023**	**(241)**	**(17,656)**	**(17,270)**
Changes in the period		174			(15,907)	39,132	23,399
31 March 2016	**705**	**(927)**		**1,023**	**(16,148)**	**21,476**	**6,129**
Changes in the period	(220)	(2,672)	1,031			3,234	1,373
31 MARCH 2017	**485**	**(3,599)**	**1,031**	**1,023**	**(16,148)**	**24,710**	**7,502**

Actuarial gains and losses on defined benefit plans are shown in other reserves with an adjusting entry to the provision for retirement benefit obligations.

Currency translation adjustments include all exchange differences resulting from the translation of the financial statements of foreign operations, as well as the effective portion of exchange differences stemming from hedges of a net investment in a foreign operation.

3.13.4. Dividends

The Board of Directors will propose to the Shareholders' General Meeting of 26 July 2017 to carry forward the income and not to distribute dividends.

3.14. Share-based payments

3.14.1. Impact of share-based payments on the consolidated income statement

Following the decision to establish a free preferred share plan, contingent rights to preferred shares were allocated to eligible employees and corporate officers. These rights will enable the definitive allocation of preferred shares followed by conversion into ordinary shares, subject to continued employment and performance conditions based on reaching a target stock market price and internal performance criteria based on achieving the target EBITDA level for fiscal years 2017-2018 and 2018-2019.

The expense recognized in the income statement for the free preferred share plan in the year ended 31 March 2017 was €8,024 thousand, including the corporate contribution (compared with income of €245 thousand for the year ended 31 March 2016).

3.14.2. Information on changes in stock option plans

There were no new stock option plans over the fiscal year.

The table below summarizes information relating to changes in stock option plans and the weighted average exercise price per share:

(In number)	**Shares** *(in number)*	**Weighted average exercise price per share** *(in €)*	**Price range** *(in €)*
31 March 2015*	**921,600**	**11.93**	**6.20 - 16.41**
Allocated	-	-	-
Exercised	-	-	-
Canceled	(620,800)	10.29	6.20 - 16.41
31 March 2016*	**300,800**	**15.30**	**15.11 - 16.41**
Allocated	75,037	15.30	15.11 - 16.41
Exercised	-		
Canceled*	(375,837)	15.30	15.11 - 16.41
31 MARCH 2017	**-**	**-**	**-**

* *Before the February 2017 reverse stock split.*

3.14.3. Share-based payments

The two tables below indicate the extent to which the authorizations adopted by the Shareholders' General Meetings of 1 July 2005, 24 June 2011, and 2 July 2013 in connection with stock option and free share plans had been utilized prior to the beginning of the year ended 31 March 2017. The use status of previous authorizations is also given.

Current option plans

There are no current option plans. The final plans concluded during the year are as follows:

Date of Shareholders' Meeting	01/07/2005	01/07/2005
Date of Board of Directors' meeting	06/07/2006	26/10/2006
Number of shares	**100,776**	**319,861**
Starting point for exercising options	06/07/2010	26/10/2010
Expiration Date	05/07/2016	25/10/2016
Number of shares subscribed	**-**	**-**
Number of shares canceled*	**100,776**	**319,861**
Of which number of shares canceled during the year	*55,976*	*319,861*
Number of shares remaining	**-**	**-**
Subscription price per share *(in €)**	16.41	15.11
Share price at allocation date *(in €)**	23.37	18.70
Term	10 years	10 years

* *Before the February 2017 reverse stock split.*

Free shares

The free shares vesting in fiscal year 2016-2017 break down as follows:

Date of Shareholders' General Meeting	24/06/2011	02/07/2013
Date of Board of Directors' meeting	04/06/2012	06/03/2014
Number of shares*	**244,760**	**108,800**
Of which number of shares for corporate officers	-	-
Of which number of shares for the top ten employee recipients	*244,760*	*108,800*
Number of beneficiaries	9	1
Vesting period	from 04/06/2012 to 03/06/2016	from 06/03/2014 to 05/03/2016
Holding period		from 06/03/2016 to 05/03/2018
Number of shares vested*	**80,672**	**108,800**
Number of shares transferable	-	-
Number of shares locked-up	-	-
Number of shares canceled*	**164,088**	
- Of which number of shares canceled during the year	*34,528*	
Number of shares remaining	**-**	**-**
Subscription price per share *(in €)**	2.61	2.34

* *Before the February 2017 reverse stock split.*

There were no further free shares to vest at 31 March 2017.

The table below shows how much of the authorization granted by the Shareholders' General Meetings of 11 April and 29 April 2016 relating to the free allocation of preferred shares was used in the current fiscal year:

Date of Shareholders' Meeting	11&29/ 04/2016	11&29/ 04/2016	11&29/ 04/2016	11&29/ 04/2016	11&29/ 04/2016	11&29/ 04/2016
Date of Board of Directors' meeting	26/07/2016	06/12/2016	30/03/2017	26/07/2016	06/12/2016	30/03/2017
Number of preferred shares (PS) allocated	**236,157**	**3,798**	**29,410**	**20,639**	**2,832**	**2,867**
Of which number of preferred shares for corporate officers	*44,947*					
Number of beneficiaries	18	2	9	3	1	1
Date of contingent allocation of PS	26/07/2016	06/12/2016	30/03/2017	26/07/2016	06/12/2016	30/03/2017
Date of definitive allocation of PS	26/072017	06/12/2017	30/03/2018	26/07/2019	06/12/2019	30/03/2020
Date of conversion into ordinary shares (OS)	26/07/2019	06/12/2019	30/03/2020	26/07/2019	06/12/2019	30/03/2020
Maximum ordinary share conversion ratio	5 OS for 1 PS	5 OS for 1 PS	5 OS for 1 PS	5 OS for 1 PS	5 OS for 1 PS	5 OS for 1 PS

3.15. Borrowings and debt

Borrowings and debt break down as follows:

(In € thousand)	Effective interest rate *(in %)*	Currency	Maturity	31 March 2017	31 March 2016
Current:					
Finance leases:					
Furniture and equipment	7.04% to 11.40%	EUR	2017-2018	6,194	6,748
Furniture and equipment	1.35%	JPY	2018	3	7
Borrowings:					
Bond: OCÉANE 2018 (accrued interest)	6.75%	EUR	2017	94	227
Bridge loans from partners	2.99% to 12%	EUR	2016	-	33,658
Bridge loans from partners	2.99%	USD	2016	-	10,535
Other:					
Redeemable advances	-	EUR	2017	875	840
Derivative financial instruments	-	EUR	2017-2018	2,048	92
Financial services payables	-	EUR	2017	369	431
Used committed credit lines (principal)	0.33% - 0.45%	EUR	2017	6,399	6,416
Used committed credit lines (accrued interest)	0.33% - 0.45%	EUR	2017	222	6
CURRENT BORROWINGS AND DEBT				**16,204**	**58,960**
Non-current:					
Finance leases:					
Furniture and equipment	11.40%	EUR	2018	978	8,000
Furniture and equipment	1.35%	JPY	2017		2
Borrowings:					
Bond: OCÉANE 2018	6.75%	EUR	2018	39,540	93,875
Other:					
Redeemable advances	-	EUR	2018-2024	12,485	12,484
Used committed credit lines	0.33% - 0.96%	EUR	2019-2021	49,967	45,619
Derivative financial instruments	-	EUR	2018-2019	1,687	
NON-CURRENT DEBT				**104,656**	**159,980**

OCÉANE 2018 bond

On 18 September 2014, the Group issued bonds convertible into and/or exchangeable for new or existing shares ("OCÉANE") for a nominal amount of €103.2 million (40,000,000 bonds with a nominal value of €2.58). On 8 June 2016, the Group redeemed 59% of the OCÉANE bonds (generating a non-recurring financial expense of €2.2 million). The remaining bonds fall due on 18 September 2018 and carry interest at a nominal rate of 6.75% payable on a six-monthly basis on 18 March and 18 September each year.

In accordance with IAS 39, the fair value of the OCÉANE bonds is recognized as two components:

- the debt component, which was calculated based on the market interest rate for an equivalent, non-convertible bond. This is recognized at amortized cost net of its portion of issuance costs. The estimated effective interest rate on the debt is 10.46%. As of the repurchase of 59% of the OCÉANE bonds, the redemption payment was entirely allocated to the debt component;
- the conversion option component, which is calculated as the difference between the fair value of the OCÉANE bond and the fair value of the debt component. This is recognized separately in equity net of its portion of issuance costs. This amount is fixed until the bonds are converted, exchanged or redeemed, except in the event of changes in its estimated life.

Leases

In August 2015, the Group entered into a new finance lease agreement for production equipment. The three-year agreement is for an amount of €11,000 thousand and bears interest at 11.4%.

Bank loans

During the period, the bridge loans from partners for €44,193 thousand (BPI, SEH and CEA) were repaid in full.

Borrowings and debt fall due as follows:

(In € thousand)	31 March 2017				31 March 2016
	Less than 1 year	1 to 5 years	More than 5 years	Total	
Finance leases:					
Furniture and equipment	6,196	978	-	7,174	14,757
Borrowings:					
Bond: OCÉANE 2018	94	39,540	-	39,634	94,102
Bridge loans from partners	-	-	-	-	44,193
Other borrowings and debt:					
Redeemable advances	875	3,154	9,331	13,360	13,324
Financial service providers	369	-	-	369	431
Derivative financial instruments	2,048	1,687	-	3,735	92
Committed credit line used	6,622	49,967		56,589	52,041
TOTAL BORROWINGS AND DEBT	**16,204**	**95,326**	**9,331**	**120,860**	**218,939**

3.16. Provisions and other non-current liabilities

Provisions and other non-current liabilities break down as follows:

(In € thousand)	31 March 2017	31 March 2016
Deferred income	6,731	9,025
Deposits and guarantees received	67	63
Other debtors	-	-
Non-current liabilities	**6,798**	**9,088**
Provisions	8,382	5,060
PROVISIONS AND OTHER NON-CURRENT LIABILITIES	**15,180**	**14,148**

At 31 March 2017, deferred income related mainly to:

- a prepayment on a licensing agreement signed in March 2011 in the area of image sensors for a total of €2,609 thousand, divided between a non-current portion of €1,957 thousand and a current portion of €652 thousand;
- a prepayment on a licensing agreement signed in May 2014 in the area of radio frequency applications and power applications, for a total of €5,539 thousand, divided between a non-current portion of €4,775 thousand and a current portion of €764 thousand.

Provisions for non-current liabilities and charges mainly comprise provisions for retirement benefit obligations amounting to €8,382 thousand.

Statement of change in provisions

Provisions break down as follows:

(In € thousand)	31 March 2016	Expense for the period	Reversals (utilized)	Reversals (not utilized)	Currency translation adjustment	Actuarial gains/(losses) recognized in Other items of comprehensive income	31 March 2017
Current provisions:							
Litigation	1,991	1,155	(611)	(1,277)	-	-	1,258
Restructuring	2,636		(1,400)	(283)	34		987
Total current	**4,627**	**1,155**	**(2,011)**	**(1,560)**	**34**		**2,245**
Non-current provisions:							
Retirement benefit obligations	5,060	643	-	-	7	2,672	8,382
Litigation	-	-	-	-	-	-	-
Warranties	-	-	-	-	-	-	-
Restructuring	-	-	-	-	-	-	-
Total non-current	**5,060**	**643**	**-**	**-**	**7**	**2,672**	**8,382**

The provision for retirement benefit obligations is analyzed in note 5.1.

Restructuring provisions (current and non-current) relating to continuing operations are analyzed in the table below:

(In € thousand)	31 March 2016	Expense for the period	Reversals (utilized)	Reversals (not utilized)	Currency translation adjustment	31 March 2017
Fiscal years 2012-2013 and 2013-2014						
• Production equipment shutdown costs	557	-	(171)	(67)	-	319
Fiscal year 2014-2015: restructuring of the Solar Energy segment						
• Employee departure plan	1,060	-	(844)	(216)	-	-
• Impairment of inventories	242	-	(242)	-	-	-
Bernin site	**1,859**	**-**	**(1,257)**	**(283)**	**-**	**319**
Fiscal year 2014-2015: sale of the business assets of Soitec Specialty Electronics						
• Employee departures	112	-	(5)	-	-	108
• Dismantling and restoration of site	143	-	(93)	-	-	50
Villejust site	**256**	**-**	**(98)**	**-**	**-**	**158**
Fiscal year 2014-2015: production shutdown						
• Dismantling of equipment and production shutdown costs	520	-	(44)	-	34	510
Singapore site	**520**	**-**	**(44)**	**-**	**34**	**510**
TOTAL	**2,636**	**-**	**(1,399)**	**(283)**	**34**	**987**

3.17. Trade payables

Trade payables break down as follows:

(In € thousand)	31 March 2017	31 March 2016
TRADE PAYABLES	**44,430**	**42,551**

3.18. Provisions and other current liabilities

Provisions and other current liabilities break down as follows:

(In € thousand)	31 March 2017	31 March 2016* restated	31 March 2016 reported
Prepayments received on customer orders	2,008	2,782	2,782
Payable to fixed asset suppliers	3,587	732	732
Tax and social security payables*	30,266	28,960	28,234
Deferred income	2,031	1,808	1,808
Other	6,131	1,942	1,942
Other liabilities	44,027	36,224	35,499
Provisions	2,245	4,627	4,627
PROVISIONS AND OTHER CURRENT LIABILITIES	**46,271**	**40,849**	**40,123**

* *In the course of the application of IAS 8, the statement of financial position at 31 March 2016 was corrected for a tax expense of €726 thousand due for fiscal years 2015 and 2016*

A prepayment on a licensing agreement signed in March 2013 in the area of III-V products for the light-emitting diode market, for a total of €577 thousand is recognized as current.

Provisions are detailed in note 3.16.

4. Notes to the income statement

4.1. Employee-related costs

Employee-related costs break down as follows:

(In € thousand)	31 March 2017*	31 March 2016*
Personnel-related costs, including social charges**	(72,892)	(68,531)
Competitiveness and employment tax credit (CICE)	1,034	968
Pension costs	(558)	(455)
Share-based payment expenses	(8,025)	227
TOTAL EMPLOYEE-RELATED COSTS	**(80,441)**	**(67,791)**

* *The data presented does not include discontinued operations.*
** *The personnel-related costs presented also include employee profit-sharing schemes.*

The main change from fiscal year 2015-2016 relates to the cost of the free preferred share plan, which was recognized during the year for a total of €8,025 thousand, including the corporate contribution.

The Group's average number of staff measured on a full-time equivalent basis is as follows:

(as full-time equivalents)	31 March 2017	31 March 2016
Production	563	623
Research and development	166	187
Sales and marketing	25	41
Senior management and administrative staff	139	179
TOTAL HEADCOUNT IN FULL-TIME EQUIVALENTS	**893**	**1,029**

4.2. Research and development costs

Research and development costs break down as follows:

(In € thousand)	31 March 2017	31 March 2016
Gross research and development operating costs	**(45,192)**	**(43,059)**
Sales of prototypes	4,393	5,480
Research and development grants recognized in profit/(loss)	7,170	9,574
Repayable advances recognized in profit/(loss)	289	-
Research tax credit	14,685	11,328
Other income	-	20
Total income deducted from gross operating costs	**26,537**	**26,402**
TOTAL RESEARCH AND DEVELOPMENT OPERATING COSTS, NET	**(18,656)**	**(16,658)**

The Group has defined an eight-stage life cycle for research and development projects. Upon the completion of each stage (milestone), a decision is made to either continue or discontinue the project. The first five stages cover exploratory research (evaluation of technologies), while the following two phases correspond to product development, generally in conjunction with a potential customer. The final stage involves high-volume industrialization of the product. Costs incurred during exploratory research phases and development costs are mainly recognized in the income statement, pursuant to IAS 38. Costs incurred in the industrialization phase are recognized in cost of sales.

4.3. Amortization and depreciation included in the consolidated income statement

Depreciation and amortization expenses in the income statement break down as follows:

(In € thousand)	31 March 2017	31 March 2016
Cost of sales	(14,863)	(15,915)
Research and development costs	(5,520)	(7,179)
Sales and marketing expenses	(9)	(10)
Administrative expenses	(430)	(868)
TOTAL DEPRECIATION AND AMORTIZATION EXPENSES	**(20,822)**	**(23,972)**

4.4. Other operating income and expenses

Other operating income and expenses in the income statement break down as follows:

(In € thousand)	31 March 2017	31 March 2016
Total other operating income	**0**	**0**
Expenses relating to restructuring measures and litigation	(8,195)	(9,196)
Expenses relating to non-current asset impairment tests	-	(20,134)
Other expenses	-	(42)
Total other operating expenses	(8,195)	(29,372)
TOTAL OTHER OPERATING INCOME AND EXPENSES, NET	**(8,195)**	**(29,372)**

4.5. Financial income

Financial income breaks down as follows:

(In € thousand)	31 March 2017	31 March 2016*
Interest received on financial investments	7	104
Other interest income	81	155
Financial income	73	
Reversal of provisions	1,226	1,100
TOTAL FINANCIAL INCOME	**1,387**	**1,359**

* *Pursuant to IFRS 5, "Other Activities," which are presented under discontinued operations, were deducted from financial income/(expense).*

Financial income chiefly concerns:

- a €1,226 thousand provision reversal, effect of the accretion of the value of a guarantee deposit.

4.6. Financial expenses

Financial expenses break down as follows:

(In € thousand)	31 March 2017	31 March 2016*
Interest on borrowings and bank current accounts	(826)	(3,870)
Interest on finance leases	(1,121)	(1,344)
Interest on OCÉANE bonds	(6,626)	(10,216)
Other interest expense	(1,219)	(1,710)
Provision for impairment of financial assets – Investments	(469)	(556)
Impairment of financial assets	(183)	(5,095)
Net foreign exchange gains/(losses)**	(2,548)	(1,049)
TOTAL FINANCIAL EXPENSES	**(12,990)**	**(23,840)**

* *Pursuant to IFRS 5, "Other Activities," which are presented under discontinued operations, were deducted from financial income/(expense).*
** *Foreign exchange gains and losses are presented net*

4.7. Income tax

Profit/(loss) before tax breaks down as follows:

(In € thousand)	31 March 2017	31 March 2016*	31 March 2016 published
France	8,615	(10,844)	(10,885)
Germany			
United States	(675)	1,331	1,331
Asia	(9)	(19,983)	(19,983)
TOTAL PROFIT/(LOSS) BEFORE TAX	**7,931**	**(29,496)**	**(29,537)**

* *In the course of the application of IFRS 5, profit/(loss) before tax of discontinued operations at 31 March 2016 was corrected.*

At 31 March 2017, the tax expense for the year was €682 thousand, primarily from the Singapore subsidiary.

The difference between the theoretical income tax calculated at the standard tax rate in France (34.43%) and the effective tax expense in the income statement breaks down as follows:

(In € thousand)	31 March 2016*	31 March 2016*	31 March 2016 published
Theoretical income tax benefit at the applicable rate	**(2,731)**	**10,155**	**10,170**
Unrecognized deferred tax assets	(4,141)	(17,804)	(17,804)
Non-deductible provisions and expenses	181	2,273	2,273
Non-taxable income (research tax credit)	5,136	4,229	4,229
Adjustments for differences in income tax rates	873	(165)	(165)
Other permanent difference**		(2,763)	(2,223)
TOTAL INCOME TAX BENEFIT/(EXPENSE)	**(682)**	**(4,075)**	**(3,519)**

* *In the course of the application of IAS 8, the income tax expense at 31 March 2016 included a tax liability of €556 thousand for the Singapore subsidiary.*
** *Soitec USA received a tax assessment for fiscal year 2015-2016 that resulted in the tax loss carryforwards being used up and the recognition of a €2 million tax expense for prior fiscal years.*

Deferred tax assets and liabilities chiefly break down as follows, by nature:

(In € thousand)	31 March 2017	31 March 2016
Deferred tax assets:		
Tax losses carried forward, net	-	-
Temporary differences*	5,907	11,578
Other items**	3,803	3,662
Total deferred tax assets	**9,710**	**15,240**
Deferred tax liabilities:		
Net deferred tax on finance leases	(5,674)	(7,379)
Other items**	(4,036)	(7,861)
Total deferred tax liabilities	**(9,710)**	**(15,240)**
DEFERRED TAXES, NET	**-**	**-**

* *Temporary differences chiefly comprise tax-driven provisions, including €2.8 million from inventory write-downs.*
** *Other items mainly include retirement benefit obligations of €2.4 million on the asset side and redeemable advances of €3.5 million on the liability side.*

The Group only recognizes deferred tax assets to the extent of any deferred tax liabilities recognized. Tax loss carryforwards in France (Soitec S.A. is the main contributor) totaled €765,755 thousand.

4.8. Earnings/(loss) per share

The earnings/(loss) per share data used to calculate basic and diluted earnings/(loss) per share are as follows:

(In number of shares)	31 March 2017	31 March 2016*	31 March 2016
Weighted average number of ordinary shares (excluding treasury shares) used to calculate basic earnings/(loss) per share	27,562,477	11,559,466	231,189,315
Effect of dilution based on the treasury stock method:			
Stock options	-		-
OCÉANE bonds	-		-
Free shares	-	11,200	224,000
Dilutive effect	-	11,200	224,000
Weighted average number of ordinary shares (excluding treasury shares) adjusted for diluted earnings/(loss) per share	**27,562,477**	**11,570,666**	**231,413,315**

* *The Shareholders' General Meeting of 25 July 2016 decided to carry out a reverse stock split of the Company's shares such that 20 ordinary shares with a par value of €0.10 each would be exchanged for one new share with a par value of €2.00. The reverse stock split went into effect on 8 February 2017. In order to enable the comparability of the financial statements, the number of ordinary shares at 31 March 2016 was divided by 20.*

OCÉANE bonds are not factored into the calculation of diluted earnings where the amount of interest per ordinary share likely to result from conversion exceeds basic earnings per share.

4.9. Net profit/(loss) from discontinued operations

(In € thousand)	Notes	31 March 2017	31 March 2016*	31 March 2016 published
Sales	**-**	**798**	**26,788**	**26,788**
Expenses for the period	-	(569)	(34,982)	(34,982)
Current operating income/(loss)	**-**	**229**	**(8,194)**	**(8,194)**
Other operating expenses, net	-	(5,009)	(2,713)	(2,713)
Operating income/(loss)	**-**	**(4,777)**	**(10,907)**	**(10,907)**
Financial income/(expense)	-	6,825	(27,090)	(27,049)
Profit/(loss) before tax	**-**	**2,048**	**(37,997)**	**(37,956)**
Income tax	-	(920)	(474)	(474)
Net profit/(loss) from discontinued operations		**1,128**	**(38,471)**	**(38,430)**
Share of loss of equity-accounted companies*			**(180)**	**(180)**
NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	**-**	**1,128**	**(38,651)**	**(38,610)**

* *The Shareholders' General Meeting of 25 July 2016 decided to carry out a reverse stock split of the Company's shares such that 20 ordinary shares with a par value of €0.10 each would be exchanged for one new share with a par value of €2.00. The reverse stock split went into effect on 8 February 2017. In order to enable the comparability of the financial statements, the number of ordinary shares at 31 March 2016 was divided by 20.*

At 31 March 2017, sales from discontinued operations primarily represent a sale of industrial property at Soitec GMBH. Net other operating expenses consist primarily of additional provisions for solar activities restructuring (expense of €5.8 million). Financial income/(expense) of discontinued operations is mainly comprised of unrealized foreign exchange gains following the strengthening of ZAR (€3.9 million), net financial income relating to an interest payment on a loan granted to one of the shareholders in the Touwsrivier power plant (€2.6 million) and the disposal of non-consolidated investments in Suncoutim having generated a €0.5 million gain.

At 31 March 2016 profit/(loss) from discontinued operations mainly comprised the profit/(loss) of Other Activities (an expense of €12,354 thousand) and the financial income/(expense) of Solar Energy discontinued operations (representing an expense of €27,090 thousand). The latter primarily reflects the reclassification to profit/(loss) of (i) currency translation adjustments of subsidiaries holding the Solar Energy discontinued operations (an expense of €16,917 thousand), and (ii) unrealized exchange losses on intra-Group financing amounting to €10,510 thousand.

5. Other information

5.1. Retirement benefit obligations and other employee benefits

5.1.1. Benefit obligations

(In € thousand)	31 March 2017	31 March 2016
Retirement benefit obligations	8,773	5,445
Fair value of plan assets	(391)	(386)
Change in applicable legislation in the notes to the financial statements		-
BENEFIT OBLIGATIONS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION	**8,382**	**5,060**

The Group recognizes retirement benefit obligations as liabilities in the statement of financial position at the amount of the obligation as estimated using the most probable assumptions at the reporting date. The impact of changes in actuarial assumptions is recognized in equity under "Actuarial gains/(losses) on defined benefit plans".

5.1.2. Retirement benefit obligations

Description of plans

Retirement and other employee benefits granted to long-term personnel relate solely to active employees. Benefits are granted under either defined contribution or defined benefit plans. Provisions are set aside only for defined benefit plans. These mainly consist of retirement indemnities plus other pension obligations and supplementary retirement gratuities.

In certain cases, obligations under defined benefit plans are covered by funds, which are regularly valued by independent actuaries. The value of any such funds is deducted from the corresponding liability. Plan assets include secure/dynamic investment vehicles, based on an analysis carried out with the entity of its obligations in light of the expected retirement dates of its employees.

	31 March 2017	31 March 2016
Retirement age	62-65 years of age depending on the category	62-65 years of age depending on the category
Turnover assumptions (average)	0.00% to 5.75% depending on age	0.00% to 5.00% depending on age
Annual inflation rate	2.00%	2.00%
Annual salary increase rate	1.00% to 2.50%	1.00% to 2.50%
Annual discount rate	1.40%	1.75%

The sensitivity of the retirement benefit obligation to these assumptions is detailed below: sensitivity of results to the discount rate (increase or decrease of 1 percentage point compared to the base rate).

	Annual discount rate		
	0.40% (increase of -1 point)	1.40% (base rate)	2.40% (+1 point)
PRESENT VALUE OF BENEFIT OBLIGATION	**16%**	**0.0%**	**(13)%**

Change in retirement benefit obligation

(In € thousand)	31 March 2017	31 March 2016
Benefit obligation at beginning of the period	**5,445**	**5,095**
Service cost	512	529
Interest credited	102	69
Benefits paid		
Other benefits	43	28
Curtailment	-	(48)
Disposal	-	(59)
Actuarial gains/(losses) (assumptions and experience adjustments)	2,672	(169)
BENEFIT OBLIGATION AT END OF THE PERIOD	**8,773**	**5,445**

Change in fair value of plan assets

(In € thousand)	31 March 2017	31 March 2016
Fair value of plan assets at beginning of the period	**385**	**376**
Expected return on plan assets	6	9
Benefits paid by the fund	-	-
Fair value of plan assets at end of the period	**391**	**385**

Change in benefit obligation recognized in the statement of financial position

(In € thousand)	31 March 2017	31 March 2016
Benefit obligation at beginning of the period	**5,060**	**4,719**
Recognition of past service cost (IAS 19 as amended)		
Service cost	512	529
Interest credited	102	69
Expected return on plan assets	(7)	(5)
Amortization of past service cost		
Actuarial gains/(losses)	2,672	(174)
Benefits paid – benefits paid out of insurance fund		
Other benefits	43	28
Curtailment	-	(47)
Disposal	-	(59)
BENEFIT OBLIGATION AT END OF THE PERIOD	**8,382**	**5,060**

Expenses recognized in the income statement

(In € thousand)	31 March 2017	31 March 2016
Service cost	(512)	(529)
Interest credited	(102)	(69)
Expected return on plan assets	7	5
Amortization of past service cost		
Reversal of the provision for retirement benefit obligations – Solar Energy segment (note 4.4)	-	47
Reversal of the provision for retirement benefit obligations– Electronics segment (note 4.4)	-	59
TOTAL EXPENSE RECOGNIZED IN THE INCOME STATEMENT	**(607)**	**(487)**

5.2. Contractual obligations and commitments

Contractual obligations and commitments break down as follows:

	31 March 2017				
(In € thousand)	Less than 1 year	1 to 5 years	More than 5 years	Total	31 March 2016
Recognized in the statement of financial position:					
Obligations under finance leases	6,196	978	-	7,174	14,757
Total	**6,196**	**978**	**-**	**7,174**	**14,757**
Recognized off-balance sheet:					
Operating leases	319	331	-	650	811
Pledges	-	-	18,000	18,000	29,312
Guarantees given		8,200	35,091	43,291	79,933
Total	**319**	**8,531**	**53,091**	**61,941**	**110,056**
TOTAL CONTRACTUAL OBLIGATIONS IN THE STATEMENT OF FINANCIAL POSITION AND OFF-BALANCE SHEET	**6,515**	**9,509**	**53,091**	**69,115**	**124,813**

At 31 March 2017, guarantees given by Soitec S.A. total €69.1 million and the main beneficiaries are:

- Shin-Etsu Handotaï: an €18 million inventory pledge guaranteeing the long-term commitment to purchase raw materials;
- the project company holding the Touwsrivier solar power plant: €30.0 million;
- buyers of the Desert Green and Rians solar power plants: €3.8 million;
- pledge of mortgage assets: €7.2 million.

5.3. Related party disclosures

Since 2 May 2016, the Board of Directors has been comprised of 13 members. Besides the Chairman and CEO, the 12 other members were selected based on their experience of the semiconductor market or their professional experience in other areas beneficial to the Group's development. The semiconductor market is characterized by a small number of players, such that the Group maintains or is likely to have business relations with ARM Holdings Plc, Global Foundries, Shin-Etsu Handotaï, Shanghai Simgui, Ltd., the French Alternative Energies and Atomic Energy Commission (CEA), where Douglas Dunn, Satoshi Onishi, Xi Wang and Christophe Gégout respectively hold or held positions, as disclosed in the table in paragraph 14.1.1.3. of this Reference Document.

When the financing plan was set up in connection with the conciliation procedure approved by the Grenoble Commercial Court on 5 May 2015, Shin-Etsu Handotaï Europe, Bpifrance Participations and CEA Investissement granted the Group a financing facility for a total amount of €54 million. The terms of these loans are described in Chapter 10.3 (conditions for loans and structure of finance) in the first update to the 2014-2015 Reference Document, filed with the French Financial Markets Authority on 7 March 2016. The Group made a partial repayment in August 2015 and the balance of €44 million was repaid in May 2016. With respect to these loans, interest payments totaling €2,575 thousand were paid in fiscal year 2016-2017.

During the year ended 31 March 2017, purchases of raw materials from Shin-Etsu Handotaï represented €65,999 thousand (€57,963 thousand in the year ended 31 March 2016).

The Company invoiced royalties to Shin-Etsu Handotaï of €2,835 thousand for fiscal year 2016-2017 (€2,675 thousand for fiscal year 2015-2016).

It also invoiced royalties to ARM LTD of $551 thousand for fiscal year 2016-2017 ($860 thousand for fiscal year 2015-2016).

Global Foundries is one of Soitec's main clients. Sales of wafers amounted to $63,044 thousand in fiscal year 2016-2017 ($83,161 thousand for fiscal year 2015-2016).

In fiscal year 2016-2017, the Company paid CEA €5,263 thousand under the research and development contract (€5,000 thousand in fiscal year 2015-2016) and €4,591 thousand in patent royalties (€3,447 thousand in fiscal year 2015-2016).

During the year, the Company paid Shangai Technology Co., LTD, $2,697 thousand to purchase 200 mm SOI wafers.

The Company invoiced it $1 million under the service contract and $2,894 thousand for silicon substrates.

Lastly, the Company, which had entered into a commercial collaboration agreement with Novaday in which Joël Karecki is a shareholder, did not make any purchase in fiscal year 2016-2017 (€41 thousand in fiscal year 2015-2016).

In fiscal year 2016-2017, the internal governance body, called the Executive Committee (COMEX), had nine members excluding corporate officers (versus ten people the previous year). Total gross remuneration of the salaried members of the COMEX, excluding corporate officers, including direct and indirect benefits of the salaried members was, for the year ended 31 March 2017, €2,690 thousand.

(In € thousand)	31 March 2017	31 March 2016
Short-term benefits	2,690	2,626
Post-employment benefits	-	47
Share-based payments*	-	-
Total gross remuneration paid to Group management	**2,690**	**2,673**

The amount of gross remuneration allocated to corporate officers and non-employee directors is as follows:

(In € thousand)	31 March 2017	31 March 2016
Corporate officers:		
Short-term benefits	1,016	1,026
Post-employment benefits	-	42
Termination benefits		
Share-based payments		
Total compensation awarded to corporate officers	1,016	1,068
Non-executive directors:		
Directors' fees	429	375
Reimbursement of travel expenses	73	96
Total compensation awarded to non-executive directors	**502**	**471**

Managers were not allocated options or free shares during the year:

On the other hand, following the decision to establish a free preferred share plan, contingent rights to preferred shares were allocated to managers during the year. These rights will enable the definitive allocation of preferred shares followed by conversion into ordinary shares, subject to continued employment and performance conditions based on reaching a target stock market price and internal performance criteria based on achieving the target EBITDA level for fiscal years 2017-2018 and 2018-2019.

Breakdown of contingent rights to preferred shares allocated during the year:

(In number)	Preferred shares*	Total at 31 March 2017
Management personnel	230,676	230,676
Of which, corporate officers	44,947	44,947

* *First, contingent rights to preferred shares were granted. They grant entitlement to preferred shares a year later subject to certain conditions (in particular continued employment).*

5.4. Financial risk management

5.4.1. Financial risk management objectives and policies

The Group's objectives are to hedge foreign exchange risk on commercial transactions recognized in the statement of financial position and on highly probable future transactions. The Group's policy regarding exposure to foreign exchange risk on its future commercial transactions is to hedge at year-end a very substantial portion of the foreign exchange risk over the subsequent two years by means of derivatives based on operating budgets. The useful life of these instruments matches the Group's settlement flows. The Group introduced hedge accounting as defined in IAS 39 in the final quarter of fiscal year 2016-2017. The Group's policy also consists of managing its interest expense using a combination of fixed-rate and floating-rate borrowings. However, the Group's policy is not to use instruments for speculative purposes.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 March 2017:

(In € thousand)	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest-bearing loans and borrowings	35,460	23,068	149,774	10,207	218,509
Other financial liabilities	431	-	-	-	431
Trade payables	42,551	-			42,551
Other liabilities	26,651	14,792	8,312	5,837	55,591
31 March 2016	**105,093**	**37,860**	**158,086**	**16,044**	**317,082**
Interest-bearing loans and borrowings	2,047	13,788	95,325	9,331	120,491
Other financial liabilities	369	-	-	-	369
Trade payables	40,655	3,775			44,430
Other liabilities	31,223	15,048	5,082	10,098	61,451
31 MARCH 2017	**74,294**	**32,611**	**100,407**	**19,429**	**226,741**

5.4.2. Fair value and classification of financial assets and liabilities

The Group considers that the carrying amount of the financial instruments carried in the statement of financial position, and in particular interest-bearing borrowings, is a reasonable approximation of their fair value.

	31 March 2017					
(In € thousand)	**Notes**	**Carrying amount**	**At fair value through equity**	**At fair value through profit or loss**	**Assets available for sale**	**Loans, receivables and payables at amortized cost**
Non-current financial assets:						
Non-consolidated investments	3.5	6,234	-		6,234	-
Derivative financial instruments (positive fair value)	3.5	1,833	231	1,602	-	-
Deposits and guarantees	3.5	3,966	-	-		3,966
Restricted cash	3.5	133	-	-		133
Non-current financial assets	**3.5**	**12,167**	**231**	**1,602**	**6,234**	**4,099**
Current financial assets:						
Derivative financial instruments (positive fair value)	3.10	1,586	707	879	-	-
Other	3.10	212				212
Current financial assets	**3.10**	**1,797**	**707**	**879**	**-**	**212**
Trade receivables	3.8	39,975				39,975
Cash and cash equivalents	3.11	109,286		41,000		68,286
TOTAL FINANCIAL ASSETS	**-**	**163,225**	**938**	**43,481**	**6,234**	**112,572**
Financial liabilities:						
Bond: OCÉANE 2018	3.15	39,634				39,634
Derivative financial instruments	3.15	3,735	(92)	3,828		-
Other borrowings and debt	3.15	20,533				20,533
Committed credit line used	3.15	56,589				56,589
Current and non-current financial liabilities	**3.15**	**120,491**	**(92)**	**3,828**		**116,756**
Other financial liabilities	**3.15**	**369**				**369**
Trade payables	**3.17**	**44,430**				**44,430**
TOTAL FINANCIAL LIABILITIES	**-**	**165,290**	**(92)**	**3,838**		**161,555**

The data at 31 March 2016 was as follows:

	31 March 2016					
(In € thousand)	**Notes**	**Carrying amount**	**At fair value through profit or loss**	**Assets available for sale**	**Loans, receivables and payables at amortized cost**	**Held-to-maturity investments**
Non-current financial assets:						
Non-consolidated investments	3.5	6,028	-	6,028		-
Deposits and guarantees	3.5	2,740	-	-	2,740	-
Restricted cash	3.5	133		-	133	
Non-current financial assets	**3.5**	**8,901**	**-**	**6,028**	**2,873**	**-**
Current financial assets:		-	-	-	-	-
Restricted cash	3.10	1,000	-	-	1,000	-
Other	3.10	445	-	-	445	-
Current financial assets	**3.10**	**1,445**	**-**	**-**	**1,445**	**-**
Trade receivables	3.8	40,436	-	-	40,436	-
Cash and cash equivalents	3.11	49,068	49,068	-		-
TOTAL FINANCIAL ASSETS	**-**	**99,850**	**49,068**	**6,028**	**44,754**	**-**
Financial liabilities:					-	
Bond: OCÉANE 2018	3.15	94,102	-	-	94,102	-
Derivative financial instruments	3.15	92	92			
Loans from banks and financial institutions	3.15	44,193	-	-	44,193	-
Other borrowings and debt	3.15	28,081		-	28,081	-
Committed credit line used	3.15	52,041	-	-	52,041	-
Current and non-current financial liabilities	**3.15**	**218,509**	**92**	**-**	**218,417**	**-**
Other financial liabilities	**3.15**	**431**	**-**	**-**	**431**	**-**
Trade payables	**3.17**	**42,551**	**-**	**-**	**42,551**	**-**
TOTAL FINANCIAL LIABILITIES	**-**	**261,491**	**92**	**-**	**261,399**	**-**

Classification of financial instruments pursuant to IFRS 13

The breakdown of financial instruments by level in the fair value hierarchy is as follows:

(In € thousand)	Notes	Level 1	Level 2	Level 3	Carrying amount in the statement of financial position
Assets:					
Other financial investments	-	-	-	-	-
Cash and cash equivalents	-	109,286	-	-	109,286
Derivative financial instruments (positive fair value)	-	-	3,419	-	3,419
Liabilities:					
Derivative financial instruments	-	-	(3,735)	-	(3,735)
NET VALUE AT 31 MARCH 2017		**109,286**	**(316)**	**-**	**108,970**
Assets:					
Other financial investments	-	-	-	-	-
Cash and cash equivalents	-	49,068	-	-	49,068
Derivative financial instruments (positive fair value)	-	-	-	-	-
Liabilities:					
Derivative financial instruments	-	-	(92)	-	(92)
Net value at 31 March 2016		**49,068**	**(92)**	**-**	**48,976**

The fair value hierarchy is described in note 2.4.J.

5.4.3. Financial instruments used

Foreign exchange risk

The translation rates used to translate the subsidiaries' financial statements that use a functional currency other than the euro have the following exchange value in euros:

	Average rate		Closing rate	
Currencies	**31 March 2017**	**31 March 2016**	**31 March 2017**	**31 March 2016**
US dollar	0.914414	0.904962	0.935366	0.878349
Yen	0.008429	0.007502	0.008365	0.007819
Rand	0.072536	0.058280	0.070223	0.059571

The following table shows the financial instruments in place at 31 March to hedge foreign exchange risks:

		31 March 2017		31 March 2016	
Type of contract *(In € thousand)*	**Currency**	**Market value (net)**	**Hedged position**	**Market value (net)**	**Hedged position**
Hedge of statement of financial position items (trade receivables)		(870)			
Of which forward sales	USD to EUR	(870)	22,449	-	3,514
Cash flow hedges:		**707**			
• - Of which eligible for hedge accounting:		3,388			
Forward sales	USD to EUR	637	101,955		
Options	USD to EUR	2,751	114,115		
• - Of which not eligible for hedge accounting:		(2,681)			
Options	USD to EUR	(2,681)	114,115		
TOTAL HEDGES		**(162)**		**-**	

The market value was estimated using one or more commonly used models.

Sensitivity analysis of net exposure after currency hedging

The exchange rates of the Group's three main currencies at 31 March 2017 were as follows:

- EUR/USD: €1 for $1.0691 (€1 for $1.1385 at 31 March 2016);
- EUR/JPY: €1 for ¥119.55 (€1 for ¥127.9 at 31 March 2016);
- EUR/ZAR: €1 for R14.2404 (€1 for R16.7866 at 31 March 2016).

The scope used to analyze sensitivity to exchange rate risks includes receivables and other assets, debts and other liabilities and cash, the portion of commercial cash flows falling within the hedged period as well as derivatives used to hedge these foreign exchange exposures.

A 10% increase in the value of the euro against these currencies at 31 March would negatively impact earnings by the amounts indicated below. For this analysis, all other variables, specifically interest rates, are assumed to remain constant.

(In € thousand)	31 March 2017	31 March 2016
US dollar	(344)	(1,470)
Yen	115	22
Rand	(2,303)	(2,005)
Other currencies	(309)	(23)
Increase (decrease) in net income resulting from a 10% increase in the value of the euro	**(2,842)**	**(3,476)**

A 10% decrease in the value of the euro against these currencies at 31 March would positively impact earnings in the amounts indicated below. For this analysis, all other variables, specifically interest rates, are assumed to remain constant.

(In € thousand)	31 March 2017	31 March 2016
US dollar	420	1,797
Yen	(141)	(26)
Rand	2,815	2,450
Other currencies	378	28
Increase (decrease) in net income resulting from a 10% decrease in the value of the euro	**3,473**	**4,249**

Interest rate risk

The Group's medium and long-term debt is partly variable rate and partly fixed rate. Floor clauses were included in 2015 and 2017 in connection with floating-rate bank loans: in the event Euribor is negative, the bank will continue to receive interest based on 0% Euribor. The fair value of these contracts at 31 March 2017 was estimated at -€154 thousand and is recognized in debt.

A 1% increase in interest rates applied to floating-rate debt and investments would have led to a decrease of approximately €564 thousand in financial income/(expense).

A 1% decrease in interest rates applied to floating-rate debt and investments would have led to an increase of approximately €564 thousand in financial income/(expense).

Credit risk

The financial instruments on which the Group potentially incurs a credit risk are mainly cash, liquid assets subject to restrictions and trade receivables. The Group has put in place a cash management policy to optimize its investments in liquid short-term and low-risk financial instruments. The Group's liquid assets are mainly invested with large international financial institutions.

The Group markets its products to actors in the semiconductor industry mainly located in the United States, Asia and Europe. At 31 March 2017, eight clients individually represented more than 5% of Electronics segment revenue, and together accounted for 80% of revenue. At 31 March 2016, nine clients individually represented more than 5% of Group revenue, and together accounted for 76% of revenue.

The Group frequently evaluates its clients' credit risk and financial position and funds provisions for potential losses on receivables that cannot be recovered. The amount of these losses remained within the limits forecast by Management.

Equity risk

The Group does not hold any non-consolidated investments or investments traded on a regulated market.

Liquidity risk

The Group's financing is based on long-term borrowing from capital markets (convertible bond issues and capital increases), finance leases for capital spending, and committed credit lines.

Cash flow maturity schedule for borrowings and debt

This table shows the timing of repayment of financial liabilities recognized at 31 March 2017 at their nominal amount, including interest recognized and not discounted.

	Maturity of borrowings: Amount due						
(In € thousand)	Less than 1 year	1-2 years	2-3 years	3-5 years	More than 5 years	Total	Amount recognized in the statement of financial position at 31 March 2017
Non-derivative financial instruments:							
Finance leases	6,616	1,006	-	-	-	7,622	7,174
Bonds and other borrowings	10,899	45,713	48,336	2,789	9,331	117,068	112,240
Trade payables	44,430	-	-	-	-	44,430	44,430
Other payables (excluding tax and social security payables)	11,725	-	-	-	-	11,726	11,726
Total non-derivative financial instruments	**73,670**	**46,719**	**48,336**	**2,789**	**9,331**	**180,846**	**175,570**
Derivative financial instruments:							
Interest rate derivatives: (Paid)	154					154	154
Currency derivatives:	1,894	1,665	22			3,581	3,581
Other derivatives:							
Total derivative financial instruments	**2,048**	**1,665**	**22**			**3,735**	**3,735**
TOTAL FINANCIAL LIABILITIES	**75,718**	**48,384**	**48,358**	**2,789**	**9,331**	**184,581**	**179,305**

Confirmed credit lines

In 2012, the Group signed confirmed credit lines with its banking partners for a total amount of €72,000 thousand to mature on 31 March 2017 and which are repayable over 5 years. One of these lines was restructured for an amount of €8,000 thousand, repaid on 31 August 2014. The amount outstanding at 27 May 2015, i.e., €37.2 million, was restructured in the form of credit lines repayable in full (principal and interest) at maturity in November 2019. These credit lines bear a commitment fee of 0.15% to 0.40%, and a utilization fee ranging from Euribor +0.60% to +1.00% depending on the credit lines.

Within the framework of the mobilization of receivables on the research tax credits and job competitiveness tax credits, the Group signed credit lines with BPI for a total amount of €19,167 thousand to mature in September 2017 and September 2021. These credit lines carry a commitment fee of 0.30%, plus a utilization fee of 1-month Euribor +0.70%. See off-balance sheet commitments in note 5.2.

5.4.4. Equity management

The Group's primary objective is to have the necessary and sufficient financial resources to fund the growth of its business. To this end, it has in the past called on its shareholders to finance its capital spending through capital increases and convertible bond issues. Pursuing a strategy of industrial growth focused on strong product innovation, the Group systematically reinvests its earnings and does not intend to pay out dividends in the next few years.

The Company is open to outside investors, with the key characteristics being the presence of three strategic investors each with 14.5% of the share capital (Bpifrance Participations, CEA Investissement and NSIG Sunrise), the presence of institutional investors and a high level of turnover.

5.5. Subsequent events

Disposal of the Newberry solar power plant: on 1 May 2017, the Group sold its Newberry solar power plant (United States). This disposal will not have a significant impact on net income for fiscal year 2017-2018.

20.3.1.3. *Statutory auditors' report on the consolidated financial statements*

Year ended 31 March 2017

To the Shareholders,

In compliance with the assignments entrusted to us by your Shareholders' General Meeting, we hereby report to you, for the year ended 31 March 2017, on:

- the audit of the accompanying consolidated financial statements of Soitec S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 March 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

- note 2.4.Z and 3.12 of the financial statements sets out the accounting rules and methods relating to discontinued activities. As part of our assessment of the accounting principles followed by your Group, we verified that the accounting methods stated above and the information given in the notes to the financial statements were appropriate and we verified their correct application. As part of our assessment of these estimates, we verified the reasonableness of the assumptions made and of the resulting evaluations;
- your Company has booked, on the basis of impairment tests, provisions for non-current assets, as described in note 2.4.G and 3.4 of the financial statements. We have examined the modalities to carry out these impairment tests as well as the main assumptions used.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Lyon, 28 June 2017
The statutory auditors

KPMG Audit
French original signed by

Stéphane Devin
Partner

Jacques Pierre
Partner

Ernst & Young Audit
French original signed by

Nicolas Sabran
Partner

20.3.2. Soitec S.A. Statutory Financial Statements at 31 March 2017

20.3.2.1. *Annual financial statements at 31 March 2017*

Income statement

	Fiscal year ended 31 March 2017	
(In € thousand)	**2017**	**2016**
Net sales	238,223	220,310
Production to inventory and stored production	3,638	1,929
Operating grants	8,242	9,396
Reversal of provisions and depreciation and amortization, transfer of charges	19,293	26,469
Other income	6,551	10,249
Total operating income	**275,947**	**268,353**
Purchase of raw materials, supplies	87,487	85,667
Change in inventories	2,675	(2,595)
Other purchases and outsourced services	68,358	89,302
Taxes	5,374	5,678
Employee-related costs	74,672	68,558
Allocations to depreciation, amortization and provisions	25,750	34,505
Other expenses	4,752	4,906
Total operating expenses	**269,067**	**286,020**
Operating profit (loss)	**6,880**	**(17,668)**
Financial income	22,223	47,920
Financial expense	26,442	78,093
Financial income/(expense)	(4,219)	(30,173)
Extraordinary profit (loss)	3,804	(27,582)
Income tax	(13,883)	(11,126)
NET PROFIT/(LOSS)	**20,348**	**(64,296)**

Balance sheet – Assets

(In € thousand)	As at 31 March 2017 Gross	Depreciation and amortization and provisions	Net	As at 31 March 2016
Intangible assets				
Capitalized development projects	3,710	2,226	1,484	1,855
Concessions, patents and similar rights	45,169	43,351	1,818	3,417
Goodwill*	-		-	705
Other intangible assets	959		959	683
Property, plant and equipment				
Land*	1,786		1,786	300
Buildings**	6,813	3,369	3,444	-
Equipment and tooling	199,470	183,457	16,013	15,591
Other property, plant and equipment	60,788	39,292	21,496	23,888
Property, plant & equipment in progress	10,666		10,666	7,906
Non-current financial assets				
Financial assets – Investments	179,270	169,950	9,320	8,966
Related receivables	492,623	445,668	46,955	49,896
Other long-term investments				
Loans				
Other financial assets	9,608	5,101	4,507	3,036
Total non-current assets	**1,010,862**	**892,414**	**118,448**	**116,241**
Inventories and work in progress				
Inventories of raw materials	21,991	6,525	15,466	17,696
Work in progress	8,217	1,073	7,144	6,148
Intermediate and finished goods	8,516	482	8,034	5,626
Inventories of merchandise	656	-	656	-
Operating receivables				
Advances, goods paid for on order	402		402	452
Trade receivables	50,381	467	49,914	35,604
Other receivables	44,306		44,306	39,205
Cash equivalent	41,000		41,000	1,133
Cash	57,150		57,150	38,505
Prepaid expenses	1,771		1,771	1,164
Current assets	**234,390**	**8,548**	**225,842**	**145,533**
Costs to be spread over several fiscal years	487		487	1,910
Translation adjustment – Asset	33		33	2,158
GRAND TOTAL	**1,245,771**	**900,962**	**344,809**	**265,842**

Balance sheet – Liabilities

(In € thousand)	Year ended 31 March 2017	
	2017	**2016**
Share capital	60,623	23,132
Share premiums from issues, mergers and contributions	887,518	780,443
Reserves		
Statutory reserve	3,393	3,393
Other reserves	26,331	26,350
Retained earnings	(885,450)	(821,154)
Period earnings	20,348	(64,296)
Investment grants		
Untaxed provisions	779	908
Total equity	**113,541**	**(51,224)**
Redeemable cash advances	25,525	27,480
Other equity	**25,525**	**27,480**
Provisions for liabilities and charges	4,322	10,320
Financial debt		
Convertible bond loans	41,923	103,396
Bank borrowings	57,527	52,191
Various loans and financial debts	-	33,658
Prepayments on current orders	20	843
Operating debts		
Trade payables	45,051	43,268
Tax and social security payables	28,848	25,587
Debts on fixed assets	3,705	1,231
Other liabilities***	15,225	8,002
Pre-paid income	8,763	10,833
Debts	**201,062**	**279,009**
Translation adjustment -Liability	359	258
GRAND TOTAL	**344,809**	**265,842**

* *Goodwill: Accounting rules established by Regulation 2015-06 dated 23 November 2015 on technical losses on mergers were applied beginning 1 April 2016. Accordingly, the technical losses on mergers of the amount of €705,000 were fully reallocated as technical losses in tangible assets. This transfer of intangible assets to tangible assets constitutes a change in accounting policy.*

*** *Buildings: As Soitec has paid off all of its surety obligations to each beneficiary, the trust agreement has expired: the parties desired to grant Soitec all powers for completing formalities in closing out the trust and registration related to the transfer of trust assets of the trust to Soitec.*

*** *Other liabilities: The change in the item "Other liabilities" is due to the reclassification of the moratorium granted by URSSAF in "Tax and social security debts" as of 31 March 2016.*

20.3.2.2. Appendix to financial statements as at 31 March 2017

The simplified financial statements of the parent company Soitec S.A. have been prepared in accordance with generally accepted accounting practices in France for parent company accounts.

The other elements of the annual financial statements do not contain additional elements of a type provide an investor with a basis for clear judgment. The complete financial statements, including notes, are available upon request from the Company.

20.3.2.3. Statutory auditor’s report on the financial statements

This is a free translation into English of the statutory auditor’s report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditor’s report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditor’s assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended 31 March 2017

To the Shareholders,

In compliance with the assignments entrusted to us by your Shareholders’ General Meeting, we hereby report to you, for the year ended 31 March 2017, on:

- the audit of the accompanying financial statements of Soitec S.A.;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 March 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion, we draw your attention to the matter set out in note “Intangible and tangible assets” *(immobilisations incorporelles et corporelles)* included in the accounting policies section of the notes to the financial statements, regarding the change in accounting policy related to the allocation of the merger loss *(mali de fusion)* to a tangible asset.

Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code *(Code de commerce)*, we bring to your attention the following matter.

The note “Financial assets” *(Immobilisations financières)* included in the accounting policies section of the notes to the financial statements describes the accounting policies related to the valuation of long term investment and related receivables. Our work consisted in assessing the information and assumptions used for these estimates, in reviewing the Company’s calculations and the approval process of these estimates by the management.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Paris La Défense and Lyon, 28 June 2017
The statutory auditors

KPMG Audit		Ernst & Young Audit
French original signed by		*French original signed by*
Stéphane Devin	Jacques Pierre	Nicolas Sabran
Partner	Partner	Partner

20.3.3. Inventory of securities portfolio

(In € thousand)	Carrying value
A. Shares in consolidated and non-consolidated companies	
Soitec USA, Inc.	17
Soitec Microelectronics Singapore Pte Ltd.	67,197
Soitec Japan Inc.	2,637
Soitec Solar GmbH	101,244
Soitec Korea	328
Soitec Corporate Services	1
Soitec Trading (Shanghai) Co. Ltd.	102
Shanghai Simgui Co. Ltd.	4,441
Exagan	906
Ceotis Éclairage	281
Cissoïd	340
Technocom	1,775
B. Related receivables	
Soitec Microelectronics Singapore Pte	66,964
Soitec Solar GmbH	425,446
Ceotis Éclairage	214
C. Short-term investments (treasury SICAV)	
Cash equivalent	41,000
D. Treasury shares	
5,572 Treasury shares (after reverse stock split impact)	475
TOTAL	**713,369**

20.3.4. Table of the financial results for the last five fiscal years

Type of indications	Fiscal year 31/03/2013	Fiscal year 31/03/2014	Fiscal year 31/03/2015	Fiscal year 31/03/2016	Fiscal year 31/03/2017
I. Share capital at the end of the fiscal year					
Share capital	12,262,674	17,258,080	23,118,843	23,132,418	60,623,020
Number of ordinary shares existing	6,131,337	8,629,040	11,559,421	11,566,209	30,311,510
Number of existing priority dividend shares (without voting right)					
Maximum number of future shares to be created					
• By conversion of bonds					
• By exercise of subscription rights					
II. Operations and results of the fiscal year					
Revenue before tax	248,265,323	149,763,853	161,132,017	220,309,732	238,222,800
Earnings before tax, employee profit-sharing and allowances for amortization and provisions	(22,749,433)	(30,879,143)	(26,299,367)	(32,496,849)	24,345,522
Income tax	(8,902,491)	(7,463,321)	(7,849,663)	(11,126,317)	(13,883,265)
Depreciation expenses and provisions	44,514,363	283,430,002	368,617,053	42,925,794	17,880,655
Earnings after tax, employee profit-sharing and allowances for amortization and provisions	(58,361,305)	(306,845,824)	(387,066,790)	(64,296,326)	20,348,132
Total dividends					
III. Earnings per share					
Earnings after tax, employee profit-sharing and before allowances for amortization and provisions	(2.26)	(2.71)	(1.60)	(1.85)	1.26
Earnings after tax, employee profit-sharing and allowances for amortization and provisions	(9.52)	(35.56)	(33.48)	(5.56)	0.67
Dividend allocated to each share					
IV. Personnel					
Average workforce of employees during the fiscal year	1,056	909	814	850	859
Payroll amount of the fiscal year	52,657,377	43,742,171	44,336,825	47,485,029	47,573,398
Amount of sums paid as employee benefits during the fiscal year (social security, social works, etc.)	25,470,464	19,214,511	18,499,799	21,072,868	27,098,669

20.3.5. List of subsidiaries and holdings

The list of consolidated and non consolidated subsidiaries appears in Chapter 7.2 of this Reference Document.

20.4. Auditing of historical financial information

20.4.1. Declaration by the statutory auditors

Reference should be made to the report of the statutory auditors on the consolidated financial statements on 31 March 2017 and to the report of the statutory auditor on the Company financial statements on 31 March 2017, which appear respectively in paragraphs 20.3.1.3. and 20.3.2.3. of this 2016-2017 Reference Document.

Furthermore, the financial statements for the period which ended 31 March 2016 were certified in a report by the statutory auditors that appears on page 109 of the Reference Document, registered under number D. 16-665. The financial statements for the period which ended 31 March 2015 were certified in a report by the statutory auditors that appears on page 116 of the Reference Document, registered under number D. 15-0587.

The annual accounts for the periods which ended 31 March 2016 and 31 March 2015 were certified in a report by the statutory auditors without qualification or remarks, which appear respectively on pages 111 and 119 of the 2015-2016 Reference Document and of the 2014-2015 Reference Document registered under number D.15-0587.

20.4.2. Other information audited by the statutory auditors

Not applicable.

20.4.3. Financial information not contained in the financial statements

Not applicable.

20.5. Age of the latest financial information

31 March 2017.

20.6. Interim and other financial information

Not applicable.

20.7. Dividend distribution policy

The Company has not distributed dividends for the past three years. The Company intends to reinvest its profits to finance future growth and does not expect to pay dividends in the next three years. Dividends will be deemed forfeited after the legally prescribed period and revert to the French government, in accordance with the State Property Code.

20.8. Legal and arbitration proceedings

In late March 2017, Soitec and Silicon Genesis Corporation (SiGen) agreed to end litigation between them regarding importing and selling certain Silicon-on-Insulator (SOI) wafers by Soitec (see the press releases dated 21 October 2016, and 29 March 2017). The two companies agreed to end all ongoing litigation and to drop the proceedings before the US International Trade Commission (USITC). This agreement strengthens the Company's position in terms of intellectual property and enables the Company to better serve and protect its customers and partners.

The Company underwent audits by tax and customs authorities, and readjustment notifications were filed and paid during the 2016-2017 fiscal year.

There are no other governmental, judicial or arbitration proceedings, including any proceedings to the Company's knowledge which are pending or threatened, and likely to have or having had in the last 12 months significant effects on the Group's financial position or profitability.

20.9. Significant change in financial or commercial situation since 31 March 2017

On 1 May 2017, the Group sold its entire stake (100%) in Newberry Solor 1 LLC, the owner of the solar plant in Newberry, United States. This disposal will not have a significant impact on net profit/(loss) for fiscal year 2017-2018.

ADDITIONAL **INFORMATION**

21

21.1. Share capital

21.1.1. Shareholding structure as of 14 June 2017

As of 14 June 2017, the Company's share capital amounting to €60,623,020 is composed of 30,311,510 ordinary shares of a par value of €2.00 each, fully subscribed and paid up. There is not any unpaid subscribed share. The situation was the same as of 31 March 2017, closing date of 2016-2017 fiscal year.

As of 1 April 2016, opening date of the 2016-2017 fiscal year, the Company's share capital amounting to €23,132,418.40 was composed of 231,324,184 ordinary shares of a par value of €0.10 each, fully subscribed and paid up. There was not any unpaid subscribed share.

This evolution is notably the result of two series of major capitalistic events that occurred during the 2016-2017 fiscal year.

On the one hand, the Board of Directors and the Chairman and Chief Executive Officer have noticed the definitive completion of the following capital increases:

- on 2 May 2016, the Chairman and Chief Executive Officer, acting upon delegation of the Board of Directors, has noticed that the Company's share capital has been raised from €23,132,418.40 to €37,035,823.50, newly composed of 370,358,235 ordinary shares of a par value of 0.10 each, due to the completion of the capital increases reserved to Bpifrance Participations, CEA Investissement and NSIG Sunrise S.à.r.l, as decided par the Combined Ordinary and Extraordinary Shareholders' General Meeting held on 29 April 2016;
- on 8 June 2016, the Chairman and Chief Executive Officer, acting upon delegation of the Board of Directors, has noticed that the Company's share capital has been raised from €37,035,823.50 to €60,604,074.50, newly composed of 606,040,745 ordinary shares of a par value of 0.10 each, due to the completion of a share capital increase with preferential subscription rights decided on 12 May 2016.

On the other hand, reverse stock split transactions have been carried out by the Company, as described below.

Pursuant to its 26th resolution, the Combined Ordinary and Extraordinary Shareholders' General Meeting of 25 July 2016 has decided to combine the shares comprising the Company's share capital such that 20 ordinary shares of a par value of €0.10 each would be exchanged for 1 new ordinary share of a par value of €2.00 (i.e., a 20-for-1 reverse stock split). The said Shareholders' General Meeting have given full powers to the Board of Directors, with the option of sub-delegation, to implement the reverse stock split on or before the date of the Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 31 March 2017.

At its meeting of 26 July 2016, the Board of Directors, using the abovementioned sub-delegation option, has granted full powers to the Chairman and Chief Executive Officer of the Company to implement the reverse stock split of the Company's shares.

To ensure that the number of the Company's ordinary shares was a multiple of 20 before the launch of the reverse stock split, the Board of Directors held on 6 December 2016 has approved the cancellation of 18 of the Company's treasury shares through a capital reduction of €1.80. The Company's share capital was thus reduced to €60,623,020, comprising 606,230,200 ordinary shares of a par value of €0.10 each.

On 19 December 2016, in accordance with powers delegated by the Board of Directors, the Chairman and Chief Executive Officer of the Company has decided to carry out a reverse stock split on the Company's shares according to the modalities later set out in the notice published on 23 December 2016 in the *Bulletin des Annonces Légales Obligatoires* and in the Company's press release of 9 January 2017. These included:

- launch date of the reverse stock split: 9 January 2017;
- reverse stock split basis: exchange of 20 old shares of a par value of €0.10 for 1 new ordinary share of a par value of €2.00 with immediate dividend rights;
- number of shares subject to the reverse stock split: 606,230,200 shares of a par value of €0.10, admitted to trading on the Euronext Paris regulated market under ISIN code FR0004025062;
- number of shares to be obtained from the reverse stock split: 30,311,510 shares of a par value of €2.00 admitted to trading on the Euronext Paris regulated market under ISIN code FR0013227113;
- effective date of the reverse stock split: 8 February 2017, or 30 days after the launch of the reverse stock split;
- voting rights: only the reverse split of old shares which each carried double voting rights due to their having been registered for at least two (2) years under the name of the same shareholder will give rights to new shares carrying double voting rights, being specified that for the reverse split of old shares which were registered for less than two (2) years, the new share thus created will retain a registration seniority calculated on the most recent registration dates of the 20 old shares subject to the reverse split.

By a press release dated 8 February 2017 the Company announced the effective completion of its reverse stock split. At that date, at the opening of the Euronext Paris market, the market price of the new share (having retained the mnemonic "SOI" and having been admitted to trading under ISIN code FR0013227113) was €38.00. The old shares identified under the ISIN code FR0004025062 were delisted. Pursuant to Articles L. 228-6-1 and R. 228-12 of the French Commercial Code, new shares that could not be allocated individually and corresponding to fractional rights were sold on the stock exchange by the account holders and the proceeds of the sale were allocated proportionally to the fractional rights of the holders of these rights. The latter were then compensated directly by their financial intermediaries within 30 days from 8 February 2017.

In addition, the Company confirmed that its new shares are eligible for the long-only deferred settlement service (Long-only DSS), as well as the PEA-PME scheme governed by implementation decree no. 2014-283 of 4 March 2014.

Finally, for information, the Company points out that the new allocation ratio for bonds convertible into new or existing shares (OCEANEs) issued on 18 September 2013 and maturing on 18 September 2018 (ISIN code FR0011566793, mnemonic "YSOIA") was 0.066 shares for 1 OCEANE bond.

21.1.2. Shares not representing capital

At the present date, there is not any share not representing Company's capital.

21.1.3. Holding by the Company of its own shares

21.1.3.1. Number of treasury shares owned by the Company

As of 14 June 2017, the Company held 5,572 ordinary treasury shares, representing 0.018% of the share capital.

Their par value is €2.00 each.

Reference is made to note 3.13.2 to the consolidated financial statements for an analysis of the treatment and accounting value of treasury shares held by the Company as of 31 March 2017.

21.1.3.2. Number of shares held through sub-subsidiaries.

On 14 June 2017, no sub-subsidiary of the Company held Company shares.

21.1.3.3. Existing authorization

The Ordinary and Extraordinary Shareholders' General Meeting of 26 July 2016, in its fourteenth resolution, has authorized the Board of Directors, with the option of sub-delegation, to purchase or make purchase Company shares, under conditions pursuant to Articles L. 225-209 et seq. of the French Commercial Code and European Regulation No. 2273/2003 of 22 December 2003 implementing European Directive No. 2003/6/EC of 28 January 2003, on one or more occasions, at the times it decides, subject to a limit of 5% of the shares constituting the Company's share capital at any time whatsoever.

It is hereby specified that this 5% limit applies to the adjusted share capital based on transactions affecting it after the said General Meeting. As regards the particular case of shares repurchased under a liquidity contract, the number of shares taken into account for the calculation of the 5% limit corresponds to the number of shares purchased, less the shares resold during the period of the authorization.

This authorization ended the authorization conferred to the Board of Directors by the Ordinary and Extraordinary Shareholders' General Meeting of 10 July 2015.

Acquisitions may be made with the purpose of:

- ensuring liquidity and making a market on the secondary share market of the Company through an investment service provider acting independently in the framework of a liquidity agreement which complies with the French AMAFI ethical charter acknowledged by the French *Autorité des Marchés Financiers;* or
- the allocation or sale of shares to employees or former employees and/or corporate officers or former corporate officers of the Company and/or companies that are or will be linked to it under the conditions and terms provided by applicable law, notably with respect to the framework of options plans, free allocation of existing shares or company savings plans; or
- the retention and deferred award of shares (in exchange, as payment or other) for external growth operations, on the understanding that the maximum amount of shares acquired with a view to their retention and subsequent award as payment or in exchange for merger, demerger or capital contribution operations may not exceed 5% of the capital; or
- hedging securities giving rights to shares of the Company upon exercise of rights attached to securities, giving rights to the attribution of Company shares through redemption, conversion, exchange, presentation of bonds, or any other means; or
- cancelling, in whole or in part, the shares thus bought in under the conditions provided in Article L. 225-209 of the French Commercial Code; or
- to implement any other permitted market practice or which is allowed by the market authorities; or
- to operate in any other authorized purpose or which may afterwards be authorized by law or regulations in force subject to the shareholders of the Company being informed through a press release.

The purchase of shares may be made by any means, on a regulated market, a multilateral trading facility, from a systematic internalizer or by mutual agreement, including by public offer or transactions for blocks of shares (which may represent the entire program).

However, the Company does not intend to make use of derivatives. These transactions may be performed at any time, pursuant to the legal provisions in force, excluding during public offerings of Company securities.

In the event of capital transactions, notably division or splitting of shares or allocation of free shares, the aforementioned amount will be adjusted in the same proportions (adjustment coefficient equal to the ratio between the number of shares comprising the capital prior to the transaction and the number of shares after the transaction).

In the 2015-2016 Reference Document filed on 4 July 2016 with the AMF under number D.16-0665, the main procedures for the share buy-back program approved by the Shareholders' General Meeting of 25 July 2016 are described.

Between 25 July 2016 and 14 June 2017, the Company carried out the following transactions on its own shares (data before reverse-stock split operations that became effective on 8 February 2017):

- on 6 December 2016, the Company canceled 18 treasury shares as part of the planned reverse stock split set to take place as from January 2017, in order that the total number of shares making up the share capital of the Company before the reverse split would be a multiple of 20 (the exchange ratio chosen for the reverse split being 20 old shares for 1 new share); at that time, the number of treasury shares held by the Company was reduced from 111,451 to 111,433 shares;
- on 10 January 2017, the Company delivered 5 treasury shares to a holder of OCEANE bonds who had requested the conversion of 4 OCEANE bonds on 28 December 2016; at that time, the number of treasury shares held by the Company was reduced from 111,433 to 111,428;
- on 6 February 2017, in connection with the reverse stock split, the Company purchased 12 of its own shares at a market price of €1.82 each in order to hold a number of treasury shares prior to the reverse split that was a multiple of 20; at that time, the number of treasury shares held by the Company was increased from 111,428 to 111,440.

For all intents and purposes, it is noted that following the reverse split of the Company's shares on 8 February 2017, the number of shares making up the Company's share capital was divided by 20 and the par value of each of its shares was multiplied by 20. As a result, the 111,440 old treasury shares with a par value of €0.10 each were exchanged for 5,572 new treasury shares with a par value of €2.00 each.

The Shareholders' General Meeting called to approve the financial statements for the fiscal year ended 31 March 2017, will be requested to vote in favor of a new authorization replacing the foregoing authorization, but within the limit of 2% of the shares composing the Company's capital (instead of 5%). This new authorization would be granted to the Board of Directors for a period of eighteen (18) months from the date of the General Meeting, and would allow the Board to buy back Company's shares for a maximum price of €80.00 per share, the maximum amount of the transaction being fixed at €48,498,400.

21.1.3.4. Description of the Company's share buy-back program that will be submitted to the vote of the Combined Ordinary and Extraordinary Shareholders' General Meeting to be held on 26 July 2017

Legal framework

The description of the program is intended, pursuant to Article 241-2 of the General Regulations of the French Financial Markets Authority (AMF), to explain the objectives and the modalities for the Company's share buy-back program, that will be submitted to the Ordinary and Extraordinary Shareholders' General Meeting convened for 26 July 2017.

Number of securities and proportion of capital held directly or indirectly by the Company:

As of 14 June 2017, the Company held 5,572 of its own shares of a par value of €2.00 each, with an overall accounting value of €475,139, or 0.018% of the Company's share capital.

Objectives of the share buy-back program

Acquisitions may be made with the purpose of:

- ensuring liquidity and making a market on the secondary share market of the Company through an investment service provider acting independently in the framework of a liquidity agreement which complies with the French AMAFI ethical charter acknowledged by the French *Autorité des Marchés Financiers;* or
- the allocation or sale of shares to employees or former employees and/or corporate officers or former corporate officers of the Company and/or companies that are or will be linked to it under the conditions and terms provided by applicable law, notably with respect to the framework of options plans, free allocation of existing shares or company savings plans; or
- the retention and deferred award of shares (in exchange, as payment or other) for external growth operations, on the understanding that the maximum amount of shares acquired with a view to their retention and subsequent award as payment or in exchange for merger, demerger or capital contribution operations may not exceed 3% of the capital; or
- hedging securities giving rights to shares of the Company upon exercise of rights attached to securities, giving rights to the attribution of Company shares through redemption, conversion, exchange, presentation of bonds, or any other means; or
- subject to adoption of the twenty-first resolution, to subsequently cancel, in whole or in part, the shares thus bought in under the conditions provided in Article L. 225-209 of the French Commercial Code; or
- to implement any other permitted market practice or which is allowed by the market authorities; or
- to operate in any other authorized purpose or which may afterwards be authorized by law or regulations in force subject to the shareholders of the Company being informed through a press release.

Maximum percentage of capital, maximum number and characteristics of equity securities the Company proposes to acquire and the maximum purchase price

The number of shares acquired during the buy-back program shall not exceed, at any time, 2% of shares constituting the Company's share capital said percentage referring to capital adjusted according to transactions impacting it after the Shareholders' General Meeting convened on 26 July 2017, it being stated that for the special case of shares purchased for a liquidity agreement, the number of shares considered for calculating the 2% limit is equivalent to the number of shares purchased, after deducting the number of shares resold during validity of the authorization.

The number of shares which the Company holds at any time shall not exceed 10% of shares composing the Company share capital, said percentage applying to capital adjusted according to transactions affecting it after the abovementioned Shareholders' General Meeting.

The purchase of shares may be made on one or more occasions, by any means, on a regulated market, a multilateral trading facility, from a systematic internalizer or by mutual agreement, including by public offer or transactions for blocks of shares (which may represent the entire program). However, the Company does not intend to make use of derivatives. These transactions may be performed at any time, pursuant to the legal provisions in force, excluding during public offerings of Company securities.

The maximum share price is set at €80.00 per share. In the event of capital transactions, notably splits or reverse splits of shares or allocation of free shares, the aforementioned amount will be adjusted in the same proportions (adjustment coefficient equal to the ratio between the number of shares comprising the capital prior to the transaction and the number of shares after the transaction).

As a consequence, pursuant to Article R. 225-151 of the French Commercial Code, the Shareholders' General Meeting convened on 26 July 2017 will be invited to set up at €48,498,400 the maximum overall amount allocated to the share buy-back program authorized above, as calculated on the basis of the share capital on 14 June 2017, composed of 30,311,510 shares.

The securities covered by this program are the ordinary shares of the Company listed on the Euronext Paris regulated market under ISIN code FR0013227113.

Duration of the share buy-back program

The buy-back program will be implemented pursuant to the tenth resolution of the Shareholders' General Meeting convened on 26 July 2017, during a period beginning at the end of the said Shareholders' General Meeting and expiring on the day of the Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on 31 March 2018.

It is specified that this buy-back program will cancel and replace that approved by the Combined Ordinary and Extraordinary Shareholders' General Meeting of 25 July 2016 in its fourteenth resolution.

Summary of the previous program

The Ordinary and Extraordinary Shareholders' General Meeting of 25 July 2016, in its fourteenth resolution, has authorized the Board of Directors to purchase Company's shares, under conditions pursuant to Articles L. 225-209 et seq. of the French Commercial Code and European Regulation No. 2273/2003 of 22 December 2003 implementing European Directive No. 2003/6/EC of 28 January 2003, on one or more occasions, at the times it will decide, subject to a limit of 5% of the shares constituting the Company's share capital.

Declaration by the issuer of the transactions performed on own shares from 25 July 2016 to 14 June 2017

	Data before the reverse stock split which took effect on 8 February 2017	Data after the reverse stock split which took effect on 8 February 2017
Percentage of directly or indirectly owned share capital*	0.018%	0.018%
Number of shares purchased during the last 24 months**	12	0.6
Number of shares sold during the last 24 months**	0	0
Number of shares transferred*** during the last 24 months**	5	0.25
Number of shares canceled during the last 24 months**	18	0.9
NUMBER OF SHARES HELD IN THE PORTFOLIO*	**111,451**	**5,572**
Book value of portfolio*	€475,139	€475,139
Market value of portfolio*	€309,803	€309,803

* *On 14 June 2017.*
** *This concerns the 24 months preceding the date of publication of the program description.*
*** *By exercising securities giving access to the capital.*

	Cumulative gross flows*		Positions open on the date of publication of the program description**			
	Purchases	Sales/ transfers	Open buy positions		Open sell positions	
			Call options purchased	Forward purchases	Call options sold	Forward sales
Number of shares	12***	5***	-	-	-	-
Average maximum maturity	-	-	-	-	-	-
Average price of transaction	€1.82	-	-	-	-	-
Average exercise price	-	-	-	-	-	-
Amounts	€24.84****	-	-	-	-	-

* *Cumulative gross flows include cash buy or sell transactions and futures exercised or matured.*
** *The open positions include call or put options not matured, as well as call options not exercised.*
*** *Data before reverse split that became effective on 8 February 2017.*
**** *Including €3 of fees and taxes.*

21.1.4. Shares and securities giving access to the capital

21.1.4.1. Information on the potential dilution of the Company's capital

As of 14 June 2017, the Company's share capital is composed of 30,311,510 shares of €2.00 par value each and the closing share market price is €55.60.

Nature of the potentially dilutive instruments	Outstanding quantity	Exercise price	Conversion ratio	Number of shares to which such instruments give right	Potential dilution which may arise from the exercising of these instruments
OCEANEs 2018*	16,212,763	€2.58	1 OCEANE for 0,066 share**	1,070,042	3.530%
TOTAL POTENTIAL DILUTION				**1,070,042**	**3.530%**

* *Bonds convertible into new or existing shares (OCEANEs) issued on 18 September 2013 and maturing on 18 September 2018 (ISIN code FR0011566793).*
** *Further to the reverse stock split of the Company's share that became effective on 8 February 2017, the conversion ratio of the OCEANEs 2018 has been adjusted in order to protect the holders' rights.*

21.1.4.2. Reminder about the existing authorizations and their use

21.1.4.2.1. Summary table of current authorizations

Given that all the current authorizations have been granted before the reverse-stock split of the Company's shares that became effective on 8 February 2017, the numbers of shares indicated in the following table are all "before reverse-stock split".

Transactions/Securities concerned (Shareholders' General Meeting date)	Maximum nominal issue amount	Use (date)	Duration of authorization (and expiry)
Allocation of free shares without PSR OEGM of 30/07/2015 – 23rd resolution	5% of capital (on day of allocation) The allocation to corporate directors and officers must not exceed 20% of the total amount awarded	None	24 months (07/2017)
Allocation of free preference shares for employees and corporate directors and officers without PSR OEGM of 11/04/2016 – 16th resolution	0.055% of capital for the preference shares and 5.5% of capital for the ordinary shares that will be issued in case of conversion of the preference shares, within the limit of €130 million	Allocation of 295,703 preference shares BoD of 26/07/2016 BoD of 06/12/2016 BoD of 30/03/2017	38 months (06/2019)
Buy-back of Company's shares OEGM of 25/07/2016 – 14th resolution	5% of the share capital	Acquisition of 12 Company's shares (in the frame of the reverse-stock split) BoD of 30/03/2017	12 months (GM for approving financial statements for year ending 31 March 2017)
Capital increase, all securities included, with PSR OEGM of 25/07/2016 – 15th resolution	In capital* = €40 million In borrowing** = €150 million	None	26 months (09/2018)
Capital increase, all securities included, without PSR OEGM of 25/07/2016 – 16th resolution	In capital* = €15 million (1) In borrowing** = €150 million (2)	None	26 months (09/2018)
Capital increase, all securities included, without PSR – offers referred to in Article L. 411-2 of the French Monetary and Financial Code OEGM of 25/07/2016 – 17th resolution	In capital* = 20% of the share capital up to €15 million (1) (3) In borrowing** = €150 million (2)	None	26 months (09/2018)
Increase of number of securities to be issued with or without PSR in the case of excess demands OEGM of 25/07/2016 – 18th resolution	Within the limit of (i) 15% of the initial issue and (ii) of the cap provided in the delegated powers exercised	None	26 months (09/2018)

Transactions/Securities concerned (Shareholders' General Meeting date)	Maximum nominal issue amount	Use (date)	Duration of authorization (and expiry)
Capital increase, all securities included, without PSR – exemption terms of fixing the issue price OEGM of 25/07/2016 – 19th resolution	In capital* = 10% of the share capital per year up to €15 million (1) (3) In borrowing** = €150 million (2)	None	26 months (09/2018)
Capital increase in remuneration of contributions in kind composed of shares or securities giving access to the capital OEGM of 25/07/2016 – 20th resolution	In capital* = 10% of the share capital up to €15 million (1) (3) In borrowing** = €150 million (2)	None	26 months (09/2018)
Capital increase by incorporating premiums, reserves, profits or others OEGM of 25/07/2016 – 21st resolution	Up to the amount of the accounts of reserves, premiums or profits and the cap of €40 million (1)	None	26 months (09/2018)
Capital increase in remuneration of contributions of securities made within the framework of a public exchange offer initiated by the Company OEGM 25/07/2016 – 22nd resolution	In capital* = €15 million (1) (3) In borrowing** = €150 million (2)	None	26 months (09/2018)
Capital increase by issue of shares or securities giving access to the capital reserved for members of company savings plans with elimination of PSR OEGM 25/07/2016 – 23rd resolution	In capital* = €500,000 set off against the cap of €40 million (1) In borrowing** = €150 million (2)	None	26 months (09/2018)
Cancellation of shares bought pursuant to the authorizations to buy back the Company's own shares OEGM 25/07/2016 – 24th resolution	10% of the share capital	Cancellation of 18 treasury shares (in the frame of the reverse stock split) BoD of 06/12/2016	12 months (GM for approving financial statements for year ending 31 March 2017)

(1) Common ceiling set off against the global cap of €40 million stipulated by the 15th resolution of the OEGM of 25/07/2016.
(2) Common ceiling set off against the global cap of €150 million stipulated by the 15th resolution of the OEGM of 25/07/2016.
(3) Global ceiling of €15 million of nominal value referred to in "3.a." of the 16th resolution adopted by the OEGM of 25/07/2016.
** Shares.*
*** Securities representative of debt claims or similar securities giving access to the Company's capital.*

21.1.4.2.2. Description of existing authorizations

Authorization to the Board of Directors to proceed with the free allocation of performance shares

The Extraordinary Shareholders' General Meeting, held on second notice on 30 July 2015, in its 23rd resolution, authorized the Board of Directors until 30 July 2017, to allocate existing or future shares in the Company for the benefit of employees and corporate directors and officers of the Company complying with the conditions of Article L. 225-197-1 II of the French Commercial Code, or of affiliates pursuant to Article L. 225-197-2 of the French Commercial Code; it being specified that the total number of shares freely distributed shall not exceed 5% of the share capital as recorded on the day of the allocation decision (of which 20% for corporate directors and officers). The allocation of shares to their beneficiary becomes definitive only subject to conditions and achieving the performance criteria fixed, if applicable, by the Board of Directors, after a vesting period fixed by the Board of Directors. For corporate directors and officers, the definitive allocation of the shares is conditional on achieving performance conditions which the Board of Directors will determine based on a proposal of the Compensation and Appointments Committee.

Authorization to the Board of Directors to freely allocate preference shares of the Company to employees of the Company and/or of companies or groups directly or indirectly related to it pursuant to Articles L. 225-197-1 et seq. of the French Commercial Code and/or to the corporate officers and directors of the Company, with waiver by shareholders of their preferential subscription rights

The Combined Ordinary and Extraordinary Shareholders' General Meeting, held on first notice on 11 April 2016, in its 16th resolution, granted the Board of Directors until 30 June 2019 inclusive, a delegation of authority to proceed, on one or more occasions and subject to the conditions it determines and subject to the limits fixed in this authorization, for the free allocation of preference shares for the benefit of executives and/or corporate officers and directors (pursuant to Article L. 225-197-1 of the French Commercial Code) performing strategic functions within the scope of consolidation of the Company and/or of companies or groups related to it pursuant to Article L. 225-197-2 of the French Commercial Code. The total number of preference shares freely allocated shall not represent more than 0.055% of the Company's share capital and the number of ordinary shares that may be created in the event of conversion of the preference shares shall not exceed 5.5% of the Company's share capital as recorded on 11 April 2016. In case of free allocation of preference shares to be issued, the Board of Directors would be authorized to implement one or more capital increases by capitalization of reserves, profits, issue premiums or other amounts of which capitalization is permitted for the benefit of the beneficiaries of said shares, this authorization incorporating, by right, a correlating waiver by shareholders, for the benefit of the beneficiaries, of their preferential subscription right to said preference shares and to the proportion of the reserves, profits and premiums or other amounts of which capitalization is permitted thus incorporated, a transaction for which the Board of Directors benefits from a delegation of authority pursuant to Articles L. 225-129-2 and L. 225-197-1 of the French Commercial Code.

Authorization of the Board of Directors to buy back Company's shares

Reference is made to paragraph 21.1.3.3 of this Reference Document.

Delegation of authority granted to the Board of Directors for the purpose of proceeding with an increase of the Company's capital by way of issuance, with maintenance of the preferential subscription right, of shares and/or securities giving access, immediately or in the future, to the Company's share capital

The Combined Ordinary and Extraordinary Shareholders' General Meeting, held on 25 July 2016, in its 15th resolution, granted the Board of Directors until 24 September 2018 included, a delegation of authority to proceed, on one or more occasions, in the proportion and at the times it decides, in euros, foreign currencies or any other accounting unit established with reference to a basket of currencies, to issue in France and/or abroad, with maintenance of the preferential subscription right, ordinary shares and/or any securities (including warrants and debt securities) issued for consideration or free of charge, giving access by any means, immediately and/or in the future, at any time or on a fixed date, by subscription, conversion, exchange, reimbursement, presentation of a warrant or any other means, to the Company's ordinary shares, it being specified that subscription of said shares and/or other securities may be made either in cash or by offsetting liquid and due receivables. The maximum nominal amount of capital increases that may be implemented under this delegation shall not exceed the ceiling of €40 million of nominal value, and the maximum nominal amount of securities representing debts or similar securities giving access to the Company's capital that may be issued shall not exceed the ceiling of €150 million. In the event that the present delegation of authority is used by the Board of Directors, the issuance(s) will be reserved in favor of Company's shareholders who would have the right to subscribe in direct proportion to the number of shares they hold. Nevertheless, the Board of Directors will have the power to grant shareholders the right to subscribe to shares or securities in excess of the minimum number to which they have preferential subscription rights proportionally to their subscription rights, and in any event, within the limit of their request. If the subscriptions as of right *(à titre irréductible)* and, where applicable, excess subscriptions *(à titre réductible)* do not cover the entire amount of the issuance of shares or securities, the Board of Directors may undertake, as provided by law, and in the order of its choosing, one and/or any of the following: limit the capital increase to the amount of subscriptions on the condition that this amount reaches at least three-quarters of the decided issuance, freely distribute all or part of the non-subscribed securities between the individuals of its choice, or offer to the public all or part of the non-subscribed securities, on the French market and/or internationally. The issuance of the warrants giving access to Company's shares may be made through a subscription offer, but also through free allocation of shares to Company's shareholders, on the understanding that in the event of an allocation of autonomous warrants, the Board of Directors may decide that the resulting fractional shares shall not be negotiable and that the corresponding shares shall be sold. The Board of Directors has the powers, with the possibility to sub-delegate, in accordance with applicable law, to proceed with the aforementioned issuances in such a form as it deems appropriate and in compliance with applicable law, notably:

- determining the dates and the terms of issuance as well as the form and characteristics of the shares and/or securities to be issued;
- determining the number of shares and/or other securities to be issued, the issue price and conditions attached thereto, if applicable, the issuance premium, the terms of their payment and their date of entitlement to dividends (if applicable, retroactively) and, as the case may be, their repurchase conditions;
- suspending, if need be, the exercise of rights attached to these securities for a maximum time period of three months under the conditions and limits provided by laws and regulations;
- at its sole discretion, charging issuance fees to the premium amounts associated therewith and withholding from these sums the amount necessary to bring the legal reserve to a tenth of the share capital as set after each increase;
- generally taking all appropriate measures, executing all agreements, obtaining all authorizations, carrying out all formalities necessary to ensure successful completion of the issuance or stay the implementation thereof, notably acknowledging completion of any capital increases resulting from any issuance conducted by this present delegation, amending the bylaws, requesting the listing of any shares and/or securities issued as a result of this present delegation.

The Board of Directors may not, except by prior authorization of the Shareholders' General Meeting, make use of this delegation from the time of deposit by a third party of a public offer for the Company's securities, until the end of the offer period.

Delegation of authority granted to the Board of Directors for the purpose of proceeding with an increase of the Company's capital by way of issuance, with elimination of the preferential subscription right, of shares and/or securities giving access, immediately or in the future, to the Company's share capital

The Combined Ordinary and Extraordinary Shareholders' General Meeting, held on 25 July 2016, in its 16th resolution, granted the Board of Directors until 24 September 2018 included, a delegation of authority to proceed, on one or more occasions, in the proportion and at the times it decides, in euros, foreign currencies or any other accounting unit established with reference to a basket of currencies, to issue, without preferential subscription rights, in France and/or abroad, ordinary shares and/or any securities (including warrants and debt securities) issued for consideration or free of charge, giving access by any means, immediately and/or in the future, at any time or on a fixed date, by subscription, conversion, exchange, reimbursement, presentation of a warrant or any other means, to the Company's ordinary shares, it being specified that subscription of said shares and/or other securities may be made either in cash or by offsetting liquid and due receivables. The maximum nominal amount of capital increases that may be implemented under this delegation shall not exceed the ceiling of €15 million of nominal value (sub-ceiling set off against the global ceiling of €40 million stipulated by the 15th resolution of the OEGM of 25/07/2016), and the maximum nominal amount of securities representing debts or similar securities giving access to the Company's capital that may be issued shall not exceed the ceiling of €150 million (common ceiling with the one stipulated by the 15th resolution of the OEGM of 25/07/2016). The methods for calculating the issue price are those provided by Article R. 225-119 of the French Commercial Code. It shall be at least equal to the weighted average of the price of three (3) stock market trading sessions preceding its fixing, possibly reduced by a maximum discount of 5%. The Board of Directors may not, except by prior authorization of the Shareholders' General Meeting, make use of this delegation from the time of deposit by a third party of a public offer for the Company's securities, until the end of the offer period.

Delegation of authority granted to the Board of Directors in order to issue, by an offer set out at Article L. 411-2 II of the French Monetary and Financial Code, shares and/or securities giving access, immediately or in the future, to the Company's share capital, without the shareholders' preferential subscription rights

The Combined Ordinary and Extraordinary Shareholders' General Meeting, held on 25 July 2016, in its 17th resolution, granted the Board of Directors until 24 September 2018 included, a delegation of authority to issue any type of financial instrument with elimination of the preferential subscription right, in the framework of an offer pursuant to Article L. 411-2 II of the French Monetary and Financial Code ("private investment") in the limit of 20% of the share capital per annum without exceeding the ceiling of €15 million of nominal value to be set off against the common cap of €15 million fixed in the 16th resolution of the OEGM of 25 July 2016 for transactions resulting in elimination of the preferential subscription right, and the general ceiling of €40 million stipulated in the 15th resolution of the OEGM of 25 July 2016 for all capital increase transactions that may arise from implementation of the resolutions adopted at the OEGM of 25 July 2016. Likewise, debt securities and similar giving access to the Company's capital that may be issued by virtue of this delegation shall not exceed €150 million, the nominal amount of securities that may be created by virtue of this delegation being set off against the global ceiling of €150 million stipulated in the 15th resolution of the OEGM of 25 July 2016. The methods for calculating the issue price are those provided by Article R. 225-119 of the French Commercial Code. It shall be at least equal to the weighted average of the price of three (3) stock market trading sessions preceding its fixing, possibly reduced by a maximum discount of 5%. The Board of Directors may not, except by prior authorization of the Shareholders' General Meeting, make use of this delegation from the time of any submission by a third party of a public offer for the Company's securities, until the end of the offer period.

Delegation of authority granted to the Board of Directors for the purpose of increasing the issuance amount with or without preferential subscription rights within the limit of 15% of the initial issuance

The Combined Ordinary and Extraordinary Shareholders' General Meeting, held on 25 July 2016, in its 18th resolution, granted the Board of Directors until 24 September 2018 included, a delegation of authority, pursuant to Article L. 225-135-1 of the French Commercial Code, should an issue be requested in excess of the amount offered, to increase the number of ordinary shares and securities to be issued within thirty days of the end of subscription, subject to the ceilings provided by the previous resolutions and a maximum of 15% of the initial issue, and at the same price as for the initial issue.

Delegation of authority granted to the Board of Directors in the event of issuance without preferential subscription rights, of shares and/or securities giving access, immediately or in the future, to the Company's share capital, for the purpose of fixing the issuance price within the limit of 10% of the Company's share capital under the conditions adopted by the Shareholders' General Meeting

The Combined Ordinary and Extraordinary Shareholders' General Meeting, held on 25 July 2016, in its 19th resolution, granted the Board of Directors until 24 September 2018 included, a delegation of authority, pursuant to Article L. 225-136 1° of the French Commercial Code, for each of the issuances decided on the basis of the 15th, 16th and 17th resolutions, to waive the price conditions set out in this resolution and to set the issuance price according to the below-mentioned modalities, within the limit of 10% of the Company's share capital per year (this percentage applies to capital adjusted for transactions occurring after the OEGM of 25 July 2016):

- the issuance price for ordinary shares to be issued pursuant to this issuance or those which may give rights to securities to be issued hereunder, shall be, at the discretion of the Board of Directors, equal to (i) the average listed price over a maximum period of six months preceding the issuance or (ii) the average weighted market price on the day preceding the issuance (WVAP 1 day) with a maximum discount of 15%;
- the issuance price for the securities other than ordinary shares shall be that of the sums received immediately by the Company plus, where appropriate, the sum likely to be collected subsequently by the Company for each ordinary share issued as a consequence of the issuance of the securities, at least equal to the amount determined by the Board of Directors in the above bullet point.

The maximum nominal amount for the Company's capital increases carried out based on the 19th resolution of the OEGM of 25 July 2016, either directly or upon presentation of securities, shall not exceed 10% of the Company's share capital for each 12-month period, or the counter-value of this amount. This amount shall be deducted from the common ceiling of €15 million referred to in the 16th resolution and from the global ceiling of €40 million of nominal value stipulated in the 15th resolution of the OEGM of 25 July 2016 for all capital increase transactions that may arise from implementation of the resolutions adopted at the OEGM of 25 July 2016. Likewise, debt securities and similar giving access to the Company's capital that may be issued by virtue of this delegation shall not exceed €150 million, the nominal amount of securities that may be created by virtue of this delegation being set off against the global ceiling of €150 million stipulated in the 15th resolution of the OEGM of 25 July 2016.

Delegation of powers granted to the Board of Directors for the purpose of proceeding with an increase of the Company's share capital in compensation for capital contributions in kind consisting of shares or securities giving access to the Company's share capital

The Combined Ordinary and Extraordinary Shareholders' General Meeting, held on 25 July 2016, in its 20th resolution, granted the Board of Directors until 24 September 2018 included, a delegation of authority, pursuant to Article L. 225-147, paragraph 6, of the French Commercial Code, to increase capital up to 10% of the share capital to remunerate capital contributions of shares or securities giving access to capital. According to this provision, the Board of Directors has authority to issue ordinary shares in the Company and any other securities giving access by any means, immediately and/or in the future, to existing or future shares of the Company up to 10% of share capital (as adjusted depending on transactions influencing it after the OEGM of 25 July 2016) to which will be added the nominal amount of supplementary shares to be issued to preserve the rights of bearers of securities giving entitlement to shares as remuneration for securities contributed in the framework of a contribution in kind pursuant to the provisions of Article L. 225-147, paragraph 6 of the French Commercial Code. The maximum nominal amount for the Company's capital increases carried out based on the 20th resolution of the OEGM of 25 July 2016, either directly or upon presentation of securities, shall not exceed €15 million, or the counter-value of this amount. This amount shall be deducted from the common ceiling of €15 million referred to in the 16th resolution of the OEGM of 25 July 2016 and from the global ceiling of €40 million of nominal value stipulated in the 15th resolution of the OEGM of 25 July 2016 for all capital increase transactions that may arise from implementation of the resolutions adopted at the OEGM of 25 July 2016. Likewise, debt securities and similar giving access to the Company's capital that may be issued by virtue of this delegation shall not exceed €150 million, the nominal amount of securities that may be created by virtue of this delegation being set off against the global ceiling of €150 million stipulated in the 15th resolution of the OEGM of 25 July 2016. The Board of Directors may not, except by prior authorization of the Shareholders' General Meeting make use of this delegation from the time a third party submits a public offer for the Company's securities, until the end of the offer period.

Delegation of authority granted to the Board of Directors for the purpose of increasing the share capital by capitalizing premiums, reserves, profits, or any other funds that may be capitalized

The Combined Ordinary and Extraordinary Shareholders' General Meeting, held on 25 July 2016, in its 21st resolution, granted the Board of Directors until 24 September 2018 included, a delegation of authority, pursuant to Article L. 225-129-2 of the French Commercial Code, to proceed with one or more capital increases of the Company by capitalization of premiums, reserves, profits or other amounts of which capitalization is permitted according to law and the by-laws in the form of free shares or by increasing the nominal value of existing shares. The total amount of capital increases which may be made, increased by the amount necessary to preserve, according to law, the rights of bearers of securities giving access to shares, shall not exceed the amount of the reserve, premium or profit accounts existing at the time of the capital increase. The maximum amount of the capital increase which may be made shall not exceed the global amounts which may be capitalized or the cap of €40 million or the equivalent of that amount, it being specified that this amount will be set off against the amount of the global ceiling of €40 million stipulated in the 15th resolution of the OEGM of 25 July 2016.

Delegation of authority granted to the Board of Directors for the purpose of proceeding with an increase of the share capital by the issuance of shares or securities giving access, immediately or in the future, to Company's share capital, to compensate shares brought within the framework of a public exchange offer initiated by the Company

The Combined Ordinary and Extraordinary Shareholders' General Meeting, held on 25 July 2016, in its 22nd resolution, granted the Board of Directors until 24 September 2018 included, a delegation of authority, with a view to deciding on one or more occasions on the issue of ordinary shares and/or of securities giving access to capital immediately and/or in the future, at any time or on a fixed date by subscription, conversion, exchange, reimbursement, presentation of a warrant or any other means, to ordinary shares in the Company as compensation for securities contributed in the framework of a public offer of exchange initiated in France or abroad, according to local regulations (including any other transaction with the same effect as a public offer of exchange initiated by the Company for its own securities or the securities of another company of which the securities are admitted to trading on a regulated market under foreign law or similar), by the Company on the securities of another company admitted to trading on one of the regulated markets referred to in Article L. 225-148 of the French Commercial Code. The maximum nominal amount for the Company's capital increases carried out based on the present resolution, either directly or upon presentation of securities, shall not exceed €15 million, or the counter-value of this amount. This amount shall be deducted from the common ceiling of €15 million referred to in the 16th resolution of the OEGM of 25 July 2016 and from the global ceiling of €40 million of nominal value stipulated in the 15th resolution of the OEGM of 25 July 2016 for all capital increase transactions that may arise from implementation of the resolutions adopted at the OEGM of 25 July 2016. Likewise, debt securities and similar giving access to the Company's capital that may be issued by virtue of this delegation shall not exceed €150 million, the nominal amount of securities that may be created by virtue of this delegation being set off against the global ceiling of €150 million stipulated in the 15th resolution of the OEGM of 25 July 2016. Company's shareholders do not have preferential subscription rights to shares and/or securities that will be issued under this delegation, the latter being exclusively intended to remunerate securities contributed to a public offer of exchange initiated by the Company. The price of the shares and/or the securities that will be issued in the context of this delegation will be defined on the basis of the legislation applicable to public offers of exchange.

Delegation of authority granted to the Board of Directors for the purpose of proceeding with an increase of the share capital through shares or securities issuance restricted to employees subscribing to a company savings plan with elimination of the preferential subscription rights in favor of them

The Combined Ordinary and Extraordinary Shareholders' General Meeting, held on 25 July 2016, in its 23rd resolution, granted the Board of Directors until 24 September 2018 included, a delegation of authority to proceed on one or more occasions with a capital increase reserved to employees, with elimination of the shareholders' preferential subscription rights in favor of the latter, of a maximum nominal amount of €500,000, by the issue of ordinary shares or securities giving access to capital. This amount shall be deducted from the global ceiling of €40 million of nominal value stipulated in the 15th resolution of the OEGM of 25 July 2016 for all capital increase transactions that may arise from implementation of the resolutions adopted at the OEGM of 25 July 2016. The maximum nominal amount of debt securities or related securities giving access to capital that could be issued pursuant to this delegation would be set off against the global ceiling of €150 million stipulated in the 15th resolution of the OEGM of 25 July 2016. The issue price for the new shares or securities giving access to capital issued in the framework of this delegation will be fixed at a value equal to at least 80% of the average market price of the share on the Paris Euronext market during the twenty stock market sessions preceding the day of the decision of the Board of Directors fixing the opening date for the subscription period to the capital increase reserved to employees subscribing to a company savings plan, i.e. is a discount of 20% compared with the average market prices of the Company's share on Paris Euronext during the aforementioned period. However, the Board of Directors has the power to reduce the aforementioned discount, subject to the legal and regulatory limits, or not to grant it, notably to comply with regulations applicable in countries where the offer will be implemented. In accordance with the third paragraph of Article L. 3332-21 of the French Labor Code, the Board of Directors may allocate free securities giving access to capital to the abovementioned beneficiaries, to replace the discount.

Authorization given to the Board of Directors to cancel, if necessary, the Company's own treasury shares up to a maximum of 10%

The Combined Ordinary and Extraordinary Shareholders' General Meeting, held on 25 July 2016, in its 24th resolution, authorized the Board of Directors to cancel the Company's own treasury shares acquired by it by virtue of the authorizations given by the Shareholders' General Meeting, in accordance with Article L. 225-209 of the French Commercial Code, on its sole decision, in one or several occasions, within the limit of 10% of the capital, over a period of 24 months, and to decrease the Company's capital accordingly. The difference between the shares purchase price and their nominal value shall be offset against issuance premiums and, if need be, the legal reserve up to 10% of the canceled capital. This authorization shall expire on the date on which the Shareholders' General Meeting shall be convened to rule on the accounts of the fiscal year ended on 31 March 2017.

21.1.4.2.3. Implementation of authorizations adopted by the Shareholders' General Meetings of 1 July 2005, 24 June 2011 and 2 July 2013

The two tables below indicate to what extent the authorizations adopted by the Shareholders' General Meetings of 1 July 2005, 24 June 2011 and 2 July 2013 relating to the stock options and to the allocation of free shares were implemented. They also specify their status of use until the present date.

Stock option plans

As of the date hereof, there are no outstanding stock option plans.

The most recent stock option plans closed during the 2016-2017 fiscal year as follows:

Date of Shareholders' General Meeting	07/01/2005	07/01/2005
Date of Board of Directors' meeting	07/06/2006	10/26/2006
Number of shares*	100,776	319,861
Starting point for exercising options	07/06/2010	10/26/2010
Expiry Date	07/05/2016	10/25/2016
Number of shares subscribed	0	0
Number of shares canceled*	100,776	319,861
including the number of shares canceled during the fiscal year*	55,976	319,861
NUMBER OF SHARES REMAINING*	**0**	**0**
Subscription price per share *(in €)**	16.41	15.11
Share price at grant date *(in €)**	23.37	18.70
Term *(in years)*	10	10

* *Data before the reverse stock split that became effective on 8 February 2017.*

Free shares

As of the date hereof, there are no more free shares to be vested under free shares allocation plans resulting from authorizations adopted by the Shareholders' General Meetings of 1 July 2005, 24 June 2011 and 2 July 2013.

The most recent free shares resulting from these plans were vested in the fiscal year ended on 31 March 2017 as follows:

Date of Shareholders' General Meeting	06/24/2011	07/02/2013
Date of Board of Directors' meeting	06/04/2012	03/06/2014
Number of shares*	244,760	108,800
*of which number of shares for corporate directors and officers**	-	-
*of which number of shares for the first ten employee beneficiairies**	*244,760*	*108,800*
Number of beneficiaries	9	1
Vesting period	from 06/04/2012 to 06/03/2016	from 03/06/2014 to 03/05/2016
Holding period	-	from 03/06/2016 to 03/05/2018
Number of vested shares*	80,672	108,800
Number of transferable shares*	-	-
Number of non-transferable shares*	-	-
Number of canceled shares*	164,088	-
*of which number of shares canceled during the fiscal year**	*34,528*	-
NUMBER OF REMAINING SHARES*	**-**	**-**
Subscription price per share *(in €)**	2.61	2.34

* *Data before the reverse stock split that became effective on 8 February 2017.*

21.1.4.2.3. Implementation of the authorizations adopted by the Combined Ordinary and Extraordinary Shareholders' General Meeting held on first notice on 11 April 2016 and on second notice on 29 April 2016

In accordance with the legal and regulatory provisions governing free allocation of shares (in particular Articles L. 225-197-1 to L. 225-197-6 of the French Commercial Code), the Combined Ordinary and Extraordinary Shareholders' General Meeting of the Company, held on first notice on 11 April 2016 and on second notice on 29 April 2016, notably authorized the Board of Directors to allocate, free of charge, on one or more occasions, to employees of the Group and to the Company's corporate directors and officers, preference shares of the Company with a par value of €0.10 each.

Pursuant to this authorization and in accordance with the own powers of the Board of Directors pursuant to Articles L. 225-197-1 et seq. of the French Commercial Code, the Board of Directors of 26 July 2016 set the terms of the rules of this free preference share allocation plan, and set the maximum number of preference shares of the Company that may be allocated under this plan at 295,703.

The objective of this plan is to collectively encourage the beneficiaries to persevere in their efforts and to allow them share in the fruits of the Group's growth by converging their interests with those of the Company's shareholders. The allocation of preference shares is a tool for motivation and talent retention.

Firstly, in accordance with the various terms governing this plan, conditional rights to preference shares have been granted by the Board of Directors for the benefit of certain eligible persons.

Secondly, under certain presence conditions, these conditional rights to preference share will allow the definitive allocation of preference shares to the beneficiaries, which will take place on a date depending on the conditional allocation date applicable to each beneficiary.

Thirdly and finally, under certain presence and performance conditions, these preference shares will be converted into ordinary shares of the Company, on a date depending on the definitive allocation date applicable to each beneficiary, and according to a conversion ratio which shall be determined by the Board of Directors:

(i) 50% based on the achievement of objectives on the basis of the average of the Group's consolidated EBITDA levels (as derived from the Group's consolidated financial statements in accordance with IFRS) for the fiscal years 2017-2018 and 2018-2019; and

(ii) 50% based on the achievement of the objectives on the basis of the weighted average of the volumes of the stock market prices of the Company's ordinary shares during the 30 trading days following the date of publication of the Group's consolidated financial statements for the 2018-2019 fiscal year.

These objectives were determined by the Combined Ordinary and Extraordinary Shareholders' General Meeting held on first notice on 11 April 2016 and on second notice on 29 April 2016.

Pursuant to the terms of the authorization granted by the Shareholders' Combined Ordinary and Extraordinary General Meeting, the Board of Directors of 26 July 2016 set the conversion ratios of the preference shares into ordinary shares as follows:

Target EBITDA levels (average of the Group's consolidated EBITDA levels (as derived from the Group's consolidated financial statements in accordance with IFRS) for the fiscal years 2017-2018 and 2018-2019)	**Applicable conversion ratios (Multiplication factors for preference shares becoming ordinary shares)**
Average EBITDA ≤ 52,000,000	0
Average EBITDA ≥ 104,000,000	2.05
Additional tranche to be added if Average EBITDA ≥ 125,000,000	0.45
Maximum conversion ratio resulting from average EBITDA criteria	**2.50**

Target stock market prices* (Weighted average of the 30 days following the date of publication of the Group's annual consolidated financial statements for fiscal year 2018-2019)	**Applicable conversion ratios* (multiplication factors for preference shares becoming ordinary shares)**
Average market price ≤ €15.40	0
Average market price ≥ €30.00	2.05
Additional tranche to be added if average market price ≥ €35.80	0.45
Maximum conversion ratio resulting from average market price criteria	**2.50**

* *It is specified that in connection with the reverse split of the Company's shares (described in detail above in Section 21.1.1) that became effective 8 February 2017, the purpose of which was to exchange 20 old ordinary shares of the Company, with a par value of €0.10 per share, for one new ordinary share with a par value of €2.00 (exchange ratio of 20:1), the rules of the free preference shares allocation plan was amended by the Board of Directors to take into account (i) the decrease in the number of outstanding ordinary shares (divided by 20) and (ii) the increase in the market price of the new ordinary shares (the par value of which had been multiplied by 20). Accordingly, pursuant to the powers granted to it by the Combined Ordinary and Extraordinary Shareholders' General Meeting held on first notice on 11 April 2016 and on second notice on 29 April 2016, the Board of Directors proceeded (i) to divide by 20 the conversion ratios it had originally set out in the plan's rules adopted at its meeting of 26 July 2016 and (ii) to multiply by 20 each of the target stock market prices as originally set out by the aforementioned Combined Ordinary and Extraordinary Shareholders' General Meeting. For all intents and purposes, it is specified that the par value of the preference shares will remain fixed at €0.10 despite the reverse split of the Company's ordinary shares.*

The table below shows the extent to which the authorization adopted by the Shareholders' Combined Ordinary and Extraordinary General Meeting held on 11 April 2016, on first notice, and on 29 April 2016, on second notice, relating to the free preference share allocation plan, was implemented during the financial year ended 31 March 2017:

Date of Shareholders' General Meeting	**11 and 04/29/2016**					
Date of Board of Directors' meeting	07/26/2016	12/06/2016	03/30/2017	07/26/2016	12/06/2016	03/30/2017
NUMBER OF ALLOCATED PREFERENCE SHARES (PS)	**236,157**	**3,798**	**29,410**	**20,639**	**2,832**	**2,867**
including the number of preference shares for corporate officer	*44,947*	*0*	*0*	*0*	*0*	*0*
including the number of preference shares for the 10 employees of the Company, non corporate officers, to whom the number of allocated free shares is the highest	*169,229*	*0*	*16,500*	*0*	*0*	*0*
Beneficiaries number	18	2	9	3	1	1
PS conditional allocation date	07/26/2016	12/06/2016	03/30/2017	07/26/2016	12/06/2016	03/30/2017
PS definitive allocation date	07/26/2017	12/06/2017	03/30/2018	07/26/2019	12/06/2019	03/30/2020
Conversion date into ordinary shares (OS)	07/26/2019	12/06/2019	03/30/2020	07/26/2019	12/06/2019	03/30/2020
Maximum coefficient of conversion into ordinary shares*	5 OS for 1 PS					

* *Reference is made to the above tables with respect to the conversion ratios of the PS into OS.*

21.1.4.2.5. Transactions in the 2016-2017 fiscal year

Nota Bene: data of this paragraph 21.1.4.2.5 are those before the reverse stock split of the Company's shares that became effective on 8 February 2017.

Supplementary report of the Board of Directors on capital increases in cash with cancellation of the preferential subscription right of 29 April 2016

Pursuant to Articles L. 225-129-5 and R. 225-116 of the French Commercial Code, the Board of Directors of Soitec (the "Company") prepared a supplementary report to the report of the Board of Directors for the Ordinary and Extraordinary Shareholders' General Meeting of 11 April 2016 on first notice and the Shareholders' Ordinary and Extraordinary General Meeting of 29 April 2016 on second notice (together, the **"Shareholders' General Meeting"**) describing the conditions under which the Board of Directors made use of the delegations of authority voted in resolutions 8, 9 and 10 of the Shareholders' General Meeting.

Delegations of the Shareholders' General Meeting

The Shareholders' General Meeting, in its resolutions 8 (voted on 29 April 2016, on second notice), 9 and 10 (voted on 11 April 2016, on first notice) delegated to the Board of Directors, with an option of sub-delegation under conditions fixed by law and the bylaws, its authority to proceed:

(i) as a single transaction, and subject to the condition precedent of adoption by the Shareholders' General Meeting of resolutions 1 to 7 and 9 to 12, to an increase in the Company's share capital of a nominal amount of €3,163,016.30, by the creation and issue of 31,630,163 new shares, of €0.10 par value each, issued at a unit price of €0.55, i.e. with an issue premium of €0.45 per share, representing a total capital increase of €17,396,589.65 including the issue premium, with elimination of the shareholders' preferential subscription right for the benefit of Bpifrance Participations (resolution 8) ;

(ii) subject to the condition precedent of adoption by the Shareholders' General Meeting of resolutions 1 to 8 and 10 to 12, to an increase in the Company's share capital, with elimination of the shareholders' preferential subscription right for the benefit of CEA Investissement, composed of two separate tranches:
- a first tranche of a nominal amount of €5,370,194.40 by creation and issue of 53,701,944 new shares of €0.10 par value each, issued at a unit price of €0.55, i.e. with an issue premium of €0.45 per share, representing a capital increase of a total amount of €29,536,069.20, including issue premium (the "First Tranche Issue"), and
- a second tranche by creation and issue of a number of new shares of €0.10 par value each, representing a maximum of 0.50% of the Company share capital after implementation of the capital increase provided by resolution 11 of the Shareholders' General Meeting (the "Second Tranche Issue") (resolution 9) ;

(iii) on a single occasion, and subject to the condition precedent of adoption by the Shareholders' General Meeting of resolutions 1 to 9 and 11 to 12, to an increase in the Company's share capital of a nominal amount of €5,370,194.40, by the creation and issue of 53,701,944 new shares, of €0.10 par value each, issued at a unit price of €0.55, i.e. with an issue premium of €0.45 per share, representing a total capital increase of €29,536,069.20 including the issue premium, with elimination of the shareholders' preferential subscription right for the benefit of the National Silicon Industry Group (or any of its indirect or direct 100% subsidiaries with registered office in a European Union Member State) (resolution 10).

The capital increases referred to in resolutions 8 and 10 and the First Tranche Issue referred to in resolution 9 of the Shareholders' General Meeting are hereinafter referred to as the "Reserved Capital Increases".

The Shareholders' General Meeting fixed the procedures for implementation of the Reserved Capital Increase as follows:
- the nominal amount of the Reserved Capital Increases that may be made under the delegations of authority referred to in resolutions 8, 9 and 10 of the Shareholders' General Meeting shall not be set off against the global cap of €20 million nominal referred to in "3a" of the tenth resolution adopted by the Combined Ordinary and Extraordinary Shareholders' General Meeting of 30 July 2015, or the amount of global cap of €15 million nominal value referred to in "3a" of the eleventh resolution adopted by the Combined Ordinary and Extraordinary Shareholders' General Meeting of 30 July 2015, or the amount of the cap of €103,500,000 referred to by resolution 11 of the Shareholders' General Meeting or the amount of the global cap of €40 million nominal referred to in resolution 14 of the Shareholders' General Meeting;
- the new shares will be fully paid up in cash on subscription, with no right of set-off against certain liquid due receivables of the Company;
- the new shares will give entitlement to dividend from the date of the definitive implementation of the capital increases and shall, from their creation, be identical to existing shares and subject to all provisions of the Company's Articles of Association and decisions of the Company Shareholders' General Meetings.

In addition, the Shareholders' General Meeting conferred all powers on the Board of Directors, with a right of sub-delegation under the conditions fixed by law and the by-laws, to delegate authority for the Reserved Capital Increase of which the period of validity is fixed until 26 May 2016 inclusive, with regard to delegation of authority for capital increases reserved to Bpifrance Participations (resolution 8) and National Silicon Industry Group (resolution 10) and up to 28 February 2017 for delegations of authority for the capital increase reserved to CEA Investissement (resolution 9).

Decisions of the Board of Directors

By virtue of the delegation of authority granted by the Shareholders' General Meeting in resolutions 8, 9 and 10, the Board of Directors, meeting on 29 April 2016:

(i) recorded the fulfillment of the conditions precedent for Implementation of the Reserved Capital Increases provided in the aforementioned resolutions, and

(ii) decided to launch the Reserved Capital Increases according to the procedures fixed by the Shareholders' General Meeting set out above.

In the framework of launch of the Reserved Capital Increases, the Board of Directors has decided that the subscription period will be open from 29 April 2016 to 2 May 2016 inclusive.

Procedures for determining the issue price and justification

Pursuant to the decisions of the Shareholders' General Meeting adopted in resolutions 8 to 10, the capital increase subscription price referred to in said resolutions is €0.55 per share, of which €0.10 par value per share and €0.45 issue premium per share. At the time of subscription, the price of €0.55 per new share subscribed, representing the total par value and issue premium, must be paid up in full, in cash.

The price of new shares to be issued in the framework of the proposed Reserved Capital Increases indicates a reduction in the order of 1.9% on 9 February 2016 (last stock market day prior to announcement of the transaction by the Company) and 9.7% on 17 March 2016 in comparison with the average weighted price for volumes on a month (that is €0.56 on 9 February 2016 and €0.61 on 17 March 2016). On 17 March 2016, the stock market price of the Soitec share was €0.60.

The Consultants BM&A Advisory & Support act as independent experts appointed by the Company's Board of Directors and has issued a report (which is not an attestation of fairness) concluding on conformity of the Reserved Capital Interest to the corporate interest. The conclusion of the experts is set out in full below:

"As a preliminary, it should be recalled that in the absence of a reserved capital increase in the framework of this transaction and that proposed subsequently, with maintenance of the preferential subscription right, the Company was not in a position to commit to its business plan and ensure sustainability of its operations. In fact, these two transactions should not only finance the investments necessary for implementation of the business plan underlying a proportion of our work, but also allow honoring the due dates for reimbursement of the financial debt of the Company on the due date in May 2016 in an approximate amount of €53 million for loans, advances and debt moratoriums obtained in the conciliation protocol of 30 April 2015.

Moreover, in addition to the strategic importance of control of technology developed by Soitec nationally, the creation of a core of stable shareholders, including notably the Chinese industrial investment platform NSIG, should increase the confidence of partners and customers of the Company regarding its sustainability and contribute to distribution of its products and industrial standards.

Finally, it should be noted that in recent years, Soitec has recorded significant losses, even though these are mainly attributable to operations which are now discontinued and was able to continue its operations only by taking on more debt and through the support of its shareholders.

The current share price, which is certainly evolving in a rather adverse market environment, does not express the dilution for Soitec shareholders with regard to the proposed subscription price (€0.55 per share).

Nevertheless, our work resulted in a range of pre-transaction core values between €0.57 and €0.75 resulting in dilution for Soitec shareholders of between 1.6% and 10%.

We feel that this dilution, assessed with regard to the prospects offered by this transaction and the risks to continued operation of the Company in its absence, is acceptable to Soitec shareholders.

In consequence, our opinion is that the reserved capital increase transaction as proposed resulting in the issue of 139,034,051 new Soitec shares at a unit issue price of €0.55 including the premium, conforms to the Company's corporate interests, those of its staff and shareholders."

Impact of issue of new shares on the Reserved Capital Increases

Impact of issue of new shares on the proportion of consolidated shareholders' equity per share

By way of guidance, the incidence of the issue of 139,034,051 new shares in the framework of the Reserved Capital Increases on the proportion of consolidated equity capital Group share per share (calculations made on the basis of net income from the issue, consolidated equity capital Group share – as shown on the consolidated financial statements at 31 December 2015 unaudited – and the number of shares constituting the Company share capital on 29 April 2016 after deduction of treasury shares) would be as follows:

	Proportion of equity per share *(in €)*	
	Undiluted basis	**Diluted basis***
Prior to issue of 139,034,051 new shares originating from the Reserved Capital Increases	(0.0035)	0.3496
After issue of 139,034,051 new shares originating from the Reserved Capital Increases	0.1983	0.4115

* *In the event of exercise of (i) share subscription options exercisable or otherwise, (ii) of the right to award of shares for all OCEANE 2018 bonds (it being noted that the Company proposes redeeming all or a portion of OCEANE 2018 bonds) and in the event of (iii) maturity of the vesting period for all free shares. As of the date hereof, there are 300,800 share subscription options in circulation, as well as 39,996,350 OCEANE 2018 bonds convertible to 43,356,043 shares and 224,000 free shares.*

Impact of issue of new shares in terms of dilution

For information, the impact of the issue of 139,034,051 new shares in the framework of the Reserved Capital Increases on equity interests in the capital of a shareholder holding 1% of the Company's share capital prior to issue of the new shares and not subscribing to the latter (calculations based on the number of shares constituting the Company share capital on 29 April 2016) would be as follows:

	Shareholder's holding *(as %)*	
	Undiluted basis	**Diluted basis***
Prior to issue of 139,034,051 new shares originating from the Reserved Capital Increases	1%	0.84%
After issue of 139,034,051 new shares originating from the Reserved Capital Increases	0.62%	0.56%

* *In the event of exercise of (i) share subscription options exercisable or otherwise, (ii) of the right to award of shares for all OCEANE 2018 bonds (it being noted that the Company proposes redeeming all or a portion of OCEANE 2018 bonds) and in the event of (iii) maturity of the vesting period for all free shares. As of the date hereof, there are 300,800 share subscription options in circulation, as well as 39,996,350 OCEANE 2018 bonds convertible to 43,356,043 shares and 224,000 free shares.*

Impact of issue of new shares on the stock market value of a Soitec share

For information, the theoretical incidence on the stock market value of the Soitec share, that is €0.588 (average prices of closing of Soitec share weighted by the stock market volumes during the 20 stock market sessions preceding 29 April 2016), of the issue of 139,034,051 new shares from the capital would be as follows:

	Number of shares	Stock market value per share *(in €)*
Prior to issue of 139,034,051 new shares originating from the Reserved Capital Increases	231,324,184	0.588
After issue of 139,034,051 new shares originating from the Reserved Capital Increases	370,358,235	0.563

The stock market value (non-diluted basis) was obtained by taking the market capitalization prior to the transaction, equivalent to the average closing price of the Soitec share, weighted by the stock market volumes for the period of twenty market sessions preceding 29 April 2016 (€0.588) multiplied by the number of shares (231,324,184 shares on 28 April 2016), and adding the estimated net income from the issue (€74,228,060) and dividing the whole by 370,358,235, equivalent to the number of shares on 28 April 2016 (231,324,184 shares) and the total number of shares issued for the Reserved Capital Increases (139,034,051 shares).

The statutory auditors will verify compliance with the Reserved Capital Increases with the authorizations granted by the Shareholders' General Meeting of 11 April 2016, held on first notice, and the Shareholders' General Meeting of 29 April 2016, held on second notice, that will be certified in the supplementary report prepared in application and according to the procedures provided in Article R. 225-116 of the French Commercial Code.

Pursuant to the laws in force, the supplementary report and that of your statutory auditors will be made available to you, at the registered office, and directly drawn to your attention at the next Shareholders' General Meeting.

Supplementary report of the Board of Directors on the use of the delegation of authority granted by the Combined Ordinary and Extraordinary Shareholders' General Meeting of 11 April 2016 in its resolution no. 11

Pursuant to Articles L. 225-129-5 and R. 225-116 of the French Commercial Code, the Board of Directors of the Soitec (the "Company") prepared a supplementary report to the report of the Board of Directors for the Combined Ordinary and Extraordinary Shareholders' General Meeting held on 11 April 2016 on first notice (the "Shareholders' General Meeting") describing the conditions under which the Board of Directors made use of the delegations of authority voted in resolution no. 11 of the General Meeting.

I. Delegation of the General Meeting on the Capital Increase with Retention of the preferential subscription right provided in resolution no. 11 of the General Meeting

In its resolution no. 11 (voted on 11 April 2016, on first notice), the Shareholders' General Meeting delegated to the Board of Directors, with the option of sub-delegation under the conditions set out by law and the by-laws, and under the condition precedent of the adoption by the Shareholders' General Meeting of resolutions no. 1 to 10 and 12 submitted for its vote, its authority to proceed with, on one occasion, on its own deliberations, in the proportion and at the times it determines, the issue in France and/or abroad, with maintenance of the shareholders' preferential subscription right, a maximum of 1,035,000,000 ordinary shares of the Company of €0.10 par value each (the "Capital Increase with PSR") and resolved to fix as follows the limits of the issue authorized under its delegation:

- the maximum nominal amount of the Capital Increase with PSR may not exceed a ceiling of €103,500,00 in nominal, being specified that this ceiling shall not be deducted from the amount of the ceiling potentially provided by a resolution of the same nature which may succeed it during the validity period of the delegation of authority provided in resolution no. 11 of the Shareholders' General Meeting, and without the total maximum amount, share premium included, of the Capital Increase with PSR being able to exceed €103.5 million;
- the unit subscription price of the new shares, the amount of the share premium and the number of new shares which may be issued under this delegation of authority shall be determined by the Board of Directors which shall fix the total amount, issue premium included, of the Capital Increase with PSR in accordance with the financing requirements of the Company, at the end of the total or partial buy-back procedure, for the purposes of cancellation, subscription options bonds and/or bonds convertible into new or existing shares issued by the Company and maturing in September 2018 (the "OCEANEs 2018"); on the understanding that this amount shall be at least equal to €53.5 million and may be increased, as appropriate, to €103.5 million depending on the financing requirements of the Company within the framework of the OCEANEs 2018;
- the new shares will be fully paid up in cash on subscription or, as appropriate, by means of set-off against certain liquid due debts of the Company at subscription;
- the new shares will give entitlement to dividend from the date of the definitive implementation of the Capital Increase with PSR and shall, from their creation, be identical to existing shares and subject to all provisions of the Company's by-laws and decisions of the Company's General Meetings of Shareholders;
- the shareholders of the Company shall, in proportion to the amount of their shares, have a preferential subscription right to the new shares which may be issued within the framework of the Capital Increase with Retention of the PSR, under the conditions and within the limits determined by the Board of Directors;
- the Board of Directors can institute in favor of the shareholders of the Company a reducible preferential subscription right to the said shares, which will be exercised in proportion to their rights and within their requests;
- pursuant to Article L. 225-134 of the French Commercial Code, if the irreducible subscriptions and, as appropriate, the reducible ones, did not absorb all of such issue, the Board of Directors may use, under the conditions provided by the law and in the order it shall determine, either or both of the options provided hereinafter:
  - to freely distribute all or part of the securities not subscribed between persons of its choice,
  - to offer to the public all or part of the securities not subscribed, on the French and/or international market.

The Shareholders' General Meeting has further conferred all powers on the Board of Directors, with the option of sub-delegation under the conditions set out by law and the by-laws, in order to implement this delegation of authority, whose validity period has been fixed until 31 December 2016 inclusive.

II. Decision of the Board of Directors of 12 May 2016 on the Capital Increase with PSR

Under the delegation of authority granted by the Shareholders' General Meeting in its resolution no. 11, the Board of Directors, which met on 12 May 2016, confirmed the fulfillment of the condition precedent to the use by the Board of Directors of this delegation of authority concerning the Capital Increase with PSR and in particular resolved:

- to increase the Company capital by a nominal amount of €23,568,251, by the issue of 235,682,510 new shares, of €0.10 par value each, issued at a unit price of €0.32, i.e. with an issue premium of €0.22 per share, representing a total capital increase of €75,418,403.20, including the issue premium, with retention of the shareholders' preferential subscription right;
- that the subscription of the new shares to be issued shall be reserved by preference:
  - for existing shareholders registered on their securities account at the end of the accounting day of 13 May 2016 who shall be allocated preferential subscription rights on 16 May 2016, and
  - for sellers of their preferential subscription rights;
- that the holders of preferential subscription rights may subscribe (i) in an irreducible manner, to 7 new shares of €0.10 par value each for 11 existing shares owned (11 preferential subscriptions rights shall allow for subscribing 7 new shares at the price of €0.32 per share), without account taken of fractions and (ii) in a reducible manner, the number of new shares they wish on top of those due to them under the exercise of their preferential subscription rights in an irreducible manner;
- that the preferential subscription rights may only be exercised in the amount of a number of preferential subscription rights allowing for the subscription of a full number of new shares;
- that the fractional preferential subscription rights may be sold on Euronext Paris during the subscription period; the shareholders or the sellers of their rights that do not own, under the irreducible subscription, a sufficient number of existing shares to obtain a full number of new shares, would have to see to the buying on the market of the number of preferential subscription rights necessary for the subscription of a full number of new shares of

the Company and may come together to exercise their rights, without, thus, an undivided subscription being able to result therefrom, with the Company only recognizing one owner for each share;

- that the subscription to this capital increase would be received by payment in cash or by offsetting of receivables from 16 May 2016 to 30 May 2016 inclusive at the registered office, on the understanding that the subscription would be closed early once the €75,418,403.20 corresponding to the total amount of the issue, premium included, have been received by the Company;
- that the preferential subscription rights would be detached on 16 May 2016 and that they would be traded on the regulated market of Euronext in Paris from 16 May 2016 to 30 May 2016 inclusive under ISIN code FR0013170503;
- that the new shares would be fully paid in cash on subscription including by means of set-off against certain liquid due debts of the Company at subscription, both the nominal and the share premium;
- that the new shares would give entitlement to dividend from the date of the definitive implementation of the capital increases and would be, from their creation, identical to existing shares and subject to all provisions of the Company's Articles of Association and decisions of the Company's General Meetings of Shareholders;
- to request the admission of the new shares for trading on the regulated market of Euronext Paris; they would be, from their admission, immediately assimilated to the existing shares of the Company and would be traded on the same listing line under ISIN code FR0004025062;
- to instruct BNP Paribas Securities Services, in order to go ahead with the centralization of the issue of the new shares and prepare the certificate of deposit of the funds confirming the completion of the capital increase (for the part subscribed in cash).

The Board of Directors has further conferred all powers on the Chairman and CEO in order to implement this resolution, in particular:

- to confirm the subscription, receive the payments, confirm the paying-up of the shares issued and the resulting amount of the share capital and, as appropriate, to charge the costs of the capital increase to the amount of the related premium;
- to decide, if the irreducible and, as appropriate, reducible subscriptions have not absorbed all of the ordinary shares issued, in the order he determines, either to distribute freely all or part of the shares not subscribed between the persons of his choice, or offer to the public all or part of the unsubscribed shares, on the French and/or international market, on the understanding that there is no plan to limit the amount of the Capital Increase with PSR to the amount of the subscriptions received which would represent at least 75% of the total amount of the Capital Increase with PSR if (and insofar as) such limitation had the effect of bringing the holding of an Investor above 14.5% of the capital and/or 14.055% of the voting rights;
- to issue the new shares of the Company resulting from the aforementioned capital increase;
- to perform, as appropriate, any formality pertaining to the assumption of the option to exercise the OCEANEs 2018 and Options, with the said option being suspended as of 13 May 2016, by virtue of a decision of the Board of Directors on 21 April 2016;
- to proceed with, after the closing of the subscription period and, as appropriate, before the assumption of the option to exercise the Options and the right to allocation of shares attached to the OCEANEs 2018, the adjustment of the rights (i) of the OCEANEs 2018 holders, (ii) of the beneficiaries of Options and (iii) of the beneficiaries of free share allocation plans during the acquisition period on the closing date of the subscription period, having to be preserved pursuant to the legal and regulatory provisions and respectively to the provisions of the rules of the Options plans, the issue terms and conditions of the OCEANEs 2018 and the provisions of the rules of the free share allocation plans;
- to charge the costs of the capital increases to the amount of the related issue premiums and deduct from this amount the sums required to constitute the legal reserve;
- to obtain the certificate certifying the release of the funds concerning the Capital Increase with PSR and the certificate of the auditors for the part subscribed by offsetting receivables, confirm the paying-up of all of the ordinary shares issued and, in consequence thereof, the final completion of the resulting capital increase and to proceed with the correlative modification of the by-laws of the Company;
- to enter into any agreement, take all measures and perform all formalities necessary or useful in view of the issue and the admission for trading on the regulated market of Euronext in Paris of the new shares issued by the Company;
- and more generally, to take all measures, take all steps and perform all necessary formalities for the final completion of the aforementioned capital increase, including with the stock market authorities.

III. Procedures for determining the issue price and justification

Pursuant to the decision of the Shareholders' General Meeting adopted in resolution no. 11, the subscription price of the Capital Increase with PSR was fixed by the Board of Directors during its meeting of 12 May 2016 at €0.32 per share, of which €0.10 par value each and €0.22 issue premium per share. At the time of subscription, the price of €0.55 per new share subscribed, representing the total nominal value and issue premium, must be paid up in full, in cash or, as appropriate, by set-off with liquid due debts of the Company at subscription.

Based on the closing rate of the Soitec share on 11 May 2016, i.e. €0.68:

- the issue price of the 235,682,510 new shares of €0.32 shows a face reduction of 52.9%;
- the theoretical value of the preferential subscription right amounts to €0.140;
- the theoretical value of the ex-right share amounts to €0.54;
- the issue price of the 235,682,510 new shares shows a reduction of 40.7% compared to the theoretical value of the ex-right share.

IV. Impact of the issue of new shares under the Capital Increase with PSR

a/ Impact of issue of new shares on the proportion of consolidated shareholders' equity per share

By way of guidance, the incidence of the issue of 235,682,510 new shares in the framework of the Capital Increase with Retention of the Preferential Subscription Right on the proportion of consolidated shareholders' equity Group share per share (calculations made on the basis of net income from the issue, consolidated shareholders' equity Group share – as shown on the consolidated financial statements at 31 March 2016 unaudited – and the number of 370,246,784 shares constituting the Company share capital on 2 May 2016 after deduction of treasury shares) would be as follows:

	Proportion of equity per share *(in €)*	
	Undiluted basis	**Diluted basis** (1)
Prior to issue of 235,682,510 new shares originating from the Capital Increase with PSR	-0.02	0.10
After issue of 235,682,510 new shares originating from the Capital Increase with PSR (2)	0.10	0.18
After issue of 235,682,510 new shares originating from the Capital Increase with PSR (3)	0.23	0.30

(1) In the event of exercise of all (i) of the 300,800 share subscription options exercisable or otherwise, (ii) of the right to allocation of shares for all OCEANEs 2018 remaining in circulation (including the OCEANEs 2018 bought back but whose settlement-delivery will only take place following and under the condition precedent of the settlement-delivery of the Capital Increase with PSR) and in the event of (iii) maturity of the acquisition period for all free shares. On the date hereof, 300,800 subscription shares are in circulation, as well as 15,018,096 OCEANEs 2018 post-purchase, convertible into 16,279,616 shares and 224,000 free shares.

(2) Calculations made on the basis of the consolidated equity (Group share) – such as this is shown in the consolidated accounts as at 31 March 2016 (unaudited) – and a number of 370,246,784 shares composing the share capital of the Company as at 2 May 2016 after deducting the self-owned shares.

(3) Calculations made on the basis of the consolidated equity (Group share) – such as this is shown in the consolidated accounts as at 31 March 2016 (unaudited) incorporating the impact of the Capital Increase with PSR and the OCEANEs 2018 bought-back – and a number of 370,246,784 shares composing the share capital of the Company as at 2 May 2016 after deducting the self-owned shares.

b/ Impact of issue of new shares in terms of dilution

For guidance, the impact of the issue of 235,682,510 new shares in the framework of the Capital Increase with Preferential Subscription Rights on holdings in the capital of a shareholder holding 1% of the Company's share capital prior to issue of the new shares and not subscribing to the latter (calculations based on the number of 370,358,235 shares constituting the Company share capital on 2 May 2016) would be as follows:

	Shareholder holding *(as %)*	
	Undiluted basis	**Diluted base** (a)
Prior to issue of 235,682,510 new shares originating from the Capital Increase with PSR	1%	0.96%
After issue of 235,682,510 new shares originating from the Capital Increase with PSR (a)	0.61%	0.59%
After issue of 235,682,510 new shares originating from the Capital Increase with PSR (b)	0.61%	0.59%

(a) In the event of exercise of all (i) of the 300,800 share subscription options exercisable or otherwise, (ii) of the right to allocation of shares for all OCEANEs 2018 remaining in circulation (including the OCEANEs 2018 bought back but whose settlement-delivery will only take place following and under the condition precedent of the settlement-delivery of the Capital Increase with PSR) and in the event of (iii) maturity of the acquisition period for all free shares. On the date hereof, 300,800 subscription shares are in circulation, as well as 15,018,096 OCEANEs 2018 post-purchase, convertible into 16,279,616 shares and 224,000 free shares.

(b) Calculations made on the basis of the consolidated equity (Group share) – such as this is shown in the consolidated accounts as at 31 March 2016 (unaudited) – and a number of 370,246,784 shares composing the share capital of the Company as at 2 May 2016 after deducting the self-owned shares.

(c) Calculations made on the basis of the consolidated equity (Group share) – such as this is shown in the consolidated accounts as at 31 March 2016 (unaudited) incorporating the impact of the Capital Increase with PSR and the OCEANEs 2018 bought-back – and a number of 370,246,784 shares composing the share capital of the Company as at 2 May 2016 after deducting the self-owned shares.

c/ Impact of issue of new shares on the stock market value of a Soitec share

For guidance, the theoretical incidence on the stock market value of the Soitec share, that is €0.67 (average prices of closing of Soitec share weighted by the stock market volumes during the 20 stock market sessions proceeding 12 May 2016), of the issue of 235,682,510 new shares from the Capital Increase with PSR would be as follows:

	Number of shares	**Stock market value** *(in €)*
Prior to issue of 235,682,510 new shares originating from the Capital Increase with PSR	370,358,235	0.67
After issue of 235,682,510 new shares originating from the Capital Increase with PSR	606,040,745	0.53

The stock market value (non-diluted basis) was obtained by taking the stock market capitalization prior to the operation concerned, equivalent to the average closing price of the Soitec share, weighted by the stock market volumes for the period of twenty stock market sessions preceding 12 May 2016 (that is €0.67) multiplied by the number of shares (that is 370,358,235 shares on 11 May 2016), and adding the estimated net income from the Capital Increase with PSR (that is €70,800,000) and dividing the whole by 606,040,745, equivalent to the number of shares on 11 May 2016 (that is 370,358,235 shares) and the total number of shares issued for the Capital Increase with PSR (that is 235,682,510 shares).

Pursuant to the legal provisions in force, this supplemental report will be made available to you, at the registered office, and directly drawn to your attention at the next Shareholders' General Meeting.

Done in Bernin, on 12 May 2016

The Board of Directors

Special report on stock options for the 2016-2017 fiscal year

Pursuant to Article L. 225-184 of the French Commercial Code, we disclose below the transactions of granting, exercising and cancelling of stock options of your Company (the "Company") undertaken during the 2016-2017 fiscal year.

I. Granting of stock options during the 2016-2017 fiscal year

During 2016-2017 fiscal year, no stock option has been granted to employees or to the corporate officer, neither by the Company or by the companies under its control as per the meaning of Article L. 233-16 of the French Commercial Code, or by the companies or consortiums bound to the Company under the conditions set forth by Article L. 225-180 of the French Commercial Code.

II. Exercising of stock options during the 2016-2017 fiscal year

1. Exercising of stock options under plans granted in 2016-2017:
Not applicable.

2. Exercising of stock options under plans previously granted:
No stock option has been exercised by the employees or by the corporate officer under plans previously granted.

III. Cancelling of stock options during the 2016-2017 fiscal year

Under the stock options allocation plan set up by the Board of Directors on 6 July 2006, and ended on 5 July 2016:

- 55,976 options granted to an executive employee have been cancelled further to the expiry of the plan and given that no option have been exercised as of that date.

Under the stock options allocation plan set up by the Board of Directors on 26 October 2006, and ended on 25 October 2016:

- 319,861 options granted to the corporate officer, Mr Paul Boudre, have been cancelled further to the expiry of the plan and given that no option have been exercised as of that date.

Special report on the transactions of free allocation of shares for the 2016-2017 fiscal year

Pursuant to Article L. 225-197-4 of the French Commercial Code, we disclose below the transactions of free shares allocation of the Company (the "Company") undertaken during the 2016-2017 fiscal year.

Free allocation of shares during the 2016-2017 fiscal year

In accordance with the authorization granted by the Joint Shareholders' General Meeting of the Company held on 11 April 2016 on first notice and on 29 April 2016 on second notice, the Board of Directors made use of the delegation granted to it for the purpose of implementing a free preference shares allocation plan, with performance and presence conditions, in favor of certain employees and of the corporate officer, Mr Paul Boudre, in the following proportions:

Shareholders' General Meeting date			**11 and 04/29/2016**			
Board of Directors date	07/26/2016	12/06/2016	03/30/2017	07/26/2016	12/06/2016	03/30/2017
NUMBER OF ALLOCATED PREFERENCE SHARES (PS)	**236,157**	**3,798**	**29,410**	**20,639**	**2,832**	**2,867**
including the number of preference shares for the corporate officer	*44,947*	*0*	*0*	*0*	*0*	*0*
including the number of preference shares for the 10 employees of the Company, non corporate officers, to whom the number of allocated free shares is the highest	*169,229*	*0*	*16,500*	*0*	*0*	*0*
Beneficiaries number	18	2	9	3	1	1
PS conditional allocation date	07/26/2016	12/06/2016	03/30/2017	07/26/2016	12/06/2016	03/30/2017
PS definitive allocation date	07/26/2017	12/06/2017	03/30/2018	07/26/2019	12/06/2019	03/30/2020
Conversion date into ordinary shares (OS)	07/26/2019	12/06/2019	03/30/2020	07/26/2019	12/06/2019	03/30/2020
Maximum coefficient of conversion into ordinary shares			5 OS for 1 PS			

It is specified that during 2016-2017 fiscal year, no free share has been granted to the corporate officer, Mr Paul Boudre, due to the duties and functions held by him, by the companies that are controlled by the Company as per the meaning of Article L. 233-16 of the French Commercial Code.

It is also specified that during 2016-2017 fiscal year, no free share has been granted to the employees or to the corporate officer by the companies or consortiums bound to the Company under the conditions of Article L. 225-197-2 of the French Commercial Code.

Vesting during 2016-2017 fiscal year of shares freely allocated during previous fiscal years

At the present date, there is no longer any free share to be vested under the free shares allocation plans coming from the authorizations adopted by the Shareholders' General Meetings held on 24 June 2011 and 2 July 2013.

The last free shares coming from the said plans have been vested during the fiscal year ended on 31 March 2017, as hereinafter explained.

Under the free performance shares allocation plan set up by the Board of Directors on 4 June 2012, granted to executive employees of the Company, the vesting period having expired on 3 June 2016, the Board of Directors convened on 14 June 2016 has firstly noted the expiry of the vesting period of the last 80,672 free shares allocated during its meeting of 4 June 2012 (data before reverse stock split operations that became effective on 8 February 2017), and secondly found the correlative share capital increase of the Company.

Under the free performance shares allocation plan set up by the Board of Directors on 6 March 2014, granted to an executive employee of the Company, the vesting period having expired on 5 March 2016, the Board of Directors convened on 14 June 2016 has firstly noted the expiry of the vesting period of all the 108,800 free shares allocated during its meeting of 6 March 2014 (data before reverse stock split operations that became effective on 8 February 2017), and secondly found the correlative share capital increase of the Company. The Board of Directors has also specified that the inscription in registered account of the 108,800 new shares (data before reverse stock split operations that became effective on 8 February 2017) issued in favor of the beneficiary of the plan dated 6 March 2014 would mention their unavailability until the expiry of the holding period set forth by the said plan on 5 March 2018.

Cancellations during 2016-2017 fiscal year of shares freely allocated during previous fiscal years

Under the free shares allocation plan set up by the Board of Directors on 4 June 2012:

- 34,528 free shares (data before reverse stock split operations that became effective on 8 February 2017) granted to two executive employees, have been cancelled further to their departures on 2 April 2015 and 18 December 2015.

Under the free shares allocation plan set up by the Board of Directors on 6 March 2014:

- no free share has been cancelled because all the 108,800 free shares (data before reverse stock split operations that became effective on 8 February 2017) of the said plan have been vested by the beneficiary during the fiscal year ended on 31 March 2017 (cf paragraph II. above).

21.1.5. Right to buy and bond attached to the capital subscribed but not paid-up

On the submission date of this Reference Document, there was no right to buy or bond attached to the capital subscribed but not paid-up.

21.1.6. Information on the capital of group companies subject of an option or conditional or unconditional agreement providing for placing it under option

On the submission date of this Reference Document, there was not, to the Company's knowledge, any option on the capital of a company of the Group or a conditional or unconditional agreement providing for placing the capital of these companies under option.

21.1.7. Changes in the share capital during the last five years

The table below summarizes each of the changes in the Company's share capital during the last five years.

To the extent that, as of the date hereof, all the changes in the share capital listed in the table below have occurred prior to the Company's reverse stock split, the numbers of shares indicated should be understood as all being "pre-reverse split".

Date	Type of transaction	Change in capital *(in €)*	Issue premium and capital contributions *(in €)*	Change in number of outstanding shares	Nominal value (in €)	Cumulative structure of the share capital *(in €)*	Cumulative structure of the share capital *(in shares)*
06/04/2012	Capital increase by vesting of free shares	18,445	-	184,451	0.10	12,231,284	122,312,843
11/13/2012	Capital increase by vesting of free shares	565	-	5,650	0.10	12,231,849	122,318,493
01/22/2013	Capital increase resulting from an offer referred to in Article L. 411-2 II of the French Monetary and Finance Code, subscribed by Fraunhofer-Gesellschaft zur Förderung der Angewandten Forschung e.V.	30,825	855,024	308,250	0.10	12,262,674	122,626,743
05/21/2013	Capital increase by vesting of free shares	58,204	-	582,040	0.10	12,320,878	123,208,783
07/23/2013	Capital increase with maintenance of the preferential subscription right	4,928,351	66,532,741	49,283,512	0.10	17,249,923	172,492,295
12/13/2013	Capital increase by vesting of free shares	8,850	-	88,500	0.10	17,258,079	172,580,795
06/06/2014	Capital increase by vesting of free shares	56,170	-	561,695	0.10	17,314,249	173,142,490
06/12/2014	Capital increase by conversion of OCEANE bonds	15	1,268	150	0.10	17,314,264	173,142,640
07/22/2014	Capital increase with maintenance of the preferential subscription right	5,194,279	77,914,188	51,942,792	0.10	22,508,543	225,085,432
02/03/2015	Capital increase by issuance of share warrants	600,000	4,620,000	6,000,000	0.10	23,108,543	231,085,432
03/10/2015	Capital increase by purchase of free shares and conversion of convertible bonds into new or existing shares (OCEANE)	10,299	29,546	102,994	0.10	23,118,843	231,188,426
04/28/2015	Capital increase by vesting of free shares	11,489	-	114,894	0.10	23,130,332	231,303,320
12/18/2015	Capital increase by vesting of free shares	2,086	-	20,864	0.10	23,132,418	231,324,184
05/02/2016	Cash capital increases reserved to Bpifrance Participations, CEA Investissement and NSIG	13,903,405	62,565,323	139,034,051	0.10	37,035,824	370,358,235
06/08/2016	Capital increase with maintenance of the preferential subscription right	23,568,251	51,850,152	235,682,510	0.10	60,604,074	606,040,745
06/14/2016	Capital increase by vesting of free shares	18,947	-	189,472	0.10	60,623,022	606,230,217
12/02/2016	Capital increase by conversion of OCEANE bonds	0.10	-	1	0.10	60,623,022	606,230,218
12/06/2016	Capital reduction not motivated by losses via cancellation of treasury shares	(1.80)	-	(18)	0.10	60,623,020	606,230,200

21.2. Articles of Association and by-laws

21.2.1. Corporate purpose (Article 2 of the by-laws)

The Company's purpose, in France and in all countries is:

- to develop, research, manufacture and market materials for the microelectronics sector and for the industry as a whole;
- to provide diverse technological assistance, developing specific machines and applications;
- to perform any industrial and commercial transactions relating to:
  - the creation, acquisition, leasing, taking under lease management of all goodwill, the leasing, installation, operation of all establishments, goodwill, factories, workshops, relating to one of these specified activities,
  - the seizing, acquisition, operation or sale of any processes and patents concerning said activities,
  - the direct or indirect involvement of the Company in any financial, movable or immovable transactions or commercial or industrial companies which might be linked to the corporate purpose or to any similar or related purpose;
- any transactions contributing towards the achievement of said purpose.

21.2.2. Provision of the by-laws, a charter or a regulation of the Company on members of administrative and management bodies

Please refer to paragraph 14.1 of this Reference Document for detailed information on the administrative and management bodies of the Company.

21.2.2.1. The Board of Directors (Articles 12 to 16 of the by-laws)

The provisions related to the Board of Directors are given in Articles 12 to 16 of the by-laws. The main information is presented below.

Composition – Term of Office

The provisions of general law shall apply.

Thus, the Company is administered by a Board of Directors of three members at least and eighteen members at most, if the Company shares are listed officially on a stock market.

The directors are appointed or renewed in their functions by the Ordinary General Meeting of Shareholders which may revoke them at any time.

The directors may be natural persons or legal entities. Directors who are natural persons are required to designate a permanent representative upon their appointment that is subject to the same conditions and obligations and who incurs the same civil and criminal liabilities as if he or she were a Director acting on his or her own behalf, without prejudice to the joint and several liability of the person that he or she represents.

An employee of the Company may only be appointed director if his or her employment contract precedes his or her appointment and corresponds to actual employment. The number of directors bound to the Company by an employment contract may not exceed one-third of the directors in office.

The term of office of directors is 3 years. The terms of office of the directors sitting on the Board on the date of the Shareholders' General Meeting of 25 July 2016 are reduced to 3 years. The director's duties expire at the end of the Shareholders' General Meeting that is called to vote on the financial statements of the past fiscal year and held in the civil year during which their term of office expires. The directors may always be re-elected.

Board of Directors' powers

The Board of Directors shall determine the guidelines for the Company's activities and ensure their implementation. Subject to the powers expressly attributed to the Shareholders' General Meetings and within the limit of the Company's corporate purpose, it shall consider any issue affecting the smooth functioning of the Company and shall resolve the matters relating to it.

To this end, the Chairman represents the Board of Directors; in addition, he or she may grant delegations of powers to any officers of its choice.

In its relations with third-parties, the Company is bound even by the actions of the Board of Directors that fall outside the scope of the corporate purpose, unless it proves that the third-party knew that the action was beyond said scope or that it could not have been unaware of it given the circumstances, and the mere disclosure of the by-laws shall not constitute proof thereof.

The Board of Directors shall perform the checks and verifications that it deems appropriate.

Chairman of the Board of Directors

The Board of Directors shall elect a Chairman from among its individual members, and shall set the duration of his or her term of office, which may not exceed the duration of his or her term of office as a director.

Please refer also to paragraph 14.1.2 of this Reference Document for information on the general management of the Company.

> *21.2.2.2. Internal Regulations of the Board of Directors*

Internal Regulations have been adopted by the Board of Directors and is regularly updated. The last update was on 30 March 2017.

These Internal Regulations explains in particular the relationships between directors and the Company and constitute an operational framework designed to be regularly updated to take into account of the change in the legal and regulatory provisions, and also best practices in terms of corporate governance.

Without replacing either the law or the by-laws of the Company, these Internal Regulations are an internal document which specifies the rules concerning the composition, the role and respective powers of the Board of Directors, the general management and of the different committees of the Board of Directors, by explaining or completing some of the existing legal and statutory provisions. The Internal Regulations further provide for the principle of compensation of directors and officers of the Company.

By defining the respective powers of the corporate bodies, the Internal Regulations further provide for a right of review of the Board of Directors, by providing that the CEO has to obtain the prior authorization of the Board for certain important transactions, such as in particular the significant decisions to set-up abroad, the significant transactions which may affect the Group's strategy or change its financial position or its area of activity, certain transactions exceeding a certain amount.

The objective of the Internal Regulations is thus to optimize the efficiency of the meetings and discussions of the Board of Directors, and to incorporate in the operating of the corporate bodies the best practices in terms of corporate governance.

Please refer to paragraph 14.1 and to Chapter 16 of this Reference Document for a detailed description of the operating of the administrative and management bodies of the Company.

21.2.3. Rights, liens and restrictions attached to shares (Article 10 of the by-laws)

On the submission date of this Reference Document, only ordinary shares of the Company have been issued.

Furthermore, the rights and obligations attached to the shares are described in Article 10 of the by-laws reproduced below.

Each share confers the right to a portion of the profits or capital that is proportional to the amount of the capital which it represents and confers the right to vote in and to be represented at the General Meetings, under the conditions set out in the law and the by-laws.

All shareholders have the right to be informed of the Company's situation and obtain certain corporate documents at the times and under the conditions set out in the law and the by-laws.

Shareholders are only liable for losses to the extent of their contributions.

Subject to legal and statutory provisions, no majority may impose an increase of their commitments. The rights and obligations attached to shares shall be transferred to any holder thereof.

The ownership of a share implies full compliance with the decisions of the General Meeting and these by-laws. The sale includes all of the due and unpaid dividends becoming due, as well as the possible share in the reserve funds, unless otherwise notified to the Company.

The heirs, creditors, assignees or other representatives of a shareholder may not, on any pretext whatsoever, demand the sealing of assets and corporate documents, request the division or the sale by auction of said property, or interfere with the management of the Company. They must refer to the Company's assets and liabilities and to the decisions of the General Meeting in order to exercise their rights.

Every time that it is necessary to hold a certain number of shares to exercise a right, in the event of an exchange, grouping or allocation of securities, or in the event of a capital increase or decrease, a merger or any other transaction, the shareholders holding a number of shares that is lower than that required, may not exercise said rights unless they are personally responsible for obtaining the required number of shares.

21.2.4. Amendment of shareholders' rights

Decisions amending in general the by-laws of the Company are adopted by the Extraordinary Shareholders' General Meeting under the conditions of legal majority.

21.2.5. Shareholders' General Meetings (Articles 21 to 25 of the by-laws)

Shareholders' General Meetings are convened by the Board of Directors, in accordance with the methods provided by the law.

The meetings shall be held either at the registered office or at any other place specified in the notice.

All shareholders may participate in the Shareholders' General Meetings, personally or by proxy, regardless of the number of shares they hold, on proof of their identity and the ownership of their shares. The right to participate in the General Meetings is justified by the account record of the securities in the name of the shareholder or the proxy registered on its behalf pursuant to the seventh paragraph of Article L. 228-1 of the French Monetary and Financial Code, on the second business day preceding the Shareholders' General Meeting at midnight, Paris time, either in the registered share accounts held by the Company, or in the bearer share accounts held by an intermediary mentioned in Article L. 211-3 of the French Monetary and Financial Code. The listing or the account recording of securities in the bearer share register held by an intermediary mentioned in Article L. 211-3 of the French Monetary and Financial Code is confirmed by a statement of participation issued by this latter, as appropriate electronically under the conditions provided in Article R. 225-61, as an attachment to the correspondence voting form or power of attorney or on the request of an admission card drawn up in the name of the shareholder or on behalf of the shareholder represented by the registered proxy. A certificate is also issued to shareholders wishing to physically participate in the Shareholders' General Meeting and not having received the admission card on the second business day preceding the Shareholders' General Meeting at midnight, Paris time.

When shareholders have already voted by correspondence, have sent a power of attorney or requested their admission card or certificate of participation under the conditions provided above, they may no longer opt for another method of participation in the Shareholders' General Meeting, save provision to the contrary in the by-laws. Shareholders having already voted by correspondence, having sent a power of attorney or having requested their admission card or certificate of participation may at any time sell all or part of their shares. However, if the sale takes place before the second business day following the Shareholders' General Meeting at midnight, Paris time, the Company invalidates or amends accordingly, depending on the case, the vote made by correspondence, the power of attorney, the admission card or the certificate of participation. To this end, the proxy mentioned in Article L. 211-3 of the French Monetary and Financial Code shall notify the sale to the Company or to its agent and shall send it the necessary information. No sale or any other transaction effected after the second business day preceding the Shareholders' General Meeting at midnight, Paris time, regardless of the method used, is notified by the proxy mentioned in Article L. 211-3 of the French Monetary and Financial Code or taken into consideration by the Company, notwithstanding any agreement to the contrary.

The voting right attached to shares is proportional to the capital they represent. When Shareholders' General Meetings are held, each share carries one vote. However, as indicated in Chapter 18.2 of this Reference Document, following the decision of the Combined Ordinary and Extraordinary Shareholders' General Meeting of 30 November 1998, the by-laws of the Company provide that a double voting right is conferred to shares held in registered form for at least two years by the same shareholder, as of 31 August 2000. The double voting right ceases for any share converted to bearer or subject to a transfer.

Shareholders' General Meetings are presided over by the Chairman of the Board of Directors or, in his absence, by a director specially delegated for this purpose by the Board. Failing this, the Shareholders' General Meeting elects its chairperson.

The role of scrutineers is performed by the two members of the Shareholders' General Meeting who have the highest number of votes and who are present and agree to act in this capacity. The Board designates a secretary who may be chosen from outside the body of shareholders.

An attendance sheet is held under the conditions provided by the law. Copies or excerpts of the minutes of the Shareholders' General Meeting are validly certified by the Chairman of the Board, by a director performing the functions of CEO or by the secretary of the Meeting.

21.2.6. Provision of the Articles of Association, the by-laws, a charter or a regulation of the Company which might entail delaying, deferring or preventing a change of its control

Apart from the double voting rights described above, there is no provision of the Articles of Association, the bylaws, any charter or regulation of the Company which might entail delaying, deferring or preventing a change of its control.

21.2.7. Crossing of thresholds (Article 11 of the by-laws)

Any shareholder, acting alone or in concert, without prejudice to the thresholds referred to in Article L. 233-7, paragraph 1 of the French Commercial Code, holding directly or indirectly at least 3% of the capital or voting rights of the Company is required to inform the Company, by registered letter with acknowledgment of receipt addressed to the registered office, within a period of fifteen days from the crossing of the ownership threshold.

Said declaration must also be made when the stake in the share capital falls below the abovementioned threshold.

Furthermore, it must also state the number of shares already issued or the voting rights that it may acquire or dispose of by virtue of an agreement or financial instrument as provided at point b) of the third paragraph of Article L. 233-7 of the French Commercial Code.

Non-compliance with the declarations of the crossing of thresholds, both legal and statutory, gives rise to the removal of voting rights under the conditions laid down by Article L. 233-14 of the French Commercial Code at the request of one or several shareholders holding together at least 3% of the capital or voting rights of the Company.

21.2.8. Change in share capital and voting rights attached to shares

Any change in the capital or voting rights attached to the shares composing it is subject to the legal requirements, as the bylaws do not include any specific provisions.

21.3. Statutory auditors' fees

Auditors' fees and fees of the members of their networks paid by the Company and its subsidiaries.

In the fiscal years ended on 31 March 2016 and on 31 March 2017, the fees are broken down as follows:

	2016-2017				2015-2016			
	KPMG Audit		Ernst & Young Audit		Pricewaterhouse Coopers Audit		Cabinet Muraz Pavillet	
	Amount (VAT excluded) *(in € thousand)*	%	Amount (VAT excluded) *(in € thousand)*	%	Amount (VAT excluded) *(in € thousand)*	%	Amount (VAT excluded) *(in € thousand)*	%
Auditing, statutory auditor's opinion, examination of individual and consolidated financial statements								
• Issuer	114	61.22%	120	71.64%	288.6	56.9%	116	70.73%
• Fully consolidated subsidiaries	62.2	33.40%	42	25.7%	67.9	13.4%	4	2.44%
Other work and services directly related to statutory auditor's assignment								
• Issuer	10	5.37%	5.5	3.28%	150.5	29.7%	44	26.83%
• Fully consolidated subsidiaries	0	0%	0	0%	0	0%	0	0%
Sub-total	**186.2**	**100%**	**167.5**	**100%**	**507.0**	**100%**	**164**	**100%**
Other services provided by the networks to the fully consolidated subsidiaries								
Legal, tax, social	0	0%	0	0%	0	0%	0	0%
Others (to be specified if > 10% of audit fees)	0	0%	0	0%	0	0%	0	0%
Sub-total	**0**	**0%**	**0**	**0%**	**0**	**0%**	**0**	**0%**
TOTAL	**186.2**	**100%**	**167.5**	**100%**	**507.0**	**100%**	**164**	**100%**

22 IMPORTANT CONTRACTS

During the 2015-2016 and 2016-2017 fiscal years, and excluding the items described in Chapter 22 of the 2015-2016 Reference Document filed with the AMF on 4 July 2016, the Company did not enter into any agreement during its course of business that fell outside the ordinary scope of its business, and it did not confer an obligation or a significant commitment for the entire Group, excluding the loan agreements granted during the 2015-2016 fiscal year by Shin-Etsu Handotaï Europe, Bpifrance Participations and CEA Investissement and that were repaid in full during the 2016-2017 fiscal year (note 5.3 to the consolidated financial statements – Chapter 20).

23 **INFORMATION** FROM THIRD PARTIES, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTERESTS

No report or statements by experts other than the Company's statutory auditors' report are included in this Reference Document.

DOCUMENTS AVAILABLE TO THE PUBLIC

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24.1. Documents available on the Company's website

All regulatory information within the meaning of Article 221-3 of the AMF's General Regulations is available on the Company's website (www.soitec.com) and particularly the following documents:

- The Reference Document filed with the AMF on 22 June 2010 under number D.10-0552;
- The Reference Document filed with the AMF on 10 June 2011 under number D.11-0565;
- The Reference Document filed with the AMF on 15 June 2012 under number D.12-0619;
- The Reference Document filed with the AMF on 27 June 2013 under number D.13-0676;
- The Reference Document filed with the AMF on 13 May 2014 under number D.14-0518;
- The update of the aforementioned Reference Document filed with the AMF on 17 June 2014 under number D.14-0518-A01;
- The Reference Document filed with the AMF on 10 June 2015 under number D.15-0587;
- The First Update of the aforementioned Reference Document filed with the AMF on 7 March 2016 under number D.15-0587-A01;
- The Second Update of the aforementioned Reference Document filed with theAMF on 2 May 2016 under number D.15-0587-A02;
- The Reference Document filed with the AMF on 4 July 2016 under number D.16-0665
- Financial press releases;
- The updated Articles of Association;
- The documents and information relating to the Company, including the Memorandum of Association and Articles of Association, may also be consulted at the Company's registered office: Parc Technologique des Fontaines – Chemin des Franques, 38190 Bernin (Tel.: 04 76 92 75 00).

24.2. List of press releases and other publications

In the financial year 2016-2017, and up to the submission date of this Reference Document, the following press releases were published on the Company's website (www.soitec.com):

- 14 June 2017: Soitec reports full year '17 results;
- 24 May 2017: Information relating to the total number of voting rights and shares forming the share capital;
- 11 May 2017: Soitec names global industry veteran Stephen Lin to new position of Vice President of strategic business development in China;
- 24 April 2017: Information relating to the total number of voting rights and shares forming the share capital;
- 19 April 2017: Soitec reports FY'17 fourth quarter and annual revenues;
- 29 March 2017: Soitec announces end of patent lawsuit with SiGen;
- 24 March 2017: Information relating to the total number of voting rights and shares forming the share capital;
- 9 March 2017: Soitec begins ramping up production of 200-mm SOI wafers in China at SOI manufacturing partner's fab fully qualified by key Soitec customers;
- 28 February 2017: Monthly information relating to the total number of voting rights and shares making up the share capital (in French);
- 8 February 2017: Soitec reverse stock split has taken effect;
- 25 January 2017: Soitec reports FY'17 third quarter revenues;
- 9 January 2017: Launch of the reverse stock split of Soitec shares;
- 8 December 2016: Half-year results for FY 2016-2017;
- 21 October 2016: Soitec acknowledges second USITC investigation and intends to vigorously defend against SiGen allegations;
- 19 October 2017: Soitec reports second quarter FY'17 revenues of €56.7 million, up 4% compared with the second quarter of FY'16 at constant exchange rates;
- 20 July 2017: Soitec reports first quarter FY'17 revenues of €55.4 million, up 2% (+4% at constant exchange rates) compared with the first quarter of the previous year;
- 7 July 2016: Soitec leading European research project focused on meeting future wireless-communication requirements;
- 24 June 2016: Information on the total number of voting rights and shares composing the capital;
- 16 June 2016: Annual results 2015-2016;

- 2 June 2016: Soitec received the "Best Quality Award" from NXP Semiconductors;
- 31 May 2016: Information on the total number of voting rights and shares composing the capital;
- 23 May 2016: Soitec announced the discontinuance of patent infringement proceedings brought by Silicon Genesis;
- 3 May 2016: Publication of the Second Update of the Reference Document 2014-2015;
- 2 May 2016: Minutes of the Extraordinary General Meeting of 29 April 2016;
- 2 May 2016: Soitect announced the appointment of Rémy Pierre as Finance Director of the Group;
- 29 April 2016: Results of the Extraordinary General Meeting of 29 April 2016;
- 14 April 2016: Minutes of the Ordinary and Extraordinary General Meeting;
- 13 April 2016: Soitec announced annual revenue of €232.3 million in Electronics, up 36% (+20% at constant exchange rates);
- 12 April 2016: Results of the Ordinary and Extraordinary General Meeting of 11 April 2016;
- 31 March 2016: Information on the total number of voting rights and shares composing the capital;
- 8 March 2016: Publication of the Update of the Reference Document;
- 26 February 2016: Information on the total number of voting rights and shares composing the capital;
- 18 February 2016: Soitec announced the volume production of RF-SOI 300 mm substrates to meet the growth in the 4G/LTE-Advanced mobile communications markets;
- 10 February 2016: Plan for two successive capital increases of Soitec for a total amount of between €130 million and €180 million, with the support of CEA Investissement, NSIG and Bpifrance;
- 20 January 2016: Soitec announced the Electronics division's revenue up sequentially by 6% at constant exchange rates, in line with its forecasts for the 3rd quarter of the financial year 2015-2016;
- 13 January 2016: Amendment of the reporting calendar;
- 22 December 2015: Information on the total number of voting rights and shares composing the capital;
- 9 December 2015: Soitec, leader in the supply of SOI wafers, rejected patent infringement allegations;
- 25 November 2015: Information on the total number of voting rights and shares composing the capital;
- 20 November 2015: Publication of the half-year financial statement for 2015-2016;
- 18 November 2015: Half-Year Financial Statement 2015-2016;
- 22 October 2015: Information on the total number of voting rights and shares composing the capital;
- 19 October 2015: Soitec announced the Electronics division's revenue in line with its forecasts and consolidated revenue up by 23% on last year for the second quarter of the financial year 2015-2016;
- 24 September 2015: Information on the total number of voting rights and shares composing the capital;
- 15 September 2015: Soitec and Simgui announced the manufacturing of the first 200 mm SOI wafers in China;
- 15 September 2015: Appointment of the founder of Soitec as Honourable Chairman of the Soitec Group;
- 24 August 2015: Information on the total number of voting rights and shares composing the capital;
- 5 August 2015: Soitec announced the breaking off of negotiations with ConcenSolar on the sale of certain solar assets and the continuation of the refocusing on Electronics;
- 30 July 2015: Ordinary and Extraordinary General Meeting of 30 July 2015;
- 30 July 2015: Minutes of the Ordinary and Extraordinary General Meeting of Shareholders of 30 July 2015;
- 24 July 2015: Information on the total number of voting rights and shares composing the capital;
- 20 July 2015: Revenue in line with the objective for the Electronics division at €54.1 million for Q1 2016. The management confirmed the strategic refocusing on electronics;
- 14 July 2015: One of the largest semiconductor foundries is speeding up the FD-SOI ecosystem;
- 13 July 2015: Soitec and SCREEN have joined up to produce 300 mm FD-SOI substrates with uniformity controlled at atomic scale;
- 10 July 2015: Minutes of the Ordinary and Extraordinary General Meeting of Shareholders of 10 July 2015;
- 10 July 2015: Ordinary and Extraordinary General Meeting of 10 July 2015;
- 10 July 2015: As part of its strategic refocusing, Soitec appointed Grégoire Duban ed Chief Financial Officer and Thierry Tron as Deputy Financial Officer;
- 7 July 2015: Soitec successfully completed its eXact programme supported by future investments in digital;
- 24 June 2015: A CPV wafer fitted with 4-junction solar cells developed with Soitec's expertise in semiconductor materials achieved record efficiency of 38.9%;
- 18 June 2015: Ordinary and Extraordinary General Meeting of 10 July 2015 – Preparatory documents made available;
- 12 June 2015: Information on the total number of voting rights and shares composing the capital;
- 11 June 2015: Publication of the Reference Document 2014-2015;
- 9 June 2015: Soitec and Shanghai Industrial Technology Research Institute (SITRI) announced their collaboration on high-performance RF-SOI technology;
- 29 May 2015: Information on the total number of voting rights and shares composing the capital;
- 28 May 2015: Annual results 2014-2015; Consolidated revenue 2014-2015: €222.9 million. Current operating losses 2014-2015: €125.9 million. Strategic refocusing on core business with the signature of an agreement to sell the Solar Systems business to ConcenSolar. New financing implemented in May 2015;
- 21 May 2015: Soitec divested its Solar System business to refocus on its core business: semiconductor materials;
- 28 April 2015: Information on the total number of voting rights and shares composing the capital (pdf);
- 20 April 2015: Consolidated revenue 2014-2015 of €222.9 million. Refocusing on the core electronic business in progress. New financing in April 2015 (closing expected in May 2015);
- 1 April 2015: Soitec confirmed being eligible for the new PEA-PME (share savings scheme for financing SME);

INFORMATIONS ON SUBSIDIARIES

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This Chapter presents the list of companies in which the Company holds more than 50% of the capital and voting rights. The Company holds 100% of the share capital and voting rights of the following companies:

- Soitec USA Inc., a company whose registered office is located at 11682 El Camino Real, Suite 260, San Diego, CA 92130, United States;
- Soitec Microelectonics Singapore Pte Ltd., a company whose registered office is located at 81 Pasir Ris Industrial Drive 1, Singapore 518 220;
- Soitec Japan Inc., a company whose registered office is located at 3-1, Marunouchi 3-Chome, Chiyoda-Ku, 100-0005 Tokyo, Japan;
- Soitec Solar GmbH, located at 79111 Freiburg im Breisgau, Germany;
- Soitec Korea LLC, located at Kyunggi-do Hwasung-si Bansong-dong 93-10, Shinyoung Gwell Estates B-dong 4th floor, Unit 5, South Korea;
- Soitec Corporate Service S.A.S., a company whose registered office is located at 54, avenue Marceau, 75008 Paris;
- Soitec Trading Shanghai Co Ltd, a company whose registered office is located at Room 103-12, Zhenhua Heavy, Industry R&D Building Tower B no. 3261 Dong Fang Road, Pu Dong, New District Shanghai.

The Company's subsidiaries apart from Soitec Solar GmbH, Soitec Microelectronics Singapore Pte Ltd. and Soitec Corporate Services S.A.S., are the Company's product sales units.

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COMPANY'S FINANCIAL **INSTRUMENT MARKET**

The Company's shares have been listed on Euronext Paris since 9 February 1999.

As of 14 June 2017, the trading price at market closing of the Company's share was €55,60

Volumes of transactions and change in share price:

Year Month	High (in €)	Low (in €)	Average (in €)	Number of shares traded	Value traded (in € million)	Market capitalization on the basis of the average price (in € million)
2012						
January	5.100	3.750	4.343	30,531,498	134.10	530.31
February	5.170	4.200	4.616	22,847,639	107.04	563.64
March	5.139	4.306	4.775	18,379,996	88.38	583.16
April	4.390	3.030	3.482	18,744,951	62.55	425.25
May	3.240	2.608	2.892	12,551,773	36.32	353.20
June	3.087	2.450	2.737	11,862,954	33.84	334.77
July	3.250	2.120	2.593	17,781,732	45.00	317.16
August	3.150	2.240	2.729	19,192,667	52.72	333.79
September	2.860	2.280	2.582	10,908,127	28.09	315.81
October	2.449	2.157	2.293	8,283,785	18.99	280.46
November	2.679	2.153	2.309	13,504,537	32.10	282.43
December	2.722	2.282	2.484	12,821,880	32.08	303.84
2013						
January	3.540	2.610	2.972	28,519,589	85.74	364.45
February	2.960	2.640	2.770	10,729,593	29.98	339.68
March	3.200	2.710	2.952	11,603,462	34.49	361.99
April	2.970	2.540	2.687	7,719,440	20.91	329.50
May	3.200	2.680	2.882	11,564,509	36.35	355.09
June	2.834	2.000	2.739	17,329,372	41.20	337.47
July	2.090	1.590	1.752	50,795,344	48.50	302.21
August	2.100	1.660	1.855	64,496,579	121.35	319.97
September	2.110	1.750	1.937	46,966,352	91.65	334.12
October	2.040	1.650	1.828	34,610,894	63.01	315.32
November	1.730	1.330	1.556	46,423,730	69.89	268.40
December	1.570	1.370	1.437	20,732,194	30.17	247.87
2014						
January	1.710	1.400	1.541	42,428,115	67.85	265.95
February	2.280	1.430	1.610	55,976,191	105.29	277.86
March	2.660	2.100	2.283	119,642,043	281.58	394.00
April	2.530	1.780	2.198	79,674,969	170.82	379.33
May	3.300	2.060	2.592	109,021,028	301.02	447.33
June	3.042	2.130	2.937	63,419,871	167.91	508.52
July	2.450	2.130	2.279	42,884,679	98.10	512.97
August	2.260	1.890	2.011	26,762,623	54.32	452.65
September	2.380	1.930	2.125	37,565,228	80.02	478.31
October	2.220	1.680	2.003	42,301,855	84.01	450.85
November	2.210	1.910	2.043	31,312,631	64.62	459.85
December	2.390	0.860	1.825	119,261,050	145.79	410.78

Year Month	High *(in €)*	Low *(in €)*	Average *(in €)*	Number of shares traded	Value traded *(in € million)*	Market capitalization on the basis of the average price *(in € million)*
2015						
January	1.080	0.890	0.983	67,054,510	66.58	221.26
February	0.900	0.870	0.888	26,980,111	23.94	205.20
March	0.920	0.820	0.881	36,076,330	31.91	203.68
April	0.950	0.850	0.883	26,675,918	23.82	204.24
May	0.910	0.760	0.821	42,093,650	31.91	203.67
June	0.910	0.680	0.740	77,223,436	48.14	171.16
July	0.800	0.680	0.725	26,552,333	19.71	167.70
August	0.740	0.530	0.642	19,855,366	12.56	148.50
September	0.620	0.500	0.557	16,278,040	9.24	128.84
October	0.890	0.480	0.702	79,143,524	58.84	162.38
November	0.810	0.730	0.761	20,232,321	15.53	176.02
December	0.770	0.630	0.680	13,631,292	8.98	157.30
2016						
January	0.710	0.520	0.594	18,573,195	11.18	137.41
February	0.600	0.480	0.529	14,804,694	7.94	122.38
March	0.680	0.560	0.614	13,953,425	8.75	142.09
April	0.610	0.560	0.587	5,682,140	3.36	135.93
May	0.620	0.471	0.529	38,537,867	23.37	197.57
June	0.590	0.490	0.519	43,465,889	22.59	314.59
July	0.770	0.530	0.667	50,238,160	33.45	404.02
August	0.830	0.690	0.752	23,875,464	18.22	455.58
September	0.850	0.780	0.813	21,023,285	17.15	492.54
October	0.970	0.800	0.886	45,015,737	39.93	536.78
November	1.000	0.840	0.929	41,045,514	38.45	563.34
December	1.510	0.990	1.353	102,860,543	134.74	819.89
2017						
January	1.930	1.270	1.590	143,624,657	229.04	963.88
After reverse stock split The decision approved by the General Shareholders' Meeting of 25 July 2016 relating to the reverse stock split, involving the exchange of 20 old ordinary shares with a par value of €0.10 each for one new share with a par value of €2.00 became effective on 8 February 2017. The historical data until January 2017 have not been restated).						
February	41.370	33.400	37.829	16,187,635	116.37	1,146.64
March	44.960	38.670	41.326	3,502,390	145.69	1,252.66
April	41.200	35.250	38.839	1,969,045	75.98	1,177.28
May	50.000	38.600	44.513	3,300,170	146.54	1,349.26

Transaction volume and evolution of the OCEANEs price

The convertible bonds (OCEANEs) were issued on 18 September 2013 and will expire on 18 September 2018.

They produce interests at 6.75% rate.

Their ISIN code is FR0011566793, and their mnemonic is "YSOIA".

Year Month	Monthly average *(in €)*	Transaction volume
2013		
September	2.64	127,630
October	2.55	259,822
November	2.21	155,616
December	1.98	268,282
2014		
January	2.09	163,301
February	2.13	268,326
March	2.63	200,571
April	2.66	133,810
May	2.95	350,662
June	3.15	118,271
July	2.90	35,810
August	2.89	6,260
September	2.95	113,386
October	2.82	115,553
November	2.90	48,046
December	2.51	220,576
2015		
January	1.57	946,125
February	1.42	517,858
March	1.62	239,716
April	1.73	143,530
May	1.78	103,612
June	1.71	76,789
July	1.77	70,656
August	1.72	56,289
September	1.58	174,094
October	1.61	249,360
November	1.74	150,951
December	1.71	120,635

Year Month	Monthly average *(in €)*	Transaction volume
2016		
January	1.63	142,080
February	1.93	478,110
March	2.21	311,396
April	2.26	212,567
May	2.47	1,385,082
June	2.55	185,121
July	2.66	178,586
August	2.66	10,075
September	2.65	88,983
October	2.59	63,317
November	2.61	217,781
December	2.74	120,901
2017		
January	2.79	127,720
February	2.91	568,279
March	3.04	239,138
April	2.96	14,300
May	3.16	363,700

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GLOSSARY

Key words in electronics

Wafer

Semiconductor plate, Board, layer used as a support for manufacturing micro-structures. These micro-structures are a major component in the manufacturing of integrated circuits, power semiconductors or electromechanical microsystems.

Moore's law

Moore's Law was published in 1965 in "Electronics Magazine" by Gordon Moore, a Fairchild Semiconductor engineer, one of three founders of Intel. Ascertaining that the complexity of the semiconductors proposed at range entry-level doubled every year at a constant cost since 1959, the date of their invention, he forecast the continuation of this growth (in 1965, the best-performing circuit contained 64 transistors). This exponential increase was quickly named Moore's Law, or, given the subsequent adjustment, Moore's First Law.

Transistor

A transistor is a semiconductor device with three active electrodes, which can control a current. They are found in high numbers in processors (smartphones, computers, etc.).

More Moore

A challenge to continue the trend to manufacture ever-smaller devices for technological nodes beyond 28 nm.

Nanometer (nm)

One billionth of a meter.

More than Moore

The challenge of integrating more circuit functions and managing their growing complexity.

Components:

Substrate

Physical base, support or stand which can receive any scriptural or other element, organic, to ensure its sustainability or development.

Silicon-on-Insulator (SOI)

Structure constituted of a stacking of a layer of silicon (from a few dozen nm to a few µm thick) on an insulator layer. This technology is an alternative to raw silicon in the manufacturing of transistors operating at high frequencies.

Bulk silicon

Bulk silicon in "basic" form (unlike advanced substrates such as the SOI), whose semiconductor properties have allowed for the creation of transistors and then integrated circuits ("chips").

Industrial applications

Smart Cut

Process allowing for transferring very fine layers of crystalline materials to a mechanical support. The application of this technological process is used mainly in Silicon-on-Insulator (SOI). The role of SOI is to electronically insulate a thin layer of mono-crystalline silicon from the rest of the silicon plate, an ultra-thin silicon film is transferred to a mechanical support, which introduces an intermediary, insulator layer. Semiconductor manufacturers can then manufacture integrated circuits on the upper layer of the SOI wafers by using the same processes they would use on raw silicon wafers.

Smart Stacking

The Soitec Smart Stacking technology enables the transfer of thin layers of substrates or circuits to other substrates, in an efficient industrial environment. It is used for backlit image sensors, whose sensitivity it increases, which means that the size of the pixels can be reduced. It opens up new prospects for RF and 3D applications.

Bonded SOI

Process of bonding silicon wafers without additional intermediary layers.

FD-SOI (Fully-Depleted Silicon-on-Insulator)

FD-SOI technology is considered a low-consumption and high-performance new-generation alternative to traditional silicon technologies. The wafers used for the fully depleted flat structure transistor technology are composed of an extremely thin silicon layer on an insulating oxide layer. These wafers, adapted for mass-market mobile and multi-media applications, are able to reduce energy consumption by up to 40% compared to traditional technologies, with equivalent performances.

> *Financial*

AMF

French Financial Markets Authority *(Autorité des Marchés Financiers).*

Bond

Contract by which a legal entity (a company, a bank, a government or a governmental organization) receives a certain amount of money from subscribers of the bonds it has issued.

The bonds bear interest that compensates the lender investors. These securities also give their holders the right to be repaid on the maturity of the bond itself. Should the Company go bankrupt, the bond holders are repaid before the shareholders.

Goodwill

Can be estimated from profitability outlooks of the investments made by the Company, taking account of the positions it has taken on its market.

The concept of goodwill corresponds to a financial valuation of the reputation, know-how and performances of the Company, as well as its positioning and the commitment of its suppliers and all its partners.

Goodwill is an element monitored closely by investors since in the event of a sale or buyout of the Company, the estimate of the value of the goodwill may provide a good foundation for discussion for determining the sale price.

IFRS standards

Accounting standards (International Financial Reporting Standards) which are applied internationally and which are defined by the International Accounting Standard Board. The IFRS standards concern the summary documents (balance sheet, profit & loss account and notes) published by the companies but also, more generally, all published financial information.

OCEANE convertible bonds

Bonds that can be converted into new shares. An OCEANE gives its holder the option of converting the bond at any time, on given dates or even at maturity. An OCEANE may also sometimes be converted when the issuer wishes depending on the terms of the issue contract.

OS (operating segment)

According to the IFRS standards, a company must define the highest possible number of operating segments (OS) comprising it; these OS need to be largely independent in their operations and the Company must allocate its assets to each of these OS. The impairment tests are performed on these OS from time to time if there are reasons to believe that their value dropped, or every year if they include goodwill.

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C.2. Reporting methodology

Soitec's corporate social responsibility reporting process is based on Articles L. 225-102-1, R. 225-104 and R. 225-105 of the French Commercial Code.

C.2.1. Scope of consolidation

For Chapter 17. "People," the workforce is calculated for all Soitec sites worldwide. It includes all employees, including the executive corporate officer. All data starting with paragraph 17.4.1. "A better-controlled payroll" is calculated for Soitec S.A., which represents 97% of the workforce.

For Chapter 5.4. "Environment," data are calculated for the Bernin plant, as it is Soitec's only industrial site.

C2.2. Calculation methods

Figures are given by fiscal year, unless otherwise stated. Soitec's fiscal year starts on 1 April and ends on 31 March.

Social data

Social data are calculated based on the registered workforce and on the jobs held (not including suspended employment contracts):

- registered workforce: breakdown of employees by age, geographical area, change in headcount, ratio of women to men;
- jobs held: breakdown of employees by job, turnover and resignation rate, absenteeism, hardship;

The turnover rate corresponds to the sum of resignations, dismissals, terminations by mutual agreement and departures as part of the collective employee departure plans over the previous 12 months, relative to the average annual workforce under open-ended contract. It is calculated based on the number of jobs held.

The resignation rate corresponds to the sum of resignations over the last 12 months, relative to the average annual workforce under open-ended contract. It is calculated based on the number of jobs held.

Absenteeism is the number of hours of absence for sickness, occupational illness and therapeutic part-time work divided by the number of theoretical hours.

The number of hours of training per employee is obtained by dividing the total number of hours of training by the average number of jobs held during the year.

The frequency rate corresponds to the number of lost-time accidents in the fiscal year multiplied by one million and divided by the number of hours worked over the period.

The severity rate is the number of calendar days off work multiplied by 1,000 and divided by the number of hours worked.

The FR (frequency rate) and SR (severity rate) indicators are tracked and published monthly. They are presented in graph form and calculated on a rolling year basis to capture their change over time.

These safety indicators are accessible to all staff on the internal portal as well as in the monthly "Safe" newsletter.

Lost-time accidents correspond to the number of accidents resulting in at least one day not worked, not counting the day of the accident.

Care corresponds to the number of accident events that resulted in medical care provided by the internal medical team or firefighters.

Near misses are "unexpected" and sudden events or circumstances putting a person or persons in dangerous situations without causing bodily harm.

The share of workers with disabilities is calculated based on the regulations in force.

Environmental information

Energy and water consumption is based on invoiced consumption.

To calculate greenhouse gases, the factor used for electricity is the "factor per use – industry" issued by Ademe: 0.033 $kgCO_2$/kWh, and the one used for natural gas is Ademe's French emission factor for gas consumption in kWh HHV: 0.204 $kgCO_2$/kWh.

Noise measurements are carried out at the property line and at the regulated emergence zones (REZ), during daytime and nighttime periods.

The measurements are carried out in accordance with AFNOR NFS 31 010, "Characterization and measurement of environmental noise – specific methods of measurement" from December 1996, using a Class I integrating sound-level meter, 01dB ACOEM mark, in accordance with NFS 31-109.

Industrial wastewater discharges

A discharge point was identified. It is located downstream of the neutralization station and is equipped with flow measurement equipment and a sampler controlled by the flowmeter.

Flow measurement: Before discharge into the natural environment, a speed measuring probe and an ultrasonic probe for height measurement were set up. These two probes enable measurement of the discharge rate of industrial wastewater after neutralization. The flow rate is measured daily.

Sampler: A sampler was also installed on this same point of discharge. The sample is controlled by volume.

An average sample is recovered over 24 hours (a given day at midnight until the following day at midnight).

Such samples are taken daily. They enable analysis of the following parameters: COD, Fluoride, Phosphate, Ammoniacal nitrogen, PH, Flow rate. Weekly analyses (BOD5) and monthly analyses (suspended solids, hydrocarbons) are carried out by an external laboratory.

Waste is handled by an external service provider. Upon receipt at the storage or processing center, each container is weighed in order to obtain a real tonnage.

Atmospheric emissions: The samples and the analyses are carried out by the APAVE.

Sampling strategy

In accordance with NF EN 15259 and LAB REF 22, the sampling strategy with respect to the homogeneity of the gaseous effluents is as follows:

- for particulate and vesicular pollutants: measurement by grid of the section to be measured;
- for gaseous pollutants with isokinetic sampling: grid measurement of the measuring section;
- for gaseous pollutants with non-isokinetic sampling:
  - measured at any point of the measuring section when the measurement section is considered to be homogeneous,
  - measured at a representative point when the measurement section is heterogeneous and has a representative point,
  - measured by grid of the measurement section when this section is heterogeneous and does not have a representative point.

Method of sampling and analysis:

- non-isokinetic removal by bubbling/filtration method:
  - principle: Non-isokinetic sampling of the fumes using a borosilicate glass probe equipped with a device for measuring the volume taken from dry gas with filtration. The probe temperature is maintained above the +20°C dew point temperature of the gases. Gaseous pollutants are trapped by bubbling with scrubbers equipped with diffusers,
  - applicable standards, sampling materials and methods of analysis;

Component researched	Corresponding standard	Absorption solution	Yld (1)	No. (2)	Type of diffuser	Rinsing	Analysis
HCl	NF EN 1911	Demineralized water	> 95%	2	Sintered	Absorption solution	Ion chromatography
HF	NF X 43-304	NaOH 0.1 N	> 90%	2	Sintered	Absorption solution	Basic extraction (NaOH solution) followed by ion chromatography
NH_3	NF X 43-303	H_2SO_4 0.1 N	> 95%	2	Sintered	Absorption solution	Ion chromatography
Acidity/ Basicity	NFX 43-317	Buffer solution at pH 5.5	-	2	Sintered	Absorption solution	Titrimetry

(1) Absorption efficiency.
(2) Number of scrubber flasks.
(3) According to the protocol for self-monitoring of gaseous effluents from surface treatment labs as defined by CITEPA, the AQA and the French Ministry for the Environment.

- sampling by analyzer:
  - principle: The analysis is done continuously. The analyzer is calibrated before and after each test from a certified standard gas mixture. The watertightness of the line is checked by injecting the standard gas at the top of the line. Before entering the analyzer, the gases are taken out by stainless steel probe. The analog output of the analyzer is connected to a recorder.
  - applicable standards, sampling materials and methods of analysis.

Component researched	Corresponding standard	Measurement principle	Packaging	Type of line
TVOC	NF EN 12619	Flame ionization detector	-	Heated

C.3. Statutory auditors' report

Report by one of the statutory auditors, appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report

This is a free English translation of the statutory auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended 31 March 2017

To the Shareholders,

In our capacity as statutory auditor of Soitec, (hereinafter named the "Company"), appointed as independent third party and certified by COFRAC under number 3-1049 [1], we hereby report to you on the consolidated human resources, environmental and social information for the year ended 31 March 2017, included in the management report (hereinafter named "CSR Information"), pursuant to Article L. 225-102-1 of the French Commercial Code *(Code de commerce).*

Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by Article R. 225-105-1 of the French Commercial Code in accordance with the procedures used by the Company (hereinafter the "Procedures"), summarised in the management report and available on request from the company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of Ethics *(Code de déontologie)* of our profession and the requirements of Article L. 822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.

Statutory auditors' responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Procedures (Conclusion on the fairness of CSR Information).

Our work involved five persons and was conducted between September 2016 and June 2017 during a two week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of statutory auditors *(Compagnie nationale des commissaires aux comptes)* relating to this engagement and with ISAE 3000 [2] concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in Article R. 225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with Article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by Article L. 233-1 and the controlled entities as defined by Article L. 233-3 of the French Commercial Code within the limitations set out in the methodological note "reporting methodology", presented in section 28 of the Reference Document.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted fifteen interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Procedures in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

(1) "Whose scope is available at www.cofrac.fr".
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Regarding the CSR Information that we considered to be the most important [(1)]:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at Bernin industrial site level, selected by us on the basis of its activity, its contribution to the consolidated indicators, its location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. Our work represents 97% of headcount considered as material data of social issues and 100% of environmental data considered as material data [(2)] of environmental issues.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the Company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Procedures.

The CNCC (*Compagnie Nationale des Commissaires aux Comptes*, the French national auditing body) does not consider this translation to be signed because it is a free translation into English of an original report drafted in French. A signature is handwritten text through which a person identifies himself in an instrument and through which he expresses his approval of the content of the document. Affixing a signature to a report also gives the report the status of an original. However, in this particular case, the original is considered the French version of the report.

(1) **Social indicators**: Total headcount by 31 March 2017 and distribution by gender and age, recruitments and dismissals, share of women in the workforce, and distribution of female staff by category (Operators, Office workers and technicians and Engineers/Executives), work accidents, including accident frequency and severity.

Environmental indicators: Electricity consumption, gas consumption, water consumption, direct emissions from stationary combustion sources (scope 1), indirect emissions linked to electricity consumption (scope 2).

Qualitative information:

Social themes: Organization of social dialogue including information procedures, consultation and negotiation with the employees, policies implemented regarding training, measures implemented to promote gender equality, employment and integration of disabled workers.

Environmental themes: The organization of the company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues, measures of prevention, reduction or repair of discharges into the air, water and ground, impacting severely the environment.

Societal themes: Integration of social and environmental issues into the company procurement policy, Importance of subcontracting and consideration, in the relationship with subcontractors and suppliers of their social and environmental responsibility, territorial, economic and social impact of the company activity regarding regional employment and development.

(2) See the list of environmental indicators mentioned in footnote 3 of this report.

29 TEXT OF RESOLUTIONS AND BOARD OF DIRECTORS' REPORT

Text of resolutions submitted to the Ordinary and Extraordinary Shareholders' General Meeting of 26 July 2017

Resolutions within the competence of the Ordinary Shareholders' General Meeting

First resolution – Approval of the statutory financial statements for the fiscal year ended on 31 March 2017

The Shareholders' General Meeting, under the conditions of quorum and majority required for Ordinary General Meetings, having considered the report of the Board of Directors and the report of the statutory auditors on the statutory financial statements for the fiscal year ended on 31 March 2017, approves the statutory financial statements as they were presented, which show a turnover of €238,222,799.69 and a profit of €20,348,131.75, as well as the operations represented in these accounts and summarized in these reports.

The Shareholders' General Meeting also approves the global amount of non-deductible expenditures and charges subject to corporate tax amounting to €111,385.50 for the fiscal year.

Second resolution – Approval of the consolidated statements for the fiscal year ended on 31 March 2017

The Shareholders' General Meeting, under the conditions of quorum and majority required for Ordinary General Meetings, having considered the report of the Board of Directors and the report of the statutory auditors on the consolidated financial statements for the fiscal year ended on 31 March 2017, approves the consolidated financial statements for the fiscal year ended on 31 March 2017, as they were presented which show a turnover of €245,710,000 and a net profit Group share of €8,375,000, as well as the operations represented in these accounts and summarized in these reports.

Third resolution – Appropriation of net income for the fiscal year ended on 31 March 2017

The Shareholders' General Meeting, under the conditions of quorum and majority required for Ordinary General Meetings, having considered the report of the Board of Directors and the report of the statutory auditors on the annual financial statements for the fiscal year ended on 31 March 2017, decides to allocate the profit for the fiscal year ended on 31 March 2017, amounting to €20,348,131.75, to the carry-forward account, which is then reduced from -€885,450,402.61 to - €865,102,270.86.

The Shareholders' General Meeting acknowledges that there has not been any payment of dividends over the past three fiscal years.

Fourth resolution – Approval of the related-party agreements

The Shareholders' General Meeting, under the conditions of quorum and majority required for Shareholders' Ordinary General Meetings, having considered the special report of the statutory auditors on related-party agreements as defined in Articles L. 225-38 et seq. of the French Commercial Code, approves said report's conclusions and the related-party agreements previously entered into or approved, which remained in force throughout the fiscal year.

The Shareholders' General Meeting also acknowledges that the examination of the implementation of the compensation package of the Chairman and CEO for the fiscal year ended on 31 March 2017 has been done in accordance with the process of Articles L. 225-38 et seq. of the French Commercial Code, as per the provisions of Article L. 225-42-1 of the said Code.

Fifth resolution – Appointment of Ms Victoire de Margerie as a new director

The Shareholders' General Meeting, under the conditions of quorum and majority required for Ordinary General Meetings, having considered the report of the Board of Directors explaining its project to dissociate the duties of Chairman of the Board of Directors of the Company of those of General Manager (CEO) of the Company, decides to appoint Ms Victoire de Margerie, of French nationality, born on 6 April 1963 in Suresnes, Hauts-de-Seine, France, residing at 108 boulevard du Montparnasse – 75014 Paris – France, as a director of the Company, effective as of today for a duration of three (3) years, i.e. until the close of the Ordinary Shareholders' General Meeting which will be held in 2020 to decide on the financial statements of the fiscal year ending on 31 March 2020.

Sixth resolution – Renewal of Mr Douglas Dunn's directorship

The Shareholders' General Meeting, under the conditions of quorum and majority required for Shareholders' Ordinary General Meetings, having considered the report of the Board of Directors, decides that the directorship of Mr Douglas Dunn has reached its term and decides to renew his directorship with the Company, effective as of today for a duration of three (3) years, i.e. until the close of the Ordinary General Shareholders' Meeting which will be held in 2020 to decide on the financial statements of the fiscal year ending on 31 March 2020.

Seventh resolution – Consultative vote on the compensation owed and paid to the Chairman of the Board of Directors and Chief Executive Officer, Mr Paul Boudre, for the fiscal year ended on 31 March 2017

The Shareholders' General Meeting, consulted in accordance with paragraph 26 of the Corporate Governance Code of listed companies published by the AFEP and the MEDEF as revised in November 2016, under the conditions of quorum and majority required for Ordinary General Meetings, and having reviewed the report of the Board of Directors, issue a favorable vote on the compensation owed and paid to Mr Paul Boudre for the fiscal year ended on 31 March 2017, as described in the Company's 2016-2017 Reference Document.

Eighth resolution – Approval of the compensation policy for corporate officers for the current fiscal year ending on 31 March 2018

The Shareholders' General Meeting, under the conditions of quorum and majority required for Ordinary General Meetings, having considered the report of the Board of Directors prepared pursuant to Article L. 225-37-2 of the French Commercial Code, approves the criteria for the calculation, distribution, and allocation of the fixed, variable and exceptional parts making up the total compensation and benefits of any kind presented in the aforementioned report, and attributable, due to their offices, to the Company's corporate officers.

Ninth resolution – Determination of the directors' fees

The Shareholders' General Meeting, under the conditions of quorum and majority required for Ordinary General Meetings, having considered the report of the Board of Directors, bring the global director's fees amount to the maximum of five hundred thousand euros (€500,000) starting from the fiscal year opened on 1 April 2017.

The Shareholders' General Meeting specifies that the sums owed by the Company for the *forfait social* and the potential part of social contributions linked to the payment of the directors' fees to be paid by the Company are not included in the above-mentioned five hundred thousand euros (€500,000), and will then be borne by the Company on top of this envelope.

This decision will be upheld and the amount allocated to the Board of Directors for subsequent fiscal years until the Shareholders' General Meeting renders a new decision.

Tenth resolution – Authorization for the Board of Directors to carry out transactions on the Company's shares

The Shareholders' General Meeting, under the conditions of quorum and majority required for Ordinary General Meetings, having reviewed the report of the Board of Directors, and in accordance with the conditions provided for under Article L. 225-209 et seq. of the French Commercial Code and under European Regulation No. 2273/2003 of 22 December 2003, and as recognized by the market practices of the French *Autorité des Marchés Financiers,* authorizes the Board of Directors, with the possibility of sub-delegating, under the conditions set out by law and in the bylaws, to acquire or to have someone acquire the Company's shares, with the purpose of:

- ensuring liquidity and making a market on the secondary share market of the Company through an investment service provider acting independently in the framework of a liquidity agreement which complies with the French *AMAFI* ethical charter acknowledged by the French *Autorité des Marchés Financiers;* or
- the allocation or sale of shares to employees or former employees and/or corporate officers or former corporate officers of the Company and/or companies that are or will be linked to it under the conditions and terms provided by applicable law, notably with respect to the framework of options plans, free allocation of existing shares or company savings plans; or
- the retention and deferred award of shares (in exchange, as payment or other) for external growth operations, on the understanding that the maximum amount of shares acquired with a view to their retention and subsequent award as payment or in exchange for merger, demerger or capital contribution operations may not exceed 3% of the capital; or
- hedging securities giving rights to shares of the Company upon exercise of rights attached to securities, giving rights to the attribution of Company shares through redemption, conversion, exchange, presentation of bonds, or any other means; or
- subject to adoption of the twenty-first resolution, to subsequently cancel, in whole or in part, the shares thus bought in under the conditions provided in Article L. 225-209 of the French Commercial Code; or
- to implement any other permitted market practice or which is allowed by the market authorities; or
- to operate in any other authorized purpose or which may afterwards be authorized by law or regulations in force subject to the shareholders of the Company being informed through a press release.

The share purchase may involve a number of shares, such as:

- the number of shares acquired during the term or the repurchase program may not exceed, at any time, 2% of the shares comprising the share capital of the Company. This percentage applies to the capital adjusted according to these operations occurring after the present meeting, provided that in the event the shares are purchased with a liquidity contract, the number of shares taken into account for calculating the 2% limit is the number of shares purchased less the number of shares sold during the authorization period;
- the number of shares which the Company holds at any time shall not exceed 10% of shares making up the Company's share capital, where said percentage applies to capital adjusted according to operations affecting it after this Shareholders' Meeting.

The purchase of shares may be made on one or more occasions, by any means, on a regulated market, a multilateral trading facility, from a systematic internalizer or by mutual agreement, including by public offer or transactions for blocks of shares (which may represent the entire program). However, the Company does not intend to use derivatives. These transactions may be performed at any time, pursuant to the legal provisions in force, excluding during public offerings of Company securities.

The Shareholders' General Meeting decides that the maximum purchase price is to be set at eighty (80) euros per share. In the event of capital transactions, notably in case of stock split or reverse stock-split or allocation of free shares, the aforementioned amount will be adjusted in the same proportions (adjustment coefficient equal to the ratio between the number of shares comprising the capital prior to the transaction and the number of shares after the transaction).

Consequently, and pursuant to Article R. 225-151 of the French Commercial Code, the Shareholders' General Meeting fixes at €48,498,400 the maximum overall amount allocated to the share repurchase program authorized above, as calculated on the basis of the share capital as of today's date, composed of 30,311,510 shares.

The Shareholders' General Meeting grants all powers to the Board of Directors, with possibility to sub-delegate, for the purpose of implementing this authorization, entering into any agreement, carrying out any formality and filing any declaration with any agency, and more generally, doing all that is necessary.

This authorization is valid from the date of this Shareholders' Meeting and shall expire on the date on which the Shareholders' General Meeting shall be convened to approve the accounts for the fiscal year ending on 31 March 2018.

Resolutions within the competence of the Extraordinary Shareholders' General Meeting

> *Eleventh resolution – Delegation of authority to be granted to the Board of Directors for the purpose of proceeding with a capital increase by way of the issuance of shares and/or securities giving access to the Company's share capital, with preferential subscription rights, immediately or in the future*

The Shareholders' General Meeting, under the conditions of quorum and majority required for Extraordinary General Meetings, having considered the Board of Directors' report and the statutory auditors' special report, and in accordance with the provisions of Articles L. 225-129 et seq., L. 228-91 et seq. and specifically Articles L. 225-129-2 and L. 228-92 of the French Commercial Code:

1. **delegates** to the Board of Directors with the possibility to sub-delegate, within the limits provided by law, its authority and the powers necessary for the purpose of deciding to issue, in one or more installments, in France and abroad, in such amount and at such time as it deems appropriate, in euros, in foreign currencies, or any other accounting unit established by reference to a basket of currencies, with preferential subscription rights, ordinary shares and/or any securities (including warrants and debt securities) issued for consideration or for free, giving access by any means, immediately or in the future, at any time or on a determined date, by way of subscription, conversion, exchange, reimbursement, presentation of a warrant or in any other manner, to Company shares, provided that the subscription of shares and/or other securities may be made either in cash or by offsetting against receivables due and payable;

2. **sets** at twenty-six (26) months as from the day of this Shareholders' General Meeting the validity of this delegation, on the understanding that, as a result of this delegation, all other delegations of authority previously granted by a resolution of the same nature are obsolete;

3. **decides** to enforce the following limits on the issuance amounts permitted in the event that the Board of Directors decides to use this delegation of authority:
   a. the maximum nominal amount of capital increases that may be carried out, immediately or in the long term, based on this delegation of authority may not go above the ceiling of €15 million for the nominal value, or the counter-value of this amount, on the understanding that:
      (i) the aggregate nominal amount of the capital increases in respect of shares issued directly or indirectly, on the basis of this resolution and the twelfth, thirteenth, fourteenth, fifteenth, sixteenth, seventeenth, eighteenth, nineteenth and twentieth resolutions, subject to their adoption by the present Shareholders' Meeting, and on the basis of the issuance authorized by the resolutions of the same nature that could succeed these resolutions during the term of this delegation, shall not surpass the global ceiling of €15 million for the nominal value, and
      (ii) to these ceilings will be added the nominal amount of capital increases related to ordinary shares which may be issued to preserve, in accordance with the law, and, where applicable, contractual provisions providing for other adjustments, the rights of holders of securities and other rights giving access to the Company's capital,
   b. the maximum nominal amount of securities representing bond or related securities, giving access to the Company's capital, which may be issued under the present delegation of competence, may not exceed the ceiling of €150 million or the counter-value of this amount, provided that this amount will be deducted from the nominal amount of securities representing bond instruments or equivalent, giving access to the Company's capital, to be issued under this resolution and the twelfth, thirteenth, fourteenth, fifteenth, sixteenth, seventeenth, eighteenth, nineteenth and twentieth resolutions, subject to their adoption by the present Shareholders' Meeting, and on the basis of issuance authorized by the resolutions of the same nature that may succeed these resolutions during the validity of the present delegation;

4. in the event that the present delegation of authority is used by the Board of Directors:
   – **decides** that the issuance will be reserved in favor of Company shareholders who have the right to subscribe in direct proportion to the number of shares they hold,
   – nevertheless, **decides** that the Board of Directors will have the power to grant shareholders the right to subscribe to shares or securities in excess of the minimum number to which they have preferential subscription rights proportionally to their subscription rights, and in any event, within the limit of their request,
   – **decides** that if the subscriptions as of right *(à titre irréductible)* and, where applicable, excess subscriptions *(à titre réductible)* do not cover the entire amount of the issuance of shares or securities, as defined above, the Board of Directors may undertake, as provided by law, and in the order of its choosing, one and/or any of the following:
     - limit the capital increase to the amount of subscriptions on the condition that this amount reaches at least three-quarters of the decided issuance,
     - freely distribute all or part of the non-subscribed securities between the individuals of its choice,
     - offer to the public all or part of the non-subscribed securities, on the French market and/or internationally;

5. **decides** that the issuance of the warrants giving access to Company shares may be made through a subscription offer, but also through free allocation of shares to Company shareholders, on the understanding that the Board of Directors may decide that, in the event of an allocation of bonus warrants, the resulting fractional shares shall not be negotiable and that the corresponding shares shall be sold;

6. **decides** that the Board of Directors shall have the powers, with the possibility to sub-delegate, in accordance with applicable law, to proceed with the aforementioned issuance in such a form as it deems appropriate and in compliance with applicable law, notably:
   – determining the dates and the terms of issuance as well as the form and characteristics of the shares and/or securities to be issued,
   – determining the number of shares and/or other securities to be issued, the issue price and conditions attached thereto, specifically the issuance thereof, if applicable the issuance premium, the terms of their release and their maturity date (if applicable, retroactively) and, if necessary, repurchase conditions,
   – suspending, if need be, the exercise of rights attached to these securities for a maximum time period of three months under the conditions and limits provided by laws and regulations,
   – at its sole discretion, charging issuance fees to the premium amounts associated therewith and withholding from these sums the amount necessary to bring the legal reserve to a tenth of the capital as set after each increase,
   – generally taking all appropriate measures, executing all agreements, obtaining all authorizations, carrying out all formalities necessary to ensure successful completion of the issuance or stay the implementation thereof, notably acknowledging completion of any capital increases resulting from any issuance conducted by this present delegation, amending the bylaws, requesting the listing of any shares and/or securities issued as a result of this present delegation.

The Board of Directors may not, except by prior authorization of the Shareholders' General Meeting, make use of this delegation from the time of deposit by a third party of a public offer for the Company's securities, until the end of the offer period.

Twelfth resolution – Delegation of authority to be granted to the Board of Directors for the purpose of proceeding with a capital increase by way of the issuance of shares and/or any securities giving access to the Company's share capital, without preferential subscription rights, immediately or in the future

The Shareholders' General Meeting, under the conditions of quorum and majority required for Extraordinary Shareholders' Meetings, having considered the Board of Directors' report and the statutory auditors' special report, and pursuant to the provisions of Articles L. 225-129-2, L. 225-135, L. 225-136, L. 225-148 and L. 228-92 of the French Commercial Code:

1. **delegates** to the Board of Directors with a possibility to sub-delegate, in accordance with applicable law, the authority and powers necessary for the purpose of deciding to issue, on one or several occasions, in France as well as abroad, in such amount and at such times as it deems appropriate, in euros, in foreign currencies, or any other accounting unit established by reference to a basket of currencies, without preferential subscription rights, within the framework of a public offering, ordinary shares as well as any securities issued for consideration or for free, giving access by any means, immediately or in the future, at any time or on a determined date, by way of subscription, conversion, exchange, reimbursement, presentation of a warrant or in any other manner, to Company shares, provided that the subscription of shares and/or securities may be made either in cash or by setting off against due and payable receivables;

2. **sets** at twenty-six (26) months as from the day of this Shareholders' Meeting the validity of this delegation;

3. **sets** the following limits on the issuance amounts in the event the Board of Directors decides to use its delegation of authority:
   a. the maximum nominal amount of capital increases that may be carried out, immediately or in the long term, based on this delegation of authority may not go above the ceiling of €7 million for the nominal value, or the counter-value of this amount, on the understanding that:
      (i) this ceiling applies to the present resolution and the thirteenth, fourteenth, fifteenth, sixteenth, seventeenth and nineteenth resolutions, and
      (ii) This amount will be deducted from the global nominal ceiling amount of €15 million referred to in paragraph "3.a. (i)" of the eleventh resolution of the present Shareholders' Meeting or, when appropriate, from the global ceiling, if any, provided by a resolution of the same nature succeeding this resolution during the term of this delegation,
   b. the maximum nominal amount of securities representing bond or related securities, giving access to the Company's capital, likely to be issued on the basis of the present resolution, may not exceed the ceiling of €150 million or the counter value of this amount, provided that this amount is deducted from the global ceiling amount of €150 million pursuant to "3.b." of the eleventh resolution of the present Shareholders' Meeting or, as the case may be, from the possible ceiling amount pursuant to a resolution of the same nature that may succeed this resolution during the term of validity of the present delegation;

4. **decides** that any issuance performed pursuant thereto shall be performed through public offers, on the understanding that such may be performed in conjunction with an offer or offers covered by Article L. 411-2 (II) of the French Monetary and Financial Code, which may be completed under the fourteenth resolution of the present Shareholders' Meeting;

5. **decides** to remove the shareholders' preferential subscription rights to the shares and/or securities that are likely to be issued based on the present delegation;

6. **decides** that the Board of Directors may bestow a preferential right to shareholders in direct and exact proportion to the number of shares they hold *(à titre irréductible)* and potentially grant excess subscription rights *(à titre réductible),* over an amount of time that shall be set in accordance with applicable laws and regulations, for all or part of an issuance performed based on this resolution and which shall be exercised in proportion to the number of shares held by each shareholder pursuant to applicable laws and regulations;

7. **decides** that if the subscriptions as of right *(à titre irréductible)* and, where applicable, excess subscriptions *(à titre réductible)* do not cover the entire amount of the issuance of shares or securities, as defined above, the Board of Directors may undertake, as provided by law, and in the order of its choosing, one and/or any of the following:
   – limit the capital increase to the amount of subscriptions on the condition that this amount reaches at least three-quarters of the decided issuance,
   – freely distribute all or part of the non-subscribed securities between the individuals of its choice;
   – offer to the public all or part of the non-subscribed securities, on the French market and/or internationally;

8. **acknowledges and decides,** as relevant, that this delegation shall, to the benefit of holders of any securities giving access to Company shares that may be issued pursuant to this delegation, automatically result in the waiver of shareholder preferential subscription rights to the new shares to which these securities would give rise;

9. **decides** that (i) the share price for ordinary shares to be issued pursuant to this resolution or those to which the securities to be issued under this resolution may give right, shall be at least equal to the minimum price permitted by laws and regulations applicable on the date of issue (to date, the weighted average of the last three trading days preceding the fixation of the subscription price minus 5%), after, if necessary, adjusting this average to take into account any difference between the maturity dates, and (ii) the issuance price for the securities giving access to capital shall be that of the sum immediately received by the Company, increased, where appropriate, by the sum likely to be collected subsequently by the Company, i.e. for each share issued as a consequence of the issuance of these securities, at least equal to the price defined in part (i) of this paragraph;

10. **decides** that the Board of Directors will have the powers, with the possibility to sub-delegate, in accordance with applicable law, to proceed with the aforementioned issuance in such a form as it deems appropriate and in compliance with applicable law, notably:
   – determining the dates and the terms of issuance as well as the form and characteristics of the shares and/or securities to be issued,
   – determining the number of shares and/or other securities to be issued, the issue price and conditions attached thereto, specifically the issuance thereof, if applicable the issuance premium, the terms of their release and their maturity date (if applicable, retroactively) and, if necessary, repurchase conditions,
   – suspending, if need be, the exercise of rights attached to these securities for a maximum time period of three months under the conditions and limits provided by laws and regulations,
   – at its sole discretion, charging issuance fees to the premium amounts associated therewith and withholding from these sums the amount necessary to bring the legal reserve to a tenth of the capital as set after each increase, generally taking all appropriate measures, executing all agreements, obtaining all authorizations, carrying out all formalities necessary to ensure successful completion of the issuance or stay the implementation thereof, notably acknowledging completion of any capital increases resulting from any issuance conducted by this present delegation, amending the bylaws, requesting the listing of any shares and/or securities issued as a result of this present delegation.

The Board of Directors may not, except by prior authorization of the Shareholders' General Meeting, make use of this delegation from the time of deposit by a third party of a public offer for the Company's securities, until the end of the offer period.

Thirteenth resolution – Delegation of authority to be granted to the Board of Directors for the purpose of issuing shares and/or any securities giving access to the Company's share capital to categories of persons meeting defined requirements, without the Shareholders' preferential subscription rights, immediately or in the future

The Shareholders' General Meeting, under the conditions of quorum and majority required for Extraordinary General Meetings, having considered the Board of Directors' report and the statutory auditors' special report, and pursuant to the provisions of Articles L. 225-129, L. 228-91 to L. 228-93, and L. 225-135 to L. 225-138 of the French Commercial Code:

1. **delegates** to the Board of Directors with a possibility to sub-delegate, in accordance with applicable law, the authority and powers necessary for the purpose of performing, on one or more occasions, in France as well as abroad, in such amount and at such times as it deems appropriate, in euros, in foreign currencies, or any other accounting unit established by reference to a basket of currencies, without preferential subscription rights, ordinary shares as well as any securities issued for consideration or for free, immediately or in the future, at any time or on a determined date, by way of subscription, conversion, exchange, reimbursement, presentation of a warrant or in any other manner, to Company shares, it being understood that the subscription of shares and/or other securities may be made either in cash or by offsetting against liquid and due receivables;
2. **decides** to eliminate the preferential subscription rights of the shareholders in connection to shares and/or securities giving access to Company equity to be issued and to reserve, as it pertains to this delegation, the right to subscribe these shares and/or securities to those persons meeting the following requirements: financial institutions or investment funds of French or foreign law aiming at supporting growth technology companies, in mid-term;
3. **delegates** the authority to define the precise list of beneficiaries of the elimination of preferential subscription rights to the Board of Directors as well as the authority to set the number of shares and/or securities that may be issued to each such entity;
4. **acknowledges and decides,** as the case may be, that this delegation shall automatically apply to the beneficiaries appearing in the list provided by the Board of Directors mentioned above, the waiver of shareholder preferential subscription rights to the new shares to which these securities would give rise;
5. **sets** the following limits on the issuance amounts in the event the Board of Directors decides to use its delegation of authority:
   a. the maximum nominal amount of capital increases that may be carried out, immediately or in the long term, based on this delegation of authority may not go above the ceiling of €7 million for the nominal value, or the counter-value of this amount, on the understanding that:
      (i) this ceiling applies to the present resolution and the twelfth, fourteenth, fifteenth, sixteenth, seventeenth and nineteenth resolutions, and
      (ii) this amount will be deducted from the global nominal ceiling amount of €15 million referred to in paragraph "3.a.(i)" of the eleventh resolution of the present Shareholders' Meeting or, when appropriate, from the global ceiling, if any, provided by a resolution of the same nature succeeding this resolution during the term of this delegation,
   b. the maximum nominal amount of securities representing bond or related securities, giving access to the Company's capital, likely to be issued on the basis of the present resolution, may not exceed the ceiling of €150 million or the counter value of this amount, provided that this amount is deducted from the global ceiling amount of €150 million pursuant to "3.b." of the eleventh resolution of the present meeting or, as the case may be, from the possible ceiling amount pursuant to a resolution of the same nature that may succeed this resolution during the term of validity of the present delegation;
6. **decides** that (i) the shares' issuance price for ordinary shares pursuant to this resolution or those which may give rights to securities to be issued under this resolution, shall be at least equal to the share market price of the last trading day preceding the fixation of the subscription price minus a 10% discount), after, if necessary, adjusting this average in the event of a difference between the maturity dates, and (ii) the issuance price for the securities giving access to capital shall be that of the sum immediately received by the Company, increased, where appropriate, by that likely to be collected subsequently by the Company, or for each share issued as a consequence of the issuance of the securities, at least equal to the minimum price defined in part (i) of this paragraph;
7. **delegates** to the Board of Directors all powers with the possibility to sub-delegate, in accordance with applicable law, necessary to proceed with the aforementioned delegation, such as determining the dates and the terms of issuance as well as the form and characteristics of the shares and/or securities to be issued which would grant access to Company equity, how the shares or securities shall be allocated, at its sole discretion, charging any costs or expenses related to the capital increase to the premium amounts associated therewith and withholding from these sums the amount necessary to carry the legal reserve to a tenth of the legal capital after each increase, making any adjustments intended to take any transactions that affect Company capital into account, executing all agreements in order to issue the shares or securities set out herein, acknowledging the completion of the capital increases, amending the bylaws as a result hereof, and carrying out all formalities and generally doing all that is useful and necessary;
8. **sets** at eighteen (18) months as of the date of this Shareholders' Meeting the duration of the present delegation of authority.

The Board of Directors may not, except by prior authorization of the Shareholders' General Meeting, make use of this delegation from the time of deposit by a third party of a public offer for the Company's securities, until the end of the offer period.

Fourteenth resolution – Delegation of authority to be granted to the Board of Directors in order to issue, by an offer set out at Article L. 411-2 II of the French Monetary and Financial Code, shares and/or securities giving access, immediately or in the future, to the Company's share capital, without the shareholders' preferential subscription rights

The shareholders, under the conditions of quorum and majority required for Extraordinary Shareholders' Meetings, having considered the Board of Directors' report and the statutory auditors' special report, and pursuant to the provisions of Articles L. 225-129 et seq. and L. 228-91 et seq. of the French Commercial Code, notably Articles L. 225-129-2, L. 225-135, and L. 225-136, and Articles L. 228-91 et seq. of the French Commercial Code:

1. **delegates** to the Board of Directors with a possibility to sub-delegate, in accordance with applicable law, the authority and powers necessary to decide the issuance, on one or several occasions, in the proportions and at such times as it deems appropriate, in France or abroad, pursuant to the provisions relating to offers set out in II of Article L. 411-2 of the French Monetary and Financial Code, in euros, in foreign currencies, or any other accounting unit established by reference to a basket of currencies, of ordinary shares as well as any securities issued for consideration or for free, giving access to ordinary Company shares, by any means, immediately and/or in the future, at any time or on a determined date, by way of subscription, conversion, exchange, reimbursement, presentation of warrants or any other manner. The subscription of these shares or securities may be made either in cash or by setting off with liquid and due receivables;
2. **decides** to remove the shareholders' preferential subscription rights to the securities that can be issued on the grounds of this resolution;
3. **decides** that the maximum amount of capital increases that may be performed under this resolution may not, within the limits set out by law applicable on the day of the issuance (as an indication, on the day of the present Shareholders' General Meeting, the issuance of share capital carried out by an offer pursuant to Article L. 411-2 (II) of the French Financial and Monetary Code is limited to 20% of the Company's capital per year), exceed the nominal €7 million ceiling, or the counter-value of this amount, it being understood that such amount shall be deducted from:

(i) the shared global nominal ceiling amount of €7 million referred to in paragraph "3.a. (i)" of the twelfth resolution of the present Shareholders' Meeting or, when appropriate, to the global ceiling, if any, provided by a resolution of the same nature succeeding this resolution during the term of this delegation, on the understanding in any event that issuances of securities made in this framework are limited according to the legal provisions in force on the day of the issuance,
(ii) the global nominal ceiling amount of €15 million referred to in paragraph "3.a. (i)" of the eleventh resolution, or if need be, to the possible amount, if any, provided by a resolution of the same nature succeeding this resolution during the term of this delegation;

4. **decides** that the maximum nominal amount of debt securities or related securities, giving access to the Company's capital, likely to be issued on the basis of the present resolution, may not exceed the ceiling of €150 million or the counter value of this amount, in case of an issuance in a foreign currency or another accounting unit established by reference to a basket of currencies, it being understood that this amount shall be imputed to the global ceiling amount of €150 million pursuant to "3.b." of the eleventh resolution or, as the case may be, to the possible ceiling amount pursuant to a resolution of the same nature that may succeed this resolution during the validity of the present delegation;

5. **acknowledges** that if the subscriptions do not absorb the total issuance, the Board of Directors may limit the operation's amount to the amount of subscriptions received, provided that they reach at least three-quarters of the subscriptions issued;

6. **decides** that (i) the shares' issuance price for ordinary shares pursuant to this resolution or those which may give rights to securities to be issued under this resolution, shall be at least equal to the minimum price permitted by laws and regulations applicable on the date of issue (to date, the weighted average of the last three trading days preceding the fixation of the subscription price minus 5%), after, if necessary, adjusting this average in the event of a difference between the maturity dates; and (ii) the issuance price for the securities giving access to capital shall be that of the sums received immediately by the Company, increased, where appropriate, by that likely to be collected subsequently by the Company, or for each share issued as a consequence of the issuance of the securities, at least equal to the minimum price defined in part (i) of this paragraph;

7. **decides** that the Board of Directors will have the powers, with the possibility to sub-delegate, in accordance with applicable law, to proceed with the aforementioned issuance in such a form as it deems appropriate and in compliance with applicable law, notably:
   – determining the dates and the terms of issuance as well as the form and characteristics of the shares and/or securities to be issued,
   – determining the number of shares and/or other securities to be issued, the issue price and conditions attached thereto, specifically the issuance thereof, if applicable the issuance premium, the terms of their release and their maturity date (if applicable, retroactively) and, if necessary, repurchase conditions,
   – suspending, if need be, the exercise of rights attached to these securities for a maximum time period of three months under the conditions and limits provided by laws and regulations,
   – at its sole discretion, charging issuance fees to the premium amounts associated therewith and withholding from these sums the amount necessary to bring the legal reserve to a tenth of the capital as set after each increase,
   – generally taking all appropriate measures, executing all agreements, obtaining all authorizations, carrying out all formalities necessary to ensure successful completion of the issuance or stay the implementation thereof, notably acknowledging completion of any capital increases resulting from any issuance conducted by this present delegation, amending the bylaws, requesting the listing of any shares and/or securities issued as a result of this present delegation;

8. **sets** at twenty-six (26) months as from the day of this Shareholders' Meeting the validity of this delegation, on the understanding that, as a result of this delegation, all other delegations of authority previously granted by a resolution of the same nature are obsolete;

The Board of Directors may not, except by prior authorization of the Shareholders' General Meeting, make use of this delegation from the time of deposit by a third party of a public offer for the Company's securities, until the end of the offer period.

> *Fifteenth resolution – Delegation of authority to be granted to the Board of Directors for the purpose of increasing the issuance amount with or without preferential subscription rights within the limit of 15% of the initial issuance*

The Shareholders' General Meeting, under the conditions of quorum and majority required for Extraordinary General Meetings, having considered the Board of Directors' report and the statutory auditors' special report, and pursuant to the provisions of Articles L. 225-135-1 of the French Commercial Code:

1. **grants to** the Board of Directors, with faculty of sub-delegation under the conditions set out by law, the power to decide to increase the number of shares issued, in the event of issuance of shares or securities giving access to the Company's capital, with or without preferential subscription rights decided on the basis of the eleventh, twelfth, thirteenth and fourteenth resolutions of the present Shareholders' Meeting, at the same price as the initial issuance and in the same time limits provided by the applicable legal and regulatory provisions on the day of the issuance (to date, within thirty days of the subscription and limited to 15% of the initial issuance), subject to the ceiling under which the issuance is decided;

2. **sets** at twenty-six (26) months as of the day of this Shareholders' Meeting the validity of this delegation of authority, on the understanding that as a result of said delegation, all other authority or delegation previously granted by a resolution of the same nature is obsolete;

3. **delegates** to the Board of Directors, with the possibility to sub-delegate, in accordance with applicable law and the bylaws, all the powers required to implement the present delegation of authority.

> *Sixteenth resolution – Delegation of authority to be granted to the Board of Directors in the event of issuance without preferential subscription rights of shares and/or securities giving access, immediately or in the future, to the Company's share capital, for the purpose of fixing the issuance price within the limit of 10% of the Company's share capital under the conditions adopted by the Shareholders' General Meeting*

The shareholders, under the conditions of quorum and majority required for Extraordinary General Meetings, having considered the Board of Directors' report and the statutory auditors' special report, and pursuant to the provisions of Article L. 225-136-1 of the French Commercial Code:

1. **authorizes** the Board of Directors, with faculty of sub-delegation in the conditions set out by law, subject to the adoption of the eleventh, twelfth, thirteenth and fourteenth resolutions voted on by the present Shareholders' Meeting, for each of the issuances decided on the basis of these resolutions, to waive the price conditions set out in this resolution and to set the issuance price in the matter hereafter, within the limit of 10% of the Company's legal capital per year (this percentage applies to capital adjusted for transactions occurring after the present Shareholders' Meeting):
   a. the issuance price for ordinary shares to be issued pursuant to this issuance or those which may give rights to securities to be issued hereunder, shall be, at the discretion of the Board of Directors, equal to (i) the average listed price over a maximum period of six months preceding the issuance or (ii) the average weighted market price on the day preceding the issuance (WVAP 1 day) with a maximum discount of 15%,
   b. the issuance price for the securities other than ordinary shares shall be that of the sums received immediately by the Company plus, where appropriate, the sum likely to be collected subsequently by the Company for each ordinary share issued as a consequence of the issuance of the securities, at least equal to the amount determined by the Board of Directors in paragraph "1.a." above;

2. **decides** that the maximum nominal amount for the Company's capital increases carried out based on this present resolution, either directly or upon presentation of securities, shall not exceed 10% of the Company's share capital for each 12-month period, or the counter-value of this amount, on the understanding that this amount shall be deducted from:
   (i) the shared global ceiling amount of €7 million referred to in paragraph "3.a. (i)" of the twelfth resolution of this Shareholders' Meeting or, when appropriate, to the global ceiling, if any, provided by a resolution of the same nature succeeding this resolution during the term of this delegation, on the understanding in any event that issuances of securities made in this framework are limited according to the legal provisions in force on the day of the issuance,
   (ii) the global nominal ceiling amount of €15 million referred to in paragraph "3.a. (i)" of the eleventh resolution of this Shareholders' Meeting, or if need be, to the possible amount, if any, provided by a resolution of the same nature succeeding this resolution during the validity of this delegation;

3. **decides** that the maximum nominal amount of bond securities giving right to receive shares of the Company or deemed equivalent financial instruments, likely to be issued on the basis of this resolution, shall be deducted from the global ceiling of €150 million referred to in "3.b.." of the eleventh resolution of this Shareholders' Meeting, or as the case may be, from the possible ceiling amount pursuant to a resolution of the same nature that may subsequently be made during the validity of the authorization; on the understanding that this amount shall be included in the nominal amount of bond securities;

4. **acknowledges** that the Board of Directors shall draft an additional report, certified by the statutory auditors, describing the final terms of the transaction and providing criteria for assessing the actual impact on the shareholder's situation;

5. **sets** at twenty-six (26) months as from the day of this Shareholders' Meeting the validity of this delegation, on the understanding that, as a result of this delegation, all other delegations of authority previously granted by a resolution of the same nature are obsolete;

6. **delegates** to the Board of Directors, with the possibility to sub-delegate, in accordance with applicable law and the bylaws, all the powers required to implement the present delegation of authority.

The Board of Directors may not, except by prior authorization of the Shareholders' General Meeting, make use of this delegation from the time of deposit by a third party of a public offer for the Company's securities, until the end of the offer period.

> *Seventeenth resolution – Delegation of powers to be granted to the Board of Directors for the purpose of proceeding with an increase of the Company's share capital in compensation for capital contributions in kind consisting of capital securities or securities giving access to the Company's share capital*

The Shareholders' General Meeting, under the conditions of quorum and majority required for Extraordinary General Meetings, having considered the Board of Directors' report and the statutory auditors' special report, and pursuant to the provisions of Article L. 225-147 of the French Commercial Code:

1. **authorizes** the Board of Directors, with faculty of sub-delegation in the conditions set out by law, the powers necessary for the purposes of carrying out, based on a report of the statutory auditors, a capital increase, within the limit of 10% of the share capital (this percentage being applied to capital as adjusted to take into account transactions occurring after the Shareholders' Meeting), by issuing ordinary shares and/or other securities giving access, immediately or in the future, at any time or on a determined date, to shares of the Company, as consideration for contributions in kind made to the Company in the form of shares or securities giving access to capital, when provisions of Article L. 225-148 of the French Commercial Code do not apply, and decides, where necessary, to remove, in favor of the holders of shares or securities which are contributed, the preferential subscription rights of the shareholders for shares and securities to be issued;

2. **decides** that the maximum nominal amount of the capital increase resulting from the issuance of new shares, either directly or by the presentation of securities, shall not exceed the €7 million ceiling, or the counter-value of this amount, on the understanding that such amount shall be deducted from:
   (i) the shared global ceiling amount of €7 million referred to in paragraph "3.a. (i)" of the eleventh resolution of the present Shareholders' Meeting or, when appropriate, to the global ceiling, if any, provided by a resolution of the same nature succeeding this resolution during the term of this delegation, on the understanding in any event that issuances of securities made in this framework are limited according to the legal provisions in force on the day of the issuance, and
   (ii) the global ceiling amount of €15 million referred to in paragraph "3.a. (i)" of the eleventh resolution, or if need be, the possible amount, if any, provided by a resolution of the same nature succeeding this resolution during the term of this delegation;

3. **decides** that the maximum nominal amount of bond securities giving right to receive shares of the Company or deemed equivalent financial instruments, likely to be issued on the basis of this resolution, shall be deducted from the global ceiling of €150 million referred to in "3.b.." of the eleventh resolution of this Shareholders' Meeting, or as the case may be, from the possible ceiling amount pursuant to a resolution of the same nature that may subsequently be made during the validity of the authorization; on the understanding that this amount shall be included in the nominal amount of bond securities;

4. **sets** at twenty-six (26) months as from the day of this Shareholders' Meeting the validity of this authorization, on the understanding that, as a result of this delegation, all other delegations of authority previously granted by a resolution of the same nature are obsolete;

5. **grants to** the Board of Directors, with faculty to sub-delegate, all powers necessary to carry out the above-mentioned issuance in accordance with the terms it will determine in compliance with the law, and notably:
   - to determine the form and the characteristics of the securities to be issued,
   - to make a decision on the valuation of contributions and special benefit grants, to determine the number of shares and/or other securities to be issued, the terms and conditions and, if applicable, the premium amount,
   - to suspend if need be the exercise of rights attached to these securities for a maximum time period of three months under the conditions and the limits provided by laws and regulations,
   - at its sole discretion, charging issuance fees to the premium amounts associated therewith and withholding from these sums the amount necessary to bring the legal reserve to a tenth of the capital as set after each increase,
   - to take all appropriate measures, execute all agreements, obtain all authorizations, and carry out all formalities necessary to ensure successful completion of issuance or to postpone such, including any capital increases resulting from any issuance performed pursuant to this present delegation, amend the bylaws, and request the listing of any securities issued as a result of the present delegation.

The Board of Directors may not, except by prior authorization of the Shareholders' General Meeting, make use of this delegation from the time of deposit by a third party of a public offer for the Company's securities, until the end of the offer period.

Eighteenth resolution – Delegation of authority granted to be granted to the Board of Directors for the purpose of increasing the share capital by capitalizing premiums, reserves, profits, or any other funds that may be capitalized

The Shareholders' General Meeting, under the conditions of quorum and majority required for Extraordinary General Meetings, having considered the Board of Directors' report and the statutory auditors' special report, and pursuant to the provisions of Articles L. 225-129, L. 225-129-2, and L. 225-130 of the French Commercial Code:

1. **authorizes** the Board of Directors, with faculty of sub-delegation in the conditions set out by law and the Company's bylaws, the powers necessary for the purposes of carrying out a capital increase, in one or several installments, in proportions and at times it deems appropriate through successive or simultaneous incorporation of premiums, reserves, profits, or other amounts which may be capitalized, in the form of distribution of free shares or the increase of the nominal value of the existing shares or the combination of these two methods;
2. **sets** at twenty-six (26) months as from the day of this Shareholders' Meeting the validity of this delegation, on the understanding that, as a result of this delegation, all other delegations of authority previously granted by a resolution of the same nature are obsolete;
3. **decides** that the maximum amount of capital increases that may potentially be realized shall not exceed the total amount of funds that may be incorporated nor a €7 million ceiling or the counter-value of this amount, on the understanding that this amount shall be included in the calculation of the €15 million ceiling mentioned in paragraph "3.a. (i)" of the eleventh resolution of this Shareholders' Meeting or, as the case may be, in the ceiling that may be established by a subsequent resolution that may be voted during the validity of this authorization;
4. **decides** that, in case of an increase in capital in the form of distribution of free shares and in accordance with Article L. 225-130 of the French Commercial Code, the rights to fractional shares shall not be negotiable and the corresponding securities shall be sold, with the stipulation that the proceeds of the sale shall be allocated to the holders of these rights under statutory conditions;
5. **grants** to the Board of Directors, with faculty to sub-delegate, all powers necessary to carry out the above-mentioned issuance in accordance with the terms it will determine in compliance with the law, and notably:
   - to determine the dates, methods, and other characteristics of the issuance,
   - to take all appropriate measures, execute all agreements, obtain all authorizations, and carry out all formalities necessary to ensure successful completion of issuance or to postpone such, including any capital increases resulting from any issuance performed pursuant to this present delegation, amend the bylaws, and request the listing of any securities issued as a result of the present delegation.

Nineteenth resolution – Delegation of authority to be granted to the Board of Directors for the purpose of proceeding with an increase of the share capital by the issuance of shares or securities giving access, immediately or in the future, to the Company's share capital, to compensate shares brought within the framework of a public exchange offer initiated by the Company

The Shareholders' General Meeting, under the conditions of quorum and majority required for Extraordinary General Meetings, having considered the Board of Directors' report and the statutory auditors' special report, in accordance with Articles L. 225-129, L. 225-148, and L. 228-91 of the French Commercial Code:

1. **authorizes** the Board of Directors, with faculty of sub-delegation in the conditions set out by law, to decide, in one or several installments, the issuance of ordinary shares and/or other securities giving access, immediately or in the future, at any time or on a determined date, by way of subscription, conversion, exchange, reimbursement, presentation of a warrant or any other manner, to ordinary shares in the Company, as consideration for shares that would be contributed within the framework of a public exchange offer initiated in France or abroad, in compliance with local rules, by the Company on its shares or the shares of another entity listed on a regulated market pursuant to Article L. 225-148 of the French Commercial Code (including of any other transactions with the same effect as a public exchange offer, initiated by the Company on its own shares or the shares of another entity whose shares are listed on a regulated market governed by foreign law, or deemed equivalent);
2. **sets** at twenty-six (26) months as from the day of this Shareholders' Meeting the validity of this delegation, on the understanding as a result of this delegation, all other delegations of authority previously granted by a resolution of the same nature are obsolete;
3. **decides** that the maximum amount of capital increase that may potentially be performed shall not exceed the €7 million nominal value ceiling, or the counter-value of this amount, on the understanding that such amount shall be deducted from:
   (i) the shared global ceiling amount of €7 million referred to in paragraph "3.a. (i)" of the twelfth resolution of the present Shareholders' Meeting or, when appropriate, to the global ceiling, if any, provided by a resolution of the same nature succeeding this resolution during the term of this delegation, on the understanding that these capital increases shall not be subject to issuance price rules set out in the eleventh resolution, as well as
   (ii) the global ceiling amount of €15 million referred to in paragraph "3.a. (i)" of the eleventh resolution or, if need be, to the possible amount, if any, provided by a resolution of the same nature succeeding this resolution during the term of this delegation;
4. **decides** that the maximum nominal amount of bond securities giving right to receive shares of the Company or deemed equivalent financial instruments, likely to be issued on the basis of this resolution, shall be deducted from the global ceiling of €150 million referred to in "3.b." of the eleventh resolution of this Shareholders' Meeting, or as the case may be, from the possible ceiling amount pursuant to a resolution of the same nature that may subsequently be made during the validity of the authorization; on the understanding that this amount shall be included in the nominal amount of bond securities;
5. **acknowledges** that the shareholders of the Company will not be entitled to preferential subscription rights to subscribe to shares and/or securities that would be issued under this delegation, the latter being solely issued as consideration for shares contributed within the framework of a public exchange offer initiated by the Company;
6. **acknowledges** that the price of the shares and/or securities that would be issued pursuant to this resolution shall be set in accordance with the laws and regulations concerning public exchange offers;
7. **grants** to the Board of Directors, with faculty to sub-delegate, all powers necessary to carry out the above-mentioned issuance in accordance with the terms it will determine in compliance with the law, and notably:
   - to determine the dates, methods, and other characteristics of the issuance,
   - at its sole discretion, charging issuance fees to the premium amounts associated therewith and withholding from these sums the amount necessary to bring the legal reserve to a tenth of the capital as set after each increase,
   - to take all appropriate measures, execute all agreements, obtain all authorizations, and carry out all formalities necessary to ensure successful completion of issuance or to postpone such, including any capital increases resulting from any issuance performed pursuant to this present delegation, amend the bylaws, and request the listing of any securities issued as a result of the present delegation.

> *Twentieth resolution – Delegation of authority to be granted to the Board of Directors for the purpose of proceeding with an increase of the share capital through shares or securities issuance restricted to employees subscribing to a company savings plan, with elimination of the preferential subscription rights in favor of them*

The Shareholders' General Meeting, under the conditions of quorum and majority required for Extraordinary General Meetings, having considered the Board of Directors' report and the statutory auditors' special report, in accordance with the provisions of Articles L. 225-129, L. 225-129-2 to L. 225-129-6, L. 225-138, L. 225-138-1, L. 228-91, and L. 228-92 of the French Commercial Code, and Articles L. 3332-18 et seq. of the French Labor Code:

1. **delegates** to the Board of Directors, with powers to sub delegate under the terms and conditions set by law, the power to carry out a capital increase, in one or several installments, of a maximum nominal amount of €500,000, through the issue of ordinary shares or securities giving right to shares reserved to members of one or more company savings plans (or other types of plan open to members who could, pursuant to Articles L. 3332-18 et seq. of the French Labor Code, benefit from the reserved capital increase under equivalent conditions) which will be put in place in the group constituted by the Company and the companies, French or otherwise, falling within the scope of the Company's consolidated accounts in application of Article L. 3344-1 of the French Labor Code, it being stated that (i) the maximum nominal amount of the capital increases to be potentially completed, immediately or in the longer term, through the issue of new shares pursuant to the present delegation will be deducted from the global cap of €15 million nominal value provided for at paragraph "3.a. (i)" of the eleventh resolution of the present Shareholders' Meeting, and (ii) from the maximum nominal amount of debt securities or assimilated securities conferring entitlement to shares in the Company that could be issued by virtue of the present delegation shall be deducted from the cap of €150 million nominal value provided for at paragraph "3.b." of the eleventh resolution of this Shareholders' Meeting, or, as relevant, from the amount of the cap potentially provided by a resolution of the same kind that may succeed said resolution during the period of validity of the present delegation;

2. **sets** at twenty-six (26) months as from the day of this Shareholders' Meeting the validity of this authorization, on the understanding that, as a result of this delegation, all other delegations of authority previously granted by a resolution of the same nature are obsolete;

3. **decides** that the issue price of new shares or securities conferring entitlement to shares will be determined under the terms and conditions provided by Articles L. 3332-18 et seq. of the French Labor Code and will at least be equal to 80% of the average listed price of the shares on the Paris Euronext market over the previous 20 trading sessions leading up to the date on which the decision was made to set the date for the opening of the subscription period for the capital increase reserved for members of a company savings plan (hereinafter the "Reference Price"); however, the Shareholders' General Meeting expressly authorizes the Board of Directors, if it should deem it to be appropriate, to reduce or withdraw the aforementioned discount, within the legal and regulatory limits, in order to take into account, in particular, the legal, accounting, tax and social regimes that apply on a local level;

4. **authorizes** the Board of Directors to allocate, free of charge, to the beneficiaries listed herein above, in addition to the cash subscription for shares or securities conferring entitlement to shares, shares or securities conferring entitlement to shares to be issued or already issued, as full or partial substitution for the discount as compared to the Reference Price and/or employer's contribution, it being acknowledged that the advantages arising out of this allotment may not exceed the legal or regulatory limits in application of Articles L. 3332-18 et seq. and L. 3332-11 et seq. of the French Labor Code;

5. **decides** to remove, for the benefit of the aforementioned beneficiaries, the preferential subscription rights of shareholders to shares and securities conferring entitlement to shares, the issue of which is the subject of this delegation of powers, said shareholders waiving, in case of a free-of-charge allotment to the aforementioned beneficiaries of shares and securities conferring entitlement to shares, all rights to said shares and securities conferring entitlement to shares, including that part of the reserves, profits or share premiums incorporated into the share capital, to the extent of the free-of-charge allotment of said shares made on the basis of the present resolution;

6. **authorizes** the Board of Directors, according to the terms and conditions of this delegation, to sell shares to members of a company savings plan as provided for in Article L. 3332-24 of the French Labor Code, it being stated that the sale of shares at a discount to members of one or more company savings plans provided for in the present resolution will be offset against the amount of the caps mentioned at paragraph 1 above, up to the nominal value of the shares thereby sold.

7. **decides** that the Board of Directors will be granted all powers in order to implement this delegation, with the power to sub-delegate, within the limits of and under the conditions set out herein, and in particular but not limited to:
   - to establish, in accordance with the law, the list of companies for which the members of one or more company savings plans may subscribe to the shares and securities conferring entitlement to shares thereby issued and benefit, where applicable, from the shares and securities conferring entitlement to shares allotted free-of-charge,
   - to decide that the subscriptions could be made directly by the beneficiaries, members of an employee savings plan, or through a company mutual fund or other structures or entities permitted under applicable legal or regulatory provisions,
   - to determine the conditions, in particular seniority, that the beneficiaries of capital increases provided for in the present delegation must meet,
   - to set subscription opening and closing dates,
   - to set the amount of the capital increases that will be completed by virtue of the present delegation of powers and in particular,
   - to set the issue price, dates, periods, procedures and conditions of subscription, payment, delivery and enjoyment of shares (even retroactive), downsizing rules to be applied in case of over subscription, and all other terms and conditions for the issue, within the applicable legal and regulatory limits,
   - in case of free-of-charge allotment of shares or securities conferring entitlement to shares, to determine the nature, the characteristics and the number of shares or securities conferring entitlement to shares to be issued, the number to be allotted to each beneficiary, and to determine the dates, periods, terms and conditions for the allotment of these shares or securities conferring entitlement to shares, within the applicable legal and regulatory limits and in particular to choose either to fully or partially substitute the allotment of these shares or securities conferring entitlement to shares for a discount to the Reference Price provided for herein, or to charge the equivalent value of these shares against the total amount of the employer's contribution, or to combine these two possibilities,
   - in the event of issue of new shares being allotted free-of-charge, where applicable, to charge the sums necessary to pay up said shares against reserves, profits or share premiums,
   - to acknowledge completion of capital increases with the number of subscribed shares (after reductions in the event of over subscription),
   - where applicable, to charge the costs of the capital increase against the amount of related premiums, and take from this amount the sums necessary to bring the legal reserves to one-tenth of the new share capital resulting from these share capital increases,
   - to enter into any agreements, to carry out all operations directly or indirectly through an agent, including completing all necessary formalities further to the capital increases and the corresponding amendments to the bylaws, and, generally, to enter into any agreement, in particular to ensure the successful conclusion of the planned issues, to take all measures and decisions, and to carry out all formalities appropriate for the issue, admission to trading and financial servicing of the shares issued by virtue of the present delegation, as well as the exercise of the rights attaching thereto or resulting from the completed capital increases.

Twenty-first resolution – Authorization for the Board of Directors to cancel, if necessary, the Company's own treasury shares up to a maximum of 10%

The Shareholders' General Meeting, under the conditions of quorum and majority required for Extraordinary General Meetings, having considered the Board of Directors' report and the statutory auditors' special report, authorizes the Board of Directors, in accordance with the provisions of Article L. 225-209 of the French Commercial Code, to cancel the company's treasury shares acquired by it within the framework of the authorization granted by the shareholders and in accordance with Article L. 225-209 of the French Commercial Code as follows:

- the Board of Directors is authorized to cancel, upon its sole decision, in one or several occasions, all or part of the Company's treasury shares acquired by it by virtue of share buy-back plans within the limit of 10% of the Company's capital over a period of 24 months as of this Shareholders' Meeting, and to decrease the company's capital accordingly;
- the difference between the purchase price of the shares and their nominal value shall be offset against issuance premiums and, if need be, the legal reserve up to 10% of the canceled capital.

This authorization is valid from the date of this Shareholders' Meeting and shall expire on the date on which the Shareholders' General Meeting shall be convened to approve the accounts of the fiscal year ending on 31 March 2018.

This authorization is granted to the Board of Directors, with the power to sub-delegate, in order to carry out any act, formality, or declaration with a view to cancel the shares acquired and decrease the company's capital, as well as amend the bylaws as necessary.

Twenty-second resolution – Authorization for the Board of Directors to proceed with the allocation of free shares

The Shareholders' General Meeting, under the conditions of quorum and majority required for Extraordinary General Meetings, having considered the Board of Directors' report and the statutory auditors' special report:

1. **authorizes** the Board of Directors, pursuant to Articles L. 225-197-1 to L. 225-197-6 of the French Commercial Code, to proceed, once or on several occasions, with the allocation of new or existing free shares of the Company, in favor of the beneficiaries or categories of beneficiaries it shall designate among (i) the Company's employees, as well as among the employees of associated companies within the meaning of Article L. 225-197-2 of the French Commercial Code, and (ii) the officers of the Company or the officers of associated companies meeting the conditions of Article L. 225-197-1, II of the said Code, in the conditions set out below;
2. **decides** that the total number of free shares granted pursuant to this resolution shall not exceed more than 5% of the number of shares composing the share capital of the Company on the date of the allocation decision by the Board of Directors;
3. **decides** that the allocation of the Company's shares to their beneficiaries will be definitive at the end of a vesting period that the Board of Directors shall determine;
4. **decides** that the Board of Directors may set a condition of presence of the beneficiaries in the Group;
5. **decides** that the Board of Directors may also impose an obligation for the beneficiaries to hold the Company's shares for a certain period of time (holding period);
6. **decides** that the allocation of free shares granted to officers shall be subject to the achievement by the Group of performance conditions that will be determined by the Board of Directors;
7. **decides** that in the event that a beneficiary is classified as having a disability in the second or third category referred to in Article L. 341-4 of the French Social Security Code, the free shares shall vest immediately, and that in the event the beneficiary dies, his/her heirs will be allowed to require immediate vesting within six months following the death;
8. **decides** that existing shares that may be granted under this resolution shall be acquired by the Company, either within the framework of the provisions of Article L. 225-208 of the French Commercial Code, or as the case may be, within the framework of a share buy-back program in line with the provisions of Article L. 225-209 of the French Commercial Code;
9. **acknowledges** that, in case of free allocation of new shares, the present authorization entails, for each time the free shares will be vested, the revocation by the shareholders of their preferential subscription rights in favor of the beneficiaries of such free new shares. The corresponding share capital increase(s) may be carried out by incorporation of reserves, profits or share issue premiums, in favor of the beneficiaries of such free new shares;
10. **grants,** within the limits set out above, to the Board of Directors, with faculty to sub-delegate in the conditions of the law, all powers necessary to implement this authorization and notably in order to:
    - determine whether the free shares to be issued are existing shares or are shares to be issued,
    - determine the number of shares granted to each beneficiary that it will have chosen,
    - set the conditions and, as the case may be, the criteria to grant the shares, notably the minimum vesting period and, as the case may be, the duration of the holding period,
    - increase, as the case may be, capital through incorporation of reserves, profits, or share issue premiums, to proceed with the issuance of freely-granted shares,
    - grant shares to people referred to in the first paragraph of item II of Article L. 225-197-1 of the French Commercial Code subject to the conditions set out in Article L. 225-197-6 of the French Commercial Code. For such shares, the Board of Directors (i) shall decide that the free shares granted cannot be sold by the beneficiaries before the end of their involvement with the Company, or (ii) shall determine the minimum number of free shares that the beneficiaries must hold as registered shares until the end of their involvement with the Company,
    - schedule, as the case may be, the possibility to delay the definitive allocation dates of shares and, for the same period, the end of the holding period of such shares (such that the minimum holding period remains unchanged),
    - adjust, as the case may be, the number of free shares that shall be allocated in order to maintain the beneficiaries' rights, depending on potential transactions involving the capital of the Company in the conditions set out by the applicable regulations, notably tax regulations. It is specified that shares granted within the framework of these adjustments shall be considered as having been granted on the same day as those initially granted,
    - determine dates and modalities to allocate the free shares, and generally do what is appropriate and execute all agreements to successfully proceed with the contemplated allocations.

The Board of Directors will be allowed to implement any other new legal provisions that will come into force during the validity of this resolution and whose implementation would not require an express vote from the Shareholders' General Meeting; and

11. **sets** at twenty-four (24) months as from the day of the Shareholders' Meeting the validity of this authorization, on the understanding that this delegation cancels and supersedes all other authorizations previously granted by a resolution of the same nature.

Twenty-third resolution – Amendment of the Company's bylaws

The Shareholders' General Meeting, under the conditions of quorum and majority required for Extraordinary General Meetings, having considered the Board of Directors' report and the draft of amended Company's bylaw, approves, article by article, the provisions of the said amended Company's bylaws, and these latter as a whole.

The Shareholders' General Meeting grants all powers to the Board of Directors, with the power to sub-delegate pursuant to the legal conditions, in order notably to carry out any formality required by law and regulations to publicly disseminate the amended Company's bylaws.

Twenty-fourth resolution – Delegation of authority to be granted to the Board of Directors for the purpose of bringing the bylaws into line with new statutory and regulatory provisions pursuant to Article L. 225-36 of the French Commercial Code

The Shareholders' General Meeting, under the conditions of quorum and majority required for Extraordinary General Meetings, having considered the Board of Directors' report, and pursuant to the provisions of Article L. 225-36 of the French Commercial Code:

1. **delegates** to the Board of Directors, with the power to sub-delegate pursuant to the legal conditions, its authority to make the necessary amendments to the Company's bylaws to bring them into line with the laws and regulations, subject to ratification by the next shareholders' Extraordinary General Meeting;
2. **grants** all powers to the Board of Directors to implement this delegation, with the power to sub-delegate pursuant to the legal conditions, within the limits and under the conditions specified above, and in particular to undertake all formalities required by the law and regulations;
3. **sets** at twelve (12) months as from the day of this Shareholders' Meeting, the validity of this authorization, which will expire on the day of the Shareholders' General Meeting called to vote on the accounts of the fiscal year ending on 31 March 2018, on the understanding that this delegation cancels and supersedes all other delegations of authority previously granted by a resolution of the same nature.

Twenty-fifth resolution – Rectification of a clerical error appearing in the fifteenth resolution adopted by the Ordinary and Extraordinary Shareholders' General Meeting held on 11 April 2016 (on first convocation) and on 29 April 2016 (on second convocation)

The Shareholders' General Meeting, under the conditions of quorum and majority required for Extraordinary Shareholders' General Meetings, having considered the report of the Board of the Directors:

1. **acknowledges** that the fourth and eleventh paragraphs of the fifteenth resolution of the Ordinary and Extraordinary General Meeting held on 11 April 2016 concerning the implementation of a "long term incentive plan for some employees and corporate officers" contain a clerical error on the timetable established for the conversion of the preferential shares by making reference to the "Conversion Date" instead of the "Conversion decision";

1. **decides** that this clerical error must be rectified and that the fourth and the eleventh paragraphs of the fifteenth resolution of the Ordinary and Extraordinary General Meeting held on 11 April 2016 must be read as follows (the clerical error rectification is shown in bold font style within the below italic wording):

   "4. decide that the existing preferential shares at the Conversion Date shall be converted into ordinary shares depending on the realization of objectives based on the following criteria:
   - *the average of the consolidated EBITDA levels of the Group (as a result of the consolidated accounts of the Group according to IFRS rules) for the fiscal years ending on 31 March 2018 and on 31 March 2019,*
   - *the weighted average of the market prices volumes of the Company ordinary shares during the thirty (30) trading days following the publication date of the annual consolidated accounts of the Group for the fiscal year ending on 31 March 2019;*

after the expiry of a 3-year period starting from the allocation of the preferential shares by the Board of Directors, without prior request from the holder (the "Conversion Date"). It is specified that the Conversion Date will be set by the Board of Directors, and that the period between the allocation date and the Conversion Date cannot, in any case, be more than 4 years, and that the Conversion ***decision*** *shall in any case occur within 30 calendar days after the Annual General Meeting called to approve the accounts of the fiscal year ending on 31 March 2019;"*

"11. therefore, decide that, subject to the allocation of free preferential shares by the Board of Directors, Articles 4, 7, 9, 10 and 25 of the Company's bylaws shall be amended as follows, at the date of allocation of the preferential shares by the Board of Directors:

[…]

10.4 – Conversion of the free preferential shares (provided that the conversion conditions are fulfilled)

Subject to the realization of the following conditions, existing preferential shares shall be automatically converted into a variable number of ordinary shares in accordance with the rules described in this article and after the expiry of a 3-year period starting from the allocation of the preferential shares by the Board of Directors, without prior request from the holder (the "Conversion Date"), being specified that the Conversion Date will be set by the Board of Directors, and that the period between the allocation date and the Conversion Date cannot, in any case, be more than 4 years, and that the Conversion ***decision*** *shall occur within 30 calendar days after the Annual General Meeting called to approve the accounts of the fiscal year ending on 31 March 2019;*

[…]"

Twenty-sixth resolution – Acknowledgement of the restoration of the net equity which amounts to more than half of the share capital, in accordance with Article L. 225-248 of the French Commercial Code

The Shareholders' General Meeting, under the conditions of quorum and majority required for Extraordinary General Meetings, and pursuant to Article L. 225-248 of the French Commercial Code, acknowledges, after appropriation of the Company's profit for the fiscal year ended on 31 March 2017, as per the third resolution of this Shareholders' Meeting, that over the course of the fiscal year ended on 31 March 2017, the Company's net equity has been restored and amounts to, as of 31 March 2017, more than half of the share capital.

Twenty-seventh resolution – Powers for formalities

The Shareholders' General Meeting decides, under the conditions of quorum and majority required for Extraordinary General Meetings, to grant all powers to the bearer of an original, a copy, or an excerpt of the minutes of this Shareholders' Meeting for the purpose of carrying out all formalities required by law and/or by regulations.

Board of Directors' report to the Ordinary and Extraordinary Shareholders' General Meeting of 26 July 2017

Dear Shareholders,

You have been convened to an Ordinary and Extraordinary General Meeting in order to decide on the following resolutions:

Resolutions of the competence of the Ordinary Shareholders' General Meeting:

First resolution:	Approval of the statutory financial statements for the fiscal year ended on 31 March 2017
Second resolution:	Approval of the consolidated financial statements for the fiscal year ended on 31 March 2017
Third resolution:	Appropriation of net income for the fiscal year ended on 31 March 2017
Fourth resolution:	Approval of related-party agreements
Fifth resolution:	Appointment of Ms Victoire de Margerie as a new Director
Sixth resolution:	Renewal of Mr Doulas Dunn's directorship
Seventh resolution:	Consultative vote on the compensation owed and paid to the Chairman of the Board of Directors and Chief Executive Officer, Mr Paul Boudre, for the fiscal year ended on 31 March 2017
Eighth resolution:	Approval of the compensation policy for corporate officers for the current fiscal year ending on 31 March 2018
Ninth resolution:	Determination of the directors' fees
Tenth resolution:	Authorization for the Board of Directors to carry out transactions on the Company's shares

Resolutions of the competence of the Extraordinary Shareholders' General Meeting:

Eleventh resolution:	Delegation of authority to be granted to the Board of Directors for the purpose of proceeding with a capital increase by way of the issuance of shares and/or securities giving access to the Company's share capital, with preferential subscription rights, immediately or in the future
Twelfth resolution:	Delegation of authority to be granted to the Board of Directors for the purpose of proceeding with a capital increase by way of the issuance of shares and/or securities giving access to the Company's share capital, without preferential subscription rights, immediately or in the future
Thirteenth resolution:	Delegation of authority to be granted to the Board of Directors for the purpose of issuing shares and/or any securities giving access to the Company's share capital to categories of persons meeting defined requirements, without the shareholders' preferential subscription rights, immediately or in the future
Fourteenth resolution:	Delegation of authority to be granted to the Board of Directors in order to issue, by an offer set out at Article L. 411-2 II of the French Monetary and Financial Code (Code monétaire et financier), shares and/or securities giving access, immediately or in the future, to the Company's share capital, without the shareholders' preferential subscription rights
Fifteenth resolution:	Delegation of authority to be granted to the Board of Directors for the purpose of increasing the issuance amount with or without preferential subscription rights, within the limit of 15% of the initial issuance
Sixteenth resolution:	Delegation of authority to be granted to the Board of Directors in the event of issuance, without preferential subscription rights, of shares and/or securities giving access, immediately or in the future, to the Company's share capital, for the purpose of fixing the issuance price within the limit of 10% of the Company's share capital under the conditions adopted by the Shareholders' General Meeting
Seventeenth resolution:	Delegation of powers to be granted to the Board of Directors for the purpose of proceeding with an increase of the Company's share capital in compensation for capital contributions in kind consisting of capital securities or securities giving access to the Company's share capital
Eighteenth resolution:	Delegation of authority to be granted to the Board of Directors for the purpose of increasing the share capital by capitalizing premiums, reserves, profits, or any other funds that may be capitalized
Nineteenth resolution:	Delegation of authority to be granted to the Board of Directors for the purpose of proceeding with an increase of the share capital by the issuance of shares or securities giving access, immediately or in the future, to the Company's share capital, to compensate shares brought within the framework of a public exchange offer initiated by the Company
Twentieth resolution:	Delegation of authority to be granted to the Board of Directors for the purpose of proceeding with an increase of the share capital through shares or securities issuance restricted to employees subscribing to a company savings plan, with elimination of the preferential subscription rights in favor of them
Twenty-first resolution:	Authorization for the Board of Directors to cancel, if necessary, the Company's own treasury shares up to a maximum of 10%
Twenty-second resolution:	Authorization for the Board of Directors to proceed with the allocation of free shares
Twenty-third resolution:	Amendment of the Company's bylaws
Twenty-fourth resolution:	Delegation of authority to be granted to the Board of Directors for the purpose of bringing the bylaws into line with the new laws and regulations in accordance with Article L. 225-36 of the French Commercial Code
Twenty-fifth resolution:	Rectification of a clerical error appearing in the fifteenth resolution adopted by the Ordinary and Extraordinary Shareholders' General Meeting held on 11 April 2016 (on first convocation) and on 29 April 2016 (on second convocation)
Twenty-sixth resolution:	Acknowledgement of the restoration of the net equity which amounts to more than half of the share capital, in accordance with Article L. 225-248 of the French Commercial Code
Twenty-seventh resolution:	Powers for formalities

I. State of Company affairs since the beginning of the current fiscal year

In accordance with regulatory provisions, the description of the state of the affairs of Soitec (the "Company") since the beginninh of the current fiscal year can be found in the management report for the fiscal year 2016-2017 included in our Reference Document for the fiscal year 2016-2017, filed with the French Autorité des Marchés Financiers on 4 July 2017 under number D.17-0720 (the "Reference Document").

II. Resolutions for the Ordinary Shareholders' General Meeting

The resolutions submitted to your vote this year in the ordinary session of the General Meeting cover the approval of the statutory and consolidated financial statements for the fiscal year ended on 31 March 2017 (resolutions 1 and 2), the appropriation of the net income (resolution 3), the approval of related-party agreements (resolution 4), the appointment of Ms Victoire de Margerie, set to take over from Mr Joseph Martin whose directorship is to expire, and who has expressed his wish not to being re-appointed (resolution 5), the renewal of Mr Doug Dunn's directorship (resolution 6), a consultative vote on the compensation owed and paid to the Chairman and Chief Executive Officer for the fiscal year ended on 31 March 2017 (resolution 7), the approval of the compensation policy for corporate officers for the current fiscal year ending on 31 March 2018 (resolution 8), and the renewal of our share buy-back program (resolution 9).

> *First resolution: Approval of the statutory financial statements for the fiscal year ended on 31 March 2017*

The Ordinary Shareholders' General Meeting will be asked to approve the statutory financial statements of the Company for the fiscal year ended 31 March 2017, which show a turnover of €238,222,799.69 and a profit of €20,348,131.75, and also to approve an overall global amount of non-deductible expenditures and charges subject to corporate tax amounting to €111,385.50 for the year.

> *Second resolution: Approval of the consolidated financial statements for the fiscal year ended on 31 March 2017*

The Ordinary Shareholders' General Meeting will be asked to approve the annual consolidated financial statements for the fiscal year ended 31 March 2017, which show a turnover of €245,710,000, and a net profit, Group share of €8,375,000.

> *Third resolution: Appropriation of net income for the fiscal year ended on 31 March 2017*

The Ordinary Shareholders' General Meeting will be asked to allocate the profit for the fiscal year ended 31 March 2017 which amounts to €20,348,131.75, to the carry-forward account, which would then go from -€885,450,402.61 to -€865,102,270.86.

> *Fourth resolution: Approval of related-party agreements*

A special report from the statutory auditors regarding the related-party agreements as defined in Article L. 225-38 of the French Commercial Code is provided in Chapter 19 of the Reference Document.

In accordance with applicable laws, the Board of Directors asks you to review the information provided in this report and to approve its findings, pursuant to the provisions of Article L. 225-40 of the French Commercial Code.

We inform you that no new related-party agreement has been entered into during fiscal year ended on 31 March 2017.

You will also acknowledge that the examination of the implementation of the compensation package of the Chairman and CEO for the fiscal year ended on 2016-2017 has been done in accordance with the process of Articles L. 225-38 et seq. of the French Commercial Code, as per the provisions of Article L. 225-42-1 of the French Commercial Code. Indeed, as indicated within our Reference Document, the Chairman and CEO being a Board member, he has not been involved in the discussions concerning his compensation for the fiscal year 2016-2017, and has abstained from voting on these questions.

Moreover, during fiscal year ended on 31 March 2017:

- the execution of the shareholders' agreement signed between our Company and its three strategic investors, i.e. Bpifrance Participations, CEA Investissement and National Silicon Industry Groupe/NSIG Sunrise S.à.r.l., already authorized by the Board of Directors on 3 March 2016, has been continued during the entire fiscal year;
- the execution of the shareholder's advances agreement up to €15 million signed between our Company and Bpifrance Participations on 29 April 2015, already authorized by our Board of Directors on 20 April 2015, for the purpose of financing the Company's corporate needs and operating expenses, secured by guarantees, has been continued during a part of the fiscal year. This financing has totally been repaid by our Company during the fiscal year (i) by repayment and (ii) by set-off with the subscription made by Bpifrance Participations to the share capital increase with preferential subscription rights dated 8 June 2016;
- the execution of the financing agreement up to €9 million signed between our Company and CEA Investissement on 29 April 2015, already authorized by our Board of Directors on 20 April 2015, for the purpose of financing the Company's corporate needs and operating expenses, secured by guarantees, has been continued during a part of the fiscal year. This financing has totally been repaid by our Company during the fiscal year by set-off with the subscription made by CEA Investissement to the share capital increase with preferential subscription rights dated 8 June 2016;
- the execution of the financing agreement up to €30 million available in several tranches (including two tranches of a maximum amount of USD 17 million in favor of our affiliate Soitec USA, Inc., and the third tranche in favor of our Company) signed between our Company, our affiliate Soitec USA Inc. and Shin-Etsu Handotaï Europe, Ltd. on 29 April 2015, already authorized by our Board of Directors on 20 April 2015, for the purpose of financing the Company's and its affiliate Soitec USA Inc.'s corporate needs and operating expenses, secured by guarantees, has been continued during a part of the fiscal year. This financing has totally been repaid on 25 May 2016;
- during its meeting held on 11 September 2015, the Board of Directors has authorized the execution by the Company of a key-man insurance policy with respect to its Chairman and Chief Executive Officer, Mr Paul Boudre. This insurance would be subscribed in favor of two beneficiaries, the Company and Mr Paul Boudre's family. It would offer coverage of €1 million to each of the two beneficiaries. As of today, some subscription requests have been made, but the said insurance policy has not taken effect yet.

> *Fifth resolution: Appointment of Ms Victoire de Margerie as a new Director*

Pursuant to the recommendation of the Compensation and Appointments Committee dated 2 May 2017, in the frame of its project to dissociate the duties of Chairman of the Board of Directors of the Company of those of General Manager (CEO) of the Company, the Board of Directors proposes to appoint Ms Victoire de Margerie as a director of the Company, for a period of three years, i.e. until the close of the Ordinary Shareholders' General Meeting to be held in 2020 to decide on the financial statements of the fiscal year ending on 31 March 2020.

Ms Victoire de Margerie's appointment as new Director of the Company would be effective as of the date of your General Meeting.

If your General Meeting casts a positive vote on Ms Victoire de Margerie's appointment as new Director of the Company, she would be elected as new Chairperson of the Company's Board of Directors during its very next meeting that will be convened the same day as your General Meeting. It is specified that during its meeting dated 2 May 2017, the Board of Directors has issued a positive vote with respect to Ms Victoire de Margerie's appointment as new Chairperson of the Board of Directors, subject to her prior appointment as Director by your General Meeting.

Ms Victoire de Margerie is a senior executive well-known in the industry. She has a significant career background as executive officer in France, Germany, and the USA, in the chemistry (Atochem, today Arkema) and packaging (Carnaud Metal Box, today Crown Cork & Seal, and Pechiney, today Rio Tinto Alcan) industries. She was also a Professor in strategy at Grenoble Ecole de Management.

Today, Ms Victoire de Margerie chairs and is the main shareholder of Rondol Industrie, and is Vice-Chairman of the World Materials Forum that annually groups the worldwide high executive officers of the materials industry and their applications (aeronautics, automotive, electronics, packaging and construction). She is also currently member of the Supervisory Board of Eurazeo and director of Arkema and of the British engineering services company Babcock International.

Ms de Margerie is graduated from *HEC* and *Sciences Po Paris* and Ph.D. in Management Sciences gained at Paris 1 University.

Ms Victoire de Margerie would take over from Mr Joseph Martin whose term of office is to expire at the end of your General Meeting, and who has expressed his wish not to being re-appointed.

Please note that if your approve of the appointment of Ms Victoire de Margerie as a new director of the Company, her appointment would bring the number of women sitting on the Company's Board of Directors to 6 out of a total of 13 directors, i.e. a 46.15% rate, compliant with the provisions of Article L. 225-18-1 of the French Commercial Code created by law no. 2011-103 dated 27 January 2011 relating to the balanced gender representation within Boards of Directors and Supervisory Boards and to professional equality, known as Copé-Zimmermann Act.

> Sixth resolution: Renewal of Mr Douglas Dunn's directorship

The directorship of Mr Douglas Dunn, who also chairs the Board of Directors' Strategic Committee, has expired.

Pursuant to the recommendation of the Compensation and Appointments Committee, the Board of Directors proposes that you renew Mr Douglas Dunn's term as a director of the Company for a period of three years, i.e. until the close of the Ordinary Shareholders' General Meeting to be held in 2020 to decide on the financial statements of the fiscal year ending on 31 March 2020.

> Seventh resolution: Consultative vote on the compensation owed and paid to the Chairman of the Board of Directors and Chief Executive Officer, Mr. Paul Boudre, for the fiscal year ended on 31 March 2017

In accordance with the recommendations of paragraph 26 of the AFEP-MEDEF Code, as revised in November 2016, to which the Company refers in application of Article L. 225-37 of the French Commercial Code, shareholders are invited to cast a consultative vote on the following compensation items paid to the Company's Chairman and Chief Executive Officer for the past fiscal year:

- fixed part;
- annual and/or multi-annual variable part, as well as the targets used in determining such variable part;
- exceptional compensations;
- stock options, performance shares, or any long-term compensation mechanism;
- indemnities related to the taking up or cessation of his duties;
- supplemental retirement scheme;
- benefits of any kind.

Through the vote of the 7th resolution, we invite you to cast a favorable vote on the compensation package owed or paid in respect of the fiscal year 2016-2017 to Mr Paul Boudre, the Company's Chairman & Chief Executive Officer, as described in Chapter 15.1.3. of our 2016-2017 Reference Document.

> Eighth resolution: Approval of the compensation policy for corporate officers for the current fiscal year ending 31 March 2018

Pursuant to Article L. 225-37-2 of the French Commercial Code, the Board of Directors submits for the approval of the Shareholders' General Meeting the principles and criteria for the determination, distribution and allocation of the fixed, variable and exceptional parts making up the total compensation and benefits of any kind attributable to the Company's corporate officers in return for the performance of their duties during the current fiscal year ending on 31 March 2018 and constituting their compensation policy.

These principles and criteria adopted by the Board of Directors on 14 June 2017, upon recommendation of the Compensation and Appointments Committee held on 10 June 2017 and on 14 June 2017, are detailed in Chapter 15.1.3. of our Reference Document and are as follows:

- with respect to Mr Paul Boudre:
  For his duties as Chief Executive Officer, his compensation would be made up of the following items: (i) a fixed annual compensation of €450,000 (this amount corresponds to the fixed compensation paid to the Company's CEO since 2010), payable in 12 monthly installments during the course of the fiscal year, (ii) a variable annual compensation based on various objectives, to be awarded after fiscal year-end, (iii) a part of a long-term management incentive plan giving access to the Company's share capital by way of preference shares, with performance conditions.
  As in the two previous fiscal years (2015-2016 and 2016-2017), the variable part of Mr Paul Boudre's compensation for the 2017-2018 fiscal year could range from 0% to 150% of the fixed part.
  Reaching target objectives set by the Board of Directors upon recommendation of the Compensation and Appointments Committee would entitle to a variable part corresponding to 100% of the fixed part, being specified that the budgetary commitments correspond to 90% of the target financial criteria (as in the previous fiscal year). Exceeding target objectives may be taken into account for up to 150%.
  The variable part of Mr Paul Boudre's compensation would be calculated in accordance with reaching objectives, all measurable:
  - financial objectives representing 75% of all the objectives applicable to the variable part: revenue sales, EBITDA level in absolute terms, cash level and selling, general and administrative (SG&A) expenses level would be measured at 2017-2018 year-end,
  - strategic objectives, representing 25% of all the objectives applicable to the variable part: the achievement during 2017-2018 fiscal year of some contributions identified as primary growth levers for the Company would be measured.

  The amount of compensation paid would be calculated on a gross basis.
  Moreover, Mr Paul Boudre would have benefits in kind including a car and a voluntary insurance policy against employment loss, as well as complementary retirement schemes of same nature as those in already existing during the past fiscal year.
  Finally, it is reminded that Mr Paul Boudre would neither receive any of the Company's directors' fees, nor any additional compensation or directors' fees from any company under the Company's control.
  For sake of clarity, it is specified that Mr Paul Boudre's duties as Chairman of the Board of Directors would not give right to any additional compensation;
- with respect to the Chairperson of the Board of Directors:
  Firstly, it is reminded that if the Company's shareholders who will meet at an Ordinary and Extraordinary General Meeting on 26 July 2017 cast a positive vote on Victoire de Margerie's appointment as new director of the Company, she would be appointed as Chairperson of the Company's Board of Directors at its very next meeting that should be held on the same day as your General Meeting.
  In such a case, for her duties as Chairperson of the Board of Directors, Ms Victoire de Margerie would receive a €50,000 gross annual compensation made up of directors' fees, calculated on a pro-rate basis depending on the date on which her office will take effect during the fiscal year.

Moreover, Ms Victoire de Margerie would be eligible to the payment of directors' fees for her participation to the Board of Directors' meetings and, as the case may be, for her potential participation as member and/or Chairperson of the committees, under the same conditions as the Company's directors other than Mr Paul Boudre.

Pursuant to Article L. 225-100 of the French Commercial Code, the amounts resulting from the implementation of these principles and criteria will be submitted to the shareholders for approval at their General Meeting to be held to approve the financial statements for the fiscal year ending on 31 March 2018.

We propose that you approve the principles and criteria for the compensation of the corporate officers as set out above.

> Ninth resolution: Determination of the directors' fees

We remind you that the Shareholders' General Meeting held on 20 January 2012 set the directors' fees ceiling at €450,000, starting from 1 April 2011 and applicable until a new decision of the Shareholders' General Meeting.

Despite the increase of the number of directors that occurred in April and May 2016 (from 7 to 13 members within the Board of Directors), no increase of the directors' fees has been submitted to the shareholders' vote on 25 July 2016.

In consideration of its project to dissociate the duties of Chairman of the Board of Directors of the Company of those of General Manager (CEO) of the Company, the Board of Directors proposes to set to €500,000 the annual directors' fees amount for the fiscal year started on 1 April 2017. This decision would be maintained until a new decision of your General Meeting.

We would also propose to acknowledge that the sums owed by the Company for the *forfait social* and the potential part of social contributions linked to the payment of the directors' fees will not be included in the said €500,000 envelope, and will then be borne by the Company on top.

> Tenth resolution: Authorization for the Board of Directors to carry out transactions on the Company's shares

The Shareholders' Ordinary and Extraordinary General Meeting held on 25 July 2016, in its fourteenth resolution, has authorized the Board of Directors to acquire shares in the Company under the conditions provided for under Article L. 225-209 of the French Commercial Code and under European Regulation No. 2273/2003 of 22 December 2003, implementing European directive 2003/6/EC of 28 January 2003. The acquisition of shares may be carried out in one or several times, at any time determined by the Board, within the limit of 5% of the number of shares making up the Company's share capital.

The main terms and conditions of the share buyback program approved by the Shareholders' General Meeting of 25 July 2016 can be found in Chapter 21 of our Reference Document.

Between 25 July 2016 and 31 March 2017, the Company has carried out the following transactions in the frame of the said buyback program:

- on 10 January 2017, transfer of 5 (*) treasury shares to an OCEANEs holder who had converted 4 OCEANEs on 28 December 2016 (according to the then-applicable conversion ratio);
- on 6 February 2017, purchase of 12 (*) treasury shares in the frame of the Company's reverse stock split operations.

It is specified that the above information followed by the sign (*) is to be understood as before the Company's reverse stock split effective 8 February 2017.

In the frame of this General Meeting, you will be asked to grant a new authorization to the Board of Directors, in accordance with the provisions of Article L. 225-209 of the French Commercial Code, for a period expiring on the date of the Shareholders' Meeting to be convened to approve the financial statements of the fiscal year ending on 31 March 2018, which would cancel and supersede the authorization granted in 2016.

This new share repurchase program shall be for the purposes of:

- ensuring liquidity and making a market on the secondary share market of the Company through an investment service provider acting independently in the framework of a liquidity agreement which complies with the French *AMAFI* ethical charter acknowledged by the French *Autorité des Marchés Financiers;* or
- the allocation or sale of shares to employees or former employees and/or corporate officers or former corporate officers of the Company and/or companies that are or will be linked to it under the conditions and terms provided by applicable law, notably with respect to the framework of options plans, free allocation of existing shares or company savings plans; or
- the retention and deferred award of shares (in exchange, as payment or other) for external growth operations, on the understanding that the maximum amount of shares acquired with a view to their retention and subsequent award as payment or in exchange for merger, demerger or capital contribution operations may not exceed 3% of the capital; or
- hedging securities giving rights to shares of the Company upon exercise of rights attached to securities, giving rights to the attribution of Company shares through redemption, conversion, exchange, presentation of bonds, or any other means; or
- subject to adoption of the twenty-first resolution, to subsequently cancel, in whole or in part, the shares thus bought in under the conditions provided in Article L. 225-209 of the French Commercial Code; or
- to implement any other permitted market practice or which is allowed by the market authorities; or
- to operate in any other authorized purpose or which may afterwards be authorized by law or regulations in force subject to the shareholders of the Company being informed through a press release.

The share purchase may involve a number of shares, such as:

- the number of shares acquired during the term or the repurchase program may not exceed, at any time, 2% of the shares comprising the share capital of the Company. This percentage applies to the capital adjusted according to these operations occurring after the present meeting, provided that in the event the shares are purchased with a liquidity contract, the number of shares taken into account for calculating the 2% limit is the number of shares purchased less the number of shares sold during the authorization period;
- the number of shares which the Company holds at any time shall not exceed 10% of shares making up the Company's share capital, where said percentage applies to capital adjusted according to operations affecting it after this Shareholders' Meeting.

The purchase of shares may be made on one or more occasions, by any means, on a regulated market, a multilateral trading facility, from a systematic internalizer or by mutual agreement, including by public offer or transactions for blocks of shares (which may represent the entire program). However, the Company does not intend to use derivatives. These transactions may be performed at any time, pursuant to the legal provisions in force, excluding during public offerings of Company securities.

The maximum purchase price would be set at €80 per share. In the event of capital transactions, notably division or splitting of shares or award of free shares, the aforementioned amount will be adjusted in the same proportions (adjustment coefficient equal to the ratio between the number of shares comprising the capital prior to the operation and the number of shares after the operation).

Pursuant to Article R. 225-151 of the French Commercial Code, the total maximum amount of the share repurchase program would thus be set at €48,498,400, calculated on the basis of the share capital as of today, consisting of 30,311,510 shares.

You will be asked to grant all powers to the Board of Directors, with a possibility to sub-delegate, for the purpose of implementing this authorization, entering into any agreement, carrying out any formality, and filing any declaration with any agency, and more generally, doing all that is necessary. This authorization will be valid until the date of the Shareholders' General Meeting to be convened to approve the financial statements of the fiscal year ending on 31 March 2018.

III. Resolutions of the competence of the Shareholders' Extraordinary General Meeting

In order to adapt its means to the Group's evolution, the Board of Directors proposes, pursuant to Articles L. 225-129-2 and L. 228-92 of the French Commercial Code, resolutions which aim to grant it delegations of authority which would give it the means to implement various types of share or securities issue, as allowed by the regulations in force (resolutions nos. 11 to 19).

The primary aim is to renew the authorizations and delegations of authority granted in 2016, in order to have the possibility to carry out capital increases or issuance of debt securities, and to allow the Company to have the widest flexibility to seize financing opportunities.

The maximum nominal amount of the capital increases that may be carried out as a result of the delegations below is set at €15 million for the nominal value for the capital increases and €150 million for the nominal value for the issuance of debt securities giving access to the Company's share capital (resolution no. 11). This is a common ceiling to resolutions nos. 11, 12, 13, 14, 15, 16, 17, 18, 19 and 20, to which shall be added the nominal amount of additional shares to be potentially issued as adjustments rendered necessary to take into account the impact of transactions on the Company's capital and made to preserve the rights of the holders of securities giving access to the capital. Within this overall ceiling for capital increases, we propose to establish a sub-ceiling of €7 million for the nominal value of operations implying an elimination of shareholders' preferential subscription rights.

These authorizations would be given with a right to sub-delegate as provided by law.

If the Board of Directors were to use the delegations that are conferred to it by these resolutions, it would report on the use of the delegations granted in the relevant resolutions at the next Ordinary Shareholders' General Meeting, in accordance with the law and the applicable regulation, of the use made of the delegations conferred by these resolutions.

We will also submit to your approval a resolution enabling the Company to allow its employees and officers to benefit from its success by allowing it to carry out an increase of the share capital reserved for employees who are members of a company savings plan (resolution no. 20). This resolution would expire at the end of a 26-month period starting as from the date of this Shareholders' General Meeting.

In addition, we propose to renew the resolution that would allow the Company to cancel its own treasury shares up to a maximum of 10% of the capital (resolution no. 21).

Resolution no. 22 aims to authorize the Board of Directors to set up free shares allocation plan within the global limit of 5% of the share capital (including 20% for corporate officers).

Under resolution no. 23, we propose to amend some parts of the Company's bylaws to rectify a number of inconsistencies and to bring them into line with the provisions of French law no. 2016-1691 of 9 December 2016 on transparency, the fight against corruption and on the modernization of economic life (the so-called "Sapin 2 Act").

Through resolution no. 24, pursuant to Article L. 225-36 of the French Commercial Code, we propose that you authorize the Board of Directors to bring the bylaws into line with the new laws and regulations.

Under resolution no. 25, the Board of Directors requests your approval to rectify a clerical error appearing in the fifteenth resolution adopted by the Ordinary and Extraordinary Shareholders' General Meeting held on 11 April 2016 (on first convocation) and on 29 April 2016 (on second convocation).

Resolution no. 26 aims to acknowledge, in accordance with Article L. 225-248 of the French Commercial Code, that the financial statements for the fiscal year ended 31 March 2017 show a net equity which amounts to more than half of the share capital.

Lastly, the last resolution (resolution no. 27) concerns the granting of powers required to carry out all formalities.

By proposing these resolutions, and in order to abide by legal and regulatory requirements, the Board wishes to specify the scope of these resolutions submitted to your vote.

> *Eleventh resolution: Delegation of authority to be granted to the Board of Directors for the purpose of proceeding with a capital increase by way of the issuance of shares and/or securities giving access to the Company's share capital, with preferential subscription rights, immediately or in the future*

In the framework of the present resolution, it will be proposed to you that you grant a new authorization, for a period of twenty-six months as from this day, that would give the Board of Directors the authority to issue, in one or more occasions, in France and abroad, in such amount and at such time as it deems appropriate, in euros, in foreign currencies, or any other accounting unit established by reference to a basket of currencies, with preferential subscription rights, ordinary shares and/or any securities issued (including warrants and debt securities) issued for consideration or for free, giving access by any means, immediately or in the future, at any time or on a determined date, by way of subscription, conversion, exchange, reimbursement, presentation of a warrant or any other way, to Company ordinary shares, provided that the subscription of shares and/or other securities may be made either in cash or by offsetting against receivables due and payable.

The shareholders will have preferential subscription rights to be exercised in proportion to their rights and within the limit of their requests.

The total amount of the capital increases that can be realized under this delegation may not surpass the ceiling of €15 million for the nominal value; and the nominal value of the debt securities that may be issued is €150 million, or the equivalent of this amount in another currency.

We also propose that you decide that the issuance(s) will be reserved by preference to Company's shareholders who will have the right to subscribe in direct proportion to the number of shares they hold. Nevertheless, you would grant the Board of Directors the power to grant shareholders the right to subscribe to shares or securities in excess of the number of shares to which they are entitled due to their preferential subscription rights, proportionally to their subscription rights, and in any event, within the limit of their request.

We propose that you decide that if the subscriptions as of right *(à titre irréductible)* and, where applicable, excess subscriptions *(à titre réductible)* do not cover the entire amount of the issuance of shares or securities, as defined above, the Board of Directors may undertake, as provided by law, and in the order of its choosing, one and/or any of the following:

- limit the capital increase to the subscriptions' amount upon the condition that this amount reaches at least three-quarters of the decided issuance;
- freely distribute all or part of the non-subscribed securities between the individuals of its choice;
- offer to the public all or part of the non-subscribed securities, on the French market and/or internationally;

The final terms of the transaction(s) carried out under this delegation will be subject to an additional report compliant with the provisions of Article L. 225-129-5 of the French Commercial Code, and drawn up by the Board of Directors when it decides to use the present delegation.

In the event that the Board of Directors exercises its right to sub-delegate in accordance with the provisions of Article L. 225-129-4 of the French Commercial Code, the Chief Executive Officer will report to the Board of Directors on the use made of the power to decide the capital increase(s) and will draw up, upon using this sub-delegation, the additional report required by Article L. 225-129-5 of the French Commercial Code.

The Board of Directors may not, except by prior authorization of the Shareholders' General Meeting, make use of this delegation from the time of deposit by a third party of a public offer for the Company's securities, until the end of the offer period.

> Twelfth resolution: Delegation of authority to be granted to the Board of Directors for the purpose of proceeding with a capital increase by way of the issuance of shares and/or any securities giving access to the Company's share capital, without preferential subscription rights, immediately or in the future

In order to complete the delegation mechanism set by the previous resolution, and to provide the Board with the means to carry out issuance with the speed that is essential for success, we propose to grant to the Board of Directors, for a period of twenty-six months, the authority to issue both in France and abroad, without preferential subscription rights, the same securities as those mentioned in the resolution no. 11.

The total amount of the capital increases that may be carried out under this delegation may not exceed €7 million for the nominal value (this sub ceiling being deducted from the global ceiling of €15 million outlined in resolution no. 11, and common to resolutions nos. 13, 14, 15, 16, 17 and 19), and the nominal amount of the debt securities that may be issued is €150 million (common ceiling with resolution no. 11).

The issuances resulting from this delegation would be made by way of a public offer, on the understanding that this may be performed in conjunction with an offer or offers arising under Article L. 411-2 II of the French Monetary and Financial Code, which may be performed on the basis of resolution no. 14 submitted to your vote.

Shareholders' preferential subscription rights to the shares and/or securities that would be issued based on the present delegation shall be removed, but the Board may, to the benefit of the shareholders, bestow a priority right to shareholders in direct and exact proportion to the number of shares they hold *(à titre irréductible)* and potentially grant excess subscription rights *(à titre réductible),* over an amount of time that shall be set in accordance with applicable laws and regulations, for all or part of an issuance performed based on this resolution, and which shall be exercised in proportion to the number of shares held by each shareholder pursuant to applicable laws and regulations.

We propose that you decide that if the subscriptions as of right *(à titre irréductible)* and, where applicable, excess subscriptions *(à titre réductible)* do not cover the entire amount of the issuance of shares or securities, as defined above, the Board of Directors may undertake, as provided by law, and in the order of its choosing, one and/or any of the following:

- limit the capital increase to the subscriptions' amount upon the condition that this amount reaches at least three-quarters of the decided issuance;
- freely distribute all or part of the non-subscribed securities between the individuals of its choice;
- offer to the public all or part of the non-subscribed securities, on the French market and/or internationally.

The terms to set the issuance price will be those provided for by Article R. 225-119 of the French Commercial Code. It shall be at least equal to the weighted average price of the three (3) trading days preceding the setting thereof, possibly reduced by a maximum discount of 5%, after, as where appropriate, adjustment of this weighted average to take into account the difference between maturity dates.

The final terms of the transaction(s) carried out under this delegation will be subject to an additional report compliant with the provisions of Article L. 225-129-5 of the French Commercial Code, and drawn up by the Board of Directors when it decides to use the present delegation.

In the event that the Board of Directors exercises its right to sub-delegate in accordance with the provisions of Article L. 225-129-4 of the French Commercial Code, the Chief Executive Officer will report to the Board of Directors on the use made of the power to decide the capital increase(s) and will draw up, upon using this sub-delegation, the additional report required by Article L. 225-129-5 of the French Commercial Code.

The Board of Directors may not, except by prior authorization of the Shareholders' General Meeting, make use of this delegation from the time of deposit by a third party of a public offer for the Company's securities, until the end of the offer period.

> Thirteenth resolution: Delegation of authority to be granted to the Board of Directors for the purpose of issuing shares and/or any securities giving access to the Company's share capital to categories of persons meeting defined requirements, without the shareholders' preferential subscription rights, immediately or in the future

In addition to the previous resolution, we propose to grant to the Board of Directors, for a duration of eighteen months, the competence to issue in France and abroad, without preferential subscription rights, the same securities as those mentioned in resolution no. 12. The ceilings authorized are identical to those in resolution no. 12 and shall be under the same conditions as the global ceiling set out in resolution no. 11.

Shareholders' preferential subscription rights to the shares and/or securities that may be issued based on the present delegation would be suppressed for the benefit of those categories of beneficiaries that meet the following requirements: financial institutions or investment funds of French or foreign law aiming at supporting growth technology companies, in mid-term.

You would also delegate to the Board of Directors the authority to define the precise list of beneficiaries of the elimination of preferential subscription rights as well as the authority to set the number of shares and/or securities that may be issued to each such entity, which would automatically apply to the beneficiaries appearing in the list provided by the Board of Directors, waiving the shareholder preferential subscription rights to the new shares to which these securities would give rise, pursuant to this resolution.

The issuance price shall be at least equal to the share market price of the day preceding the day on which the issuance price will be set, possibly reduced by a maximum discount of 10%.

The Board of Directors may not, except by prior authorization of the Shareholders' General Meeting, make use of this delegation from the time of deposit by a third party of a public offer for the Company's securities, until the end of the offer period.

> Fourteenth resolution: Delegation of authority to be granted to the Board of Directors in order to issue, by an offer set out at Article L. 411-2 II of the French Monetary and Financial Code, shares and/or securities giving access, immediately or in the future, to the Company's share capital, without the shareholders' preferential subscription rights

To complete the system proposed in the preceding resolutions, we will ask you to authorize the issuance of any kind of financial instrument, without preferential subscription rights, within the framework of an offer referred to in Article L. 411-2 II of the French Financial and Monetary Code ("private placement").

The terms of the implementation of this delegation of authority are identical to those provided for in resolution no. 12, but in accordance with the provisions of paragraph 3 of Article L. 225-136 of the French Commercial Code, the issuance of securities carried out through an offer referred to in point II of Article L. 411-2 II of the French Monetary and Financial Code shall be limited to 20% of the share capital per year (or any other limit that would be authorized during the term of the resolution) without ever exceeding the €7 million ceiling that shall be deducted from the shared ceiling of €7 million set in resolution no. 12 for transactions resulting in the removal of preferential subscription rights, and the general ceiling of €15 million set in resolution no. 11 for all capital increase transactions that may result from the implementation of the resolutions submitted to you. Similarly, debt securities or related securities, giving access to the Company's capital, likely to be issued pursuant to this delegation, may not exceed €150 million, the nominal amount of the issuances of said securities that may be carried out pursuant to this delegation being deducted from the global €150 million ceiling referred to in "3.b." of resolution no. 11.

The terms to set the issuance price will be those provided for by Article R. 225-119 of the French Commercial Code. It shall be at least equal to the weighted average of the price of three (3) stock market trading sessions preceding its fixing, possibly reduced by a maximum discount of 5%.

This delegation of authority would be valid for a period of 26 months as from the date of the General Meeting.

The Board of Directors may not, except by prior authorization of the Shareholders' General Meeting, make use of this delegation from the time of deposit by a third party of a public offer for the Company's securities, until the end of the offer period.

> Fifteenth resolution: Delegation of authority to be granted to the Board of Directors for the purpose of increasing the issuance amount with or without preferential subscription rights, within the limit of 15% of the initial issuance

Pursuant to the provisions of Article L. 225-135-1 of the French Commercial Code, if an issuance gives rise to more requests than the amount of the issuance, we propose that you authorize the Board of Directors to increase the number of ordinary shares and securities to be issued within thirty days from the end of the subscription period, within the limits of the ceilings provided for in the preceding resolutions and subject to a maximum amount of 15% of the initial issuance, at the same price as that of the initial issuance.

This delegation of authority would be valid for a period of twenty-six months as from the date of the General Meeting.

> Sixteenth resolution: Delegation of authority to be granted to the Board of Directors in the event of issuance, without preferential subscription rights, of shares and/or securities giving access, immediately or in the future, to the Company's share capital, for the purpose of fixing the issuance price within the limit of 10% of the Company's share capital under the conditions adopted by the Shareholders' General Meeting

Pursuant to the provisions of paragraph 1° of Article L. 225-136 of the French Commercial Code, we will ask you to authorize the Board of Directors to set the issuance price of the securities issued pursuant to resolutions nos. 11, 12, 13 and 14 under conditions departing from the legal method referred to in these resolutions. This possibility shall be limited to 10% of the share capital (this percentage being applied to a capital adjusted to take into account transactions occurring after this Shareholders' General Meeting) over a period of twelve months.

In order to give the Board of Directors the flexibility necessary for the proper implementation of this authorization, while at the same time limiting its prerogatives, we ask you to decide that the Board of Directors shall choose one of the following terms to set the issuance price:

a) for securities to be issued immediately, the Board of Directors may choose one of the following two terms:
- issuance price equal to the average trading price over a maximum period of six months preceding the issuance,
- issuance price equal to the weighted average market price on the day preceding the issuance (VWAP 1 day) with a maximum discount of 15%.

  This discount level corresponds to the maximum level applicable pursuant to regulations, in particular in case of the issuance of stock options. The setting of an authorization allowing a discount level that is deliberately high takes into account the strong volatility of the price of the Soitec share, and shall allow the issuance of the securities in the best market conditions;

b) for securities to be issued in a deferred manner, the issuance price shall be that of the sum received immediately by the Company increased by the sum likely to be collected subsequently by the Company, i.e. for each share, at least equal to the amount determined in paragraph a) above.

The maximum nominal amount for the Company's capital increases carried out based on this resolution, either directly or upon presentation of securities, shall not exceed 10% of the Company's share capital for each 12-month period, or the equivalent of this amount in another currency, it being understood that this amount shall be deducted from the shared ceiling amount of €7 million set in resolution no. 12 for transactions resulting in the removal of preferential subscription rights, and the general ceiling of €15 million set in resolution no. 11 for all capital increase transactions that may result from the implementation of the resolutions submitted to you. Similarly, debt securities or related securities, giving access to the Company's capital, likely to be issued pursuant to this delegation, may not exceed €150 million, the nominal amount of the issuances of said securities that may be carried out pursuant to this delegation being deducted from the global €150 million ceiling referred to in "3.b." of resolution no. 11.

This delegation of authority would be valid for a period of twenty-six months as from the date of the General Meeting.

The Board of Directors may not, except by prior authorization of the Shareholders' General Meeting, make use of this delegation from the time of deposit by a third party of a public offer for the Company's securities, until the end of the offer period.

> Seventeenth resolution: Delegation of powers to be granted to the Board of Directors for the purpose of proceeding with an increase of the Company's share capital in compensation for capital contributions in kind consisting of capital securities or securities giving access to the Company's share capital

Article L. 225-147, paragraph 6, of the French Commercial Code provides that a Shareholders' Meeting of a company whose securities are listed on a regulated market may authorize the Board of Directors to increase the share capital within the limits of 10% of the share capital in order to compensate contributions in the form of shares or securities giving access to capital.

Pursuant to this mechanism, within the limits of (i) the shared ceiling amount of €7 million set in resolution no. 12 for transactions resulting in the removal of preferential subscription rights, (ii) the general ceiling of €15 million set in resolution no. 11 for all capital increase transactions that may result from the implementation of the resolutions submitted to you, and (iii) the ceiling of €150 million set in "3.b." of resolution no. 11 for debt securities or related securities giving access to the Company's capital, we will ask you to delegate your authority to the Board of Directors for the purpose of issuing ordinary shares of the Company or any securities giving access by any means, immediately and/or in the future, to ordinary shares of the Company, existing or to be issued, within the limit of 10% of the share capital (as adjusted to take into account transactions occurring after this Shareholders' General Meeting), increased by the nominal amount of the additional shares to be issued to protect the rights of the holders of securities giving right to shares, in compensation for the securities contributed within the framework of a contribution in kind in accordance with the provisions of Article L. 225-147, paragraph 6, of the French Commercial Code.

This delegation of authority would be valid for a period of twenty-six months as from the date of this General Meeting.

The Board of Directors may not, except by prior authorization of the Shareholders' General Meeting, make use of this delegation from the time of deposit by a third party of a public offer for the Company's securities, until the end of the offer period.

> Eighteenth resolution: Delegation of authority to be granted to the Board of Directors for the purpose of increasing the share capital by capitalizing premiums, reserves, profits, or any other funds that may be capitalized

Under this resolution, we ask you to authorize the Board of Directors, under the conditions set by Article L. 225-129-2 of the French Commercial Code, to carry out, one or more capital increases of the Company's capital through accumulation of premiums, reserves, profits, or any other funds that may be capitalized by law or the bylaws, in the form of free shares or an increase in the nominal value of the existing shares.

The total amount of capital increases which may be made, increased by the amount necessary to legally preserve the rights of bearers of securities giving entitlement to shares, shall not exceed the amount of the reserve, premium or profit accounts existing at the time of the capital increase.

The maximum amount of capital increases that may thus potentially be carried out shall not exceed the total amount of funds that may be incorporated nor a €7 million ceiling, or the equivalent of this amount in another currency, on the understanding that this amount shall be deducted from the global €15 million ceiling mentioned in paragraph "3.a. (i)" of resolution no. 11 or, as the case may be, from the ceiling that may be established by a subsequent resolution of the same nature that may be voted during the validity of this authorization.

This authorization would be granted to the Board of Directors for a period of twenty-six months.

> Nineteenth resolution: Delegation of authority to be granted to the Board of Directors for the purpose of proceeding with an increase of the share capital by the issuance of shares or securities giving access, immediately or in the future, to the Company's share capital, to compensate shares brought within the framework of a public exchange offer initiated by the Company

Within the limits of (i) the shared ceiling amount of €7 million set in resolution no. 12 for transactions resulting in the removal of preferential subscription rights, (ii) the general ceiling of €15 million set in resolution no. 11 for all capital increase transactions that may result from the implementation of the resolutions submitted to you, and (iii) the ceiling of €150 million set in "3.b." of resolution no. 11 for debt securities or related securities giving access to the Company's capital, we will ask you to delegate your authority to the Board of Directors, with faculty of sub-delegation under the conditions set forth by law, for the purpose of deciding the issuance, on one or more occasions, of ordinary shares and/or securities giving access, immediately or in the future, at any time or at a given time, by way of subscription, conversion, exchange, reimbursement, presentation of a warrant or any other manner, to ordinary shares in the Company, as consideration for shares that would be contributed within the framework of a public exchange offer initiated in France or abroad, in compliance with local rules (including any other transactions with the same effect as a public exchange offer, initiated by the Company on its own shares or the shares of another entity whose shares are listed on a regulated market subject to foreign law, or deemed equivalent), by the Company on its own shares or the shares of another entity listed on a regulated market pursuant to Article L. 225-148 of the French Commercial Code.

Company's shareholders will not have preferential subscription rights to shares and/or securities that will be issued under this delegation, the latter being exclusively intended to remunerate securities contributed to a public offer of exchange initiated by the Company.

The price of the shares and/or securities that would be issued pursuant to this resolution shall be set in accordance with the laws and regulations concerning public exchange offers.

This delegation of authority would be valid for a period of twenty-six months as from the date of this General Meeting.

> Twentieth resolution: Delegation of authority to be granted to the Board of Directors for the purpose of proceeding with an increase of the share capital through shares or securities issuance restricted to employees subscribing to a company savings plan, with elimination of the preferential subscription rights in favor of them

Article L. 225-129 of the French Commercial Code provides that, when deciding to effect a capital increase or the issue of securities giving right, in the longer term, to a share in the share capital, the Extraordinary General Meeting must vote on a proposed resolution to effect said capital increase which is to be carried out under the conditions provided for in Article L. 3332-18 of the French Labor Code.

In accordance with these provisions, you will be asked to grant the Board of Directors a delegation of power to carry out, if it deems it appropriate, on one or more occasions, a capital increase reserved to employees, up to a maximum nominal amount of €500,000, through the issue of ordinary shares or securities giving right to the share capital.

The maximum nominal amount of the capital increase(s) to be potentially completed through the issue of new shares pursuant to this delegation would be offset against the global cap of €15 million provided for in resolution no. 11.

The maximum nominal amount of debt securities or related securities giving right to shares in the Company, that could be issued pursuant to this delegation would be applied against the cap of €150 million set by paragraph "3.b." of resolution no. 11 or the equivalent value.

The Board would also be granted the powers to determine the identity of the beneficiaries of these allotments, as well as the conditions and, where applicable, the criteria for allotment of shares and/or securities issued under this delegation.

You are asked to set the issue price of these new shares or securities giving access to the share capital issued under this delegation, at a price equal to at least 80% of the average listed share price on the Paris Euronext market over the twenty trading sessions leading up to the date on which the Board of Directors took the decision setting the date of opening of the subscription period for the capital increase reserved to members of company savings plans, in other words a discount of 20% on the average listed price of the Company's shares on the Paris Euronext market during the aforementioned period. However, you may specifically authorize the Board of Directors to reduce the aforementioned discount, within the statutory and regulatory limits, or not to grant one, particularly taking into account the regulations that apply in the countries in which the offer is to be implemented. Pursuant to paragraph three of Article L. 3332-21 of the French Labor Code, the Board of Directors may proceed in favor of the beneficiaries referred to above, to replace the reduction, the award of free financial securities giving access to capital.

The adoption of this resolution would imply the removal of shareholders' preferential subscription rights for the new shares to be issued, in favor of the employee members of the Company's savings plan.

This delegation would be granted for a period of twenty-six months with effect as from your General Meeting.

> Twenty-first resolution: Authorization for the Board of Directors to cancel, if necessary, the Company's own treasury shares up to a maximum of 10%

In order to allow the Company to reach the objectives of the share buyback program, we propose to authorize the Board of Directors to cancel, upon its sole decision, on one or more occasions, all or part of the Company's treasury shares acquired by virtue of share buyback programs, within the limit of 10% of the capital over a period of 24 months as from this Shareholders' General Meeting, and to decrease the Company's capital accordingly.

This authorization would be valid until the date on which the Shareholders' General Meeting shall be convened to approve the financial statements of the fiscal year ending on 31 March 2018.

> Twenty-second resolution: Authorization to be granted to the Board of Directors to proceed with the allocation of free shares

Stock companies *(sociétés par actions)* are entitled to award free shares, be they existing shares or shares to be issued, to their officers and employees, under the conditions provided for by Articles L. 225-197-1 et seq. of the French Commercial Code. We therefore ask you to authorize the Board of Directors to allocate new or existing free shares of the Company, to employees and officers of the Company meeting the requirements set forth by Article L. 225-197-1 II of the French Commercial Code, or of associated companies within the meaning of Article L. 225-197-2 of the French Commercial Code; on the understanding that the total number of shares freely awarded may not exceed 5% of the share capital as determined on the day on which the decision to award is made (including 20% for officers).

We ask you to decide that the allocation of the shares to the beneficiaries shall only be definitive after the expiry of a vesting period of which the duration will be set by the Board of Directors, being understood that the minimum duration shall be the one set by Article L. 225-197-1 of the French Commercial Code.

We also ask you to decide that the Board of Directors will have the possibility to set a condition of presence of the beneficiaries in the Group and may also set a shares holding period.

It is specified that the definitive allocation of the shares and the possibility to freely transfer them would however be acquired by a beneficiary if said beneficiary starts to suffer from one of the disabilities referred to in Article L. 225-197-1 of the French Commercial Code.

For corporate officers, the definitive award of the shares shall be linked to the achievement of performance conditions which the Board of Directors will determine upon proposal of the Compensation and Appointments Committee.

Pursuant to this delegation, the Board of Directors would also be authorized to adjust, as the case may be, during the vesting period, the number of shares related to potential transactions involving the Company's capital, in order to protect the rights of the holders thereof.

This authorization, which may be used on one or more occasions, would be given for a period of twenty-four months from the date of this Shareholders' General Meeting.

> Twenty-third resolution: Amendment of the Company's bylaws

The Board of Directors also proposes that the Company's bylaws be amended in order to correct a number of inconsistencies and, above all, to bring them into line with the provisions of Law No. 2016-1691 of 9 December 2016 on transparency, the fight against corruption and the modernization of economic life, known as "Sapin 2" Act.

The draft of the amended Company's bylaws is appended to this report.

> Twenty-fourth resolution: Delegation of authority to be granted to the Board of Directors for the purpose of bringing the bylaws into line with the new statutory and regulatory provisions in accordance with Article L. 225-36 of the French Commercial Code

The provisions of Article L. 225-36 of the French Commercial Code, as amended by French law No. 2016-1691 of 9 December 2016 on transparency, the fight against corruption and on the modernization of economic life (also known as the "Sapin 2 Act") offer the option for the Shareholders' General Meeting to delegate its authority to the Board of Directors so that it may, if necessary, make the necessary amendments to the bylaws to bring them into line with current laws and regulations, subject to the ratification of such amendments by the next Shareholders' Extraordinary General Meeting.

Consequently, we propose that you grant such delegation to your Board of Directors, as it will thus be empowered to amend the Company's bylaws when legislative and regulatory changes occur, whereby amendments to the Company's bylaws must be ratified by the next General Meeting.

This delegation would be granted for a period of twelve months, expiring at the close of the Shareholders' Ordinary General Meeting to be convened to approve the financial statements of the fiscal year ending on 31 March 2018.

Twenty-fifth resolution: Rectification of a clerical error appearing in the fifteenth resolution adopted by the Ordinary and Extraordinary Shareholders' General Meeting held on 11 April 2016 (on first convocation) and on 29 April 2016 (on second convocation)

The Board of Directors informs you that the fourth and eleventh paragraphs of the fifteenth resolution adopted by Ordinary and Extraordinary Shareholders' General Meeting held on 11 April 2016 relating to the implementation of a "long-term management incentive plan" include a clerical error about the conversion calendar of the preferential shares by making reference to the "Conversion Date" instead of the "Conversion decision".

The Board of Directors asks you to rectify this clerical error and to read the fourth and eleventh paragraphs of the fifteenth resolution adopted by Ordinary and Extraordinary Shareholders' General Meeting held on 11 April 2016 as follows (the rectification of the clerical error is shown in bold font style within the below italic wording):

"4. decide that the existing preferential shares at the Conversion Date shall be converted into ordinary shares depending on the realization of objectives based on the following criteria:

- the average of the consolidated EBITDA levels of the Group (as a result of the consolidated accounts of the Group according to IFRS rules) for the fiscal years ending on 31 March 2018 and on 31 March 2019;
- the weighted average of the market prices volumes of the Company ordinary shares during the thirty (30) trading days following the publication date of the annual consolidated accounts of the Group for the fiscal year ending on 31 March 2019;

after the expiry of a 3-year period starting from the allocation of the preferential shares by the Board of Directors, without prior request from the holder (the "Conversion Date"). It is specified that the Conversion Date will be set by the Board of Directors, and that the period between the allocation date and the Conversion Date cannot, in any case, be more than 4 years, and that the Conversion ***decision*** *shall in any case occur within 30 calendar days after the Annual General Meeting called to approve the accounts of the fiscal year ending on 31 March 2019;"*

"11. therefore, decide that, subject to the allocation of free preferential shares by the Board of Directors, Articles 4, 7, 9, 10 and 25 of the Company's bylaws shall be amended as follows, at the date of allocation of the preferential shares by the Board of Directors:

[…]

10.4 – Conversion of the free preferential shares (provided that the conversion conditions are fulfilled)

Subject to the realization of the following conditions, existing preferential shares shall be automatically converted into a variable number of ordinary shares in accordance with the rules described in this article and after the expiry of a 3-year period starting from the allocation of the preferential shares by the Board of Directors, without prior request from the holder (the "Conversion Date"), being specified that the Conversion Date will be set by the Board of Directors, and that the period between the allocation date and the Conversion Date cannot, in any case, be more than 4 years, and that the Conversion ***decision*** *shall occur within 30 calendar days after the Annual General Meeting called to approve the accounts of the fiscal year ending on 31 March 2019;*

[…]

Twenty-sixth resolution: Acknowledgement of the restoration of the net equity which amounts to more than half of the share capital, in accordance with Article L. 225-248 of the French Commercial Code

The financial statements of the Company for the fiscal year ended on 31 March 2016 showed net equity below half of the Company's share capital. As a result, in its resolution no. 28, the Ordinary and Extraordinary Shareholders' General Meeting of 25 July 2016 (i) recorded a reduction in the Company's net equity to less than half of its share capital and (ii) decided not to dissolve the Company so that it would continue its business activity.

During fiscal year ended on 31 March 2017, after appropriation of the Company's net income as proposed in resolution no. 3 above, the Company's net equity has been restored to a level above half of the Company's share capital.

Accordingly, we hereby submit to your vote a resolution to acknowledge the restoration of the Company's net equity to a level above half of its share capital.

Twenty-seventh resolution: Powers for formalities

Lastly, we will ask you to grant all powers to the bearer of an original, copy, or excerpt of these minutes for the purpose of carrying out all formalities required by law.

We invite you to adopt the resolutions that are proposed to you. Before voting on the resolutions submitted to you, we ask you to listen to a reading of the statutory auditors' reports.

The Board of Directors

SOITEC S.A.'S FINANCIAL STATEMENTS AT 31 MARCH 2017

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Balance sheet: Assets

(In €)	Gross amount	Depreciation and amortization, provisions	Net at 31/03/2017	31/03/2016
Capital (subscribed but not called)				
Intangible assets				
Start-up costs	-	-		-
Research costs	3,710,000	2,225,999	1,484,000	1,855,000
Concessions, patents and similar rights	45,169,358	43,350,770	1,818,588	3,417,182
Goodwill				705,000
Other intangible assets	959,409		959,409	682,849
Prepayments on intangible assets				
Tangible fixed assets				
Land	1,785,801		1,785,801	300,000
Buildings	6,813,315	3,369,411	3,443,904	
Technical installations, equipment, tooling	199,470,088	183,457,410	16,012,678	15,590,526
Other tangible assets	60,787,622	39,291,569	21,496,052	23,887,801
Intangible assets in progress	10,666,158		10,666,158	7,905,970
Advances and installments				
Investments				
Holdings using the equity method				
Other holdings	179,269,628	169,949,867	9,319,760	8,965,488
Receivables linked to holdings	492,622,502	445,667,917	46,954,585	49,895,810
Other long-term investments				
Loans				
Other investments	9,607,716	5,100,811	4,506,904	3,035,867
FIXED ASSETS	**1,010,861,602**	**892,413,757**	**118,447,844**	**116,241,496**

(In €)	Gross amount	Depreciation and amortization, provisions	Net at 31/03/2017	31/03/2016
Inventory and work-in-progress				
Raw materials, supplies	21,991,192	6,524,936	15,466,255	17,695,680
Work-in-progress of production of goods	8,216,718	1,073,153	7,143,565	6,147,982
Work-in-progress of production of services				
Semi-finished and finished products	8,516,266	482,499	8,033,766	5,625,728
Goods	656,388		656,388	
Advances, goods paid for on order	402,099		402,099	451,946
Receivables				
Accounts receivable and related accounts [3]	50,380,828	467,220	49,913,608	35,603,990
Other receivables [3]	44,305,523		44,305,523	39,205,471
Capital subscribed and called, unpaid				
Miscellaneous				
Marketable securities (of which treasury shares)	41,000,000		41,000,000	1,133,000
Liquid assets	57,150,132		57,150,132	38,505,050
Adjustment accounts				
Pre-paid costs [3]	1,770,602		1,170,602	1,163,792
CURRENT ASSETS	**234,389,752**	**8,547,809**	**225,841,942**	**145,532,642**
Debt issue expenses to be written off	486,994		486,994	1,910,426
Bond redemption premium				
Currency translation adjustments: Assets	32,513		32,513	2,157,769
GRAND TOTAL	**1,245,770,862**	**900,961,567**	**344,809,294**	**265,842,335**
(3) Portion at > 1 year [CR]			30,820,186	24,220,353

Balance sheet: Liabilities

(In €)	31/03/2017	31/03/2016
Share or individual capital of which paid up	60,623,020	23,132,418
Share premiums from issues, mergers and contributions	887,517,587	780,442,912
Revaluation adjustment of which equity method valuation difference		
Statutory reserve	3,393,046	3,393,046
Regulated or contractual reserves		
Regulatory reserves (of which provisions for price fluctuations) (3)		
Other reserves (including purchase of original works of art)	26,330,731	26,349,678
Retained earnings	(885,450,402)	(821,154,076)
Net profit/(loss)	**20,348,131**	**(64,296,325)**
Investment grants		
Regulated provisions	778,974	908,001
EQUITY	**113,541,088**	**(51,224,344)**
Earnings from issues of securities in capital		
Advances with conditions	25,524,611	27,480,011
OTHER EQUITY	**25,524,611**	**27,480,011**
Provisions for contingencies	2,123,140	3,721,247
Provisions for expenses	2,199,197	6,598,549
PROVISIONS FOR CONTINGENCIES AND EXPENSES	**4,322,337**	**10,319,797**
Financial debt		
Convertible bonds	41,828,928	103,168,792
Other bonds	94,035	226,710
Loans and debts with credit institutions (5)	57,526,932	52,190,769
Various other loans (of which equity loans)		33,657,774
Prepayments received on outstanding orders	20,295	842,935
Operating debts		
Trade payables	45,050,571	43,268,236
Tax and social security debts	28,847,601	25,587,493
Miscellaneous debts		
Amount due on fixed assets and related accounts	3,705,419	1,231,043
Other liabilities	15,224,529	8,002,216
Adjustment accounts		
Pre-paid earnings (4)	8,763,445	10,832,853
LIABILITIES (4)	**201,061,759**	**279,008,826**
Currency translation adjustments: Liabilities	359,496	258,044
GRAND TOTAL	**344,809,294**	**265,842,335**
(4) Prepayments and deferred income < 1 year	101,911,967	121,407,098
(5) Of which bank outstandings, bank credit balances, CCP	57,526,933	52,190,769

Income statement (list form)

Items	France	Exports	31/03/2017	31/03/2016
Sales of goods	107,951	2,954,066	3,062,018	1,238,742
Sales of goods produced	16,463,111	211,766,987	228,230,098	212,926,833
Sales of services provided	778,522	6,152,159	6,930,682	6,144,156
NET REVENUE	**17,349,585**	**220,873,213**	**238,222,799**	**220,309,732**
Production in inventory			3,638,453	1,928,654
Stored production				
Operating grants			8,241,762	9,396,300
Reversal of depreciation and provisions, transfer of expenses (9)			19,292,818	26,468,946
Other income (1) (11)			6,551,013	10,248,891
OPERATING INCOME (2)			**275,946,847**	**268,352,524**
Purchases of goods (including customs duties)			3,566,290	932,088
Changes in inventory (goods)			(656,388)	90,222
Purchases of raw materials and supplies (and customs duties)			84,577,121	84,644,460
Changes in inventory (raw materials and supplies)			2,674,803	(2,595,352)
Other purchases and external costs (3) (6a)			68,357,677	89,301,734
Taxes and similar payments			5,373,747	5,677,556
Wages and salaries			47,573,398	47,485,029
Social charges (10)			27,098,668	21,072,867
Operating expenses				
On fixed assets: depreciation expenses			16,195,561	18,619,053
On fixed assets: provisions			149,221	337,529
On current assets: provisions			8,257,598	8,528,670
For contingencies and charges: provisions			1,147,829	7,019,979
Other costs (12)			4,751,546	4,906,267
OPERATING COSTS (4)			**269,067,077**	**286,020,107**
OPERATING PROFIT/(LOSS)			**6,879,770**	**(17,667,582)**
Joint ventures				
Allocated gain or transferred loss				
Allocated loss or transferred gain				

Items	France	Exports	31/03/2017	31/03/2016
Financial income				
Financial income from holdings [(5)]			51,475	5,298,481
Income from other capitalized securities and receivables [(5)]				
Other interest and similar income [(5)]			12,946,501	9,938,689
Reversals on provisions and transfer expenses			3,942,578	26,543,425
Positive translation adjustments			5,271,900	6,139,463
Net income from sales of investment securities			10,587	
FINANCIAL INCOME			**22,223,044**	**47,920,059**
Financial expenses for depreciation and provisions			13,436,628	58,527,680
Interest and similar costs [(6)]			5,005,555	11,704,651
Negative translation adjustments			7,999,678	7,860,438
Net costs on sales of investment securities				
FINANCIAL EXPENSES			**26,441,862**	**78,092,770**
FINANCIAL INCOME			**(4,218,818)**	**(30,172,711)**
CURRENT PRE-TAX PROFIT/(LOSS)			**2,660,951**	**(47,840,294)**

Income statement (continued)

Items	31/03/2017	31/03/2016
Extraordinary income on management transactions	340,411	5,130,032
Extraordinary income on capital transactions	3,788,163	13,521,631
Reversals on provisions and transfer expenses	129,027	129,380
Extraordinary income	4,257,601	18,781,044
Extraordinary costs on management transactions [(6a)]	446,102	5,538,361
Extraordinary costs on capital transactions	7,584	40,825,031
Extraordinary expenses for depreciation and provisions		
Extraordinary expenses	453,686	46,363,393
Extraordinary profit/(loss)	3,803,915	(27,582,349)
Employee profit-sharing plan		
Income tax	(13,883,264)	(11,126,317)
TOTAL INCOME	**302,427,493**	**335,053,628**
TOTAL EXPENSES	**282,079,361**	**399,349,954**
PROFIT OR LOSS	**20,348,131**	**(64,296,325)**
(1) Of which partial net earnings on long-term transactions		
(2) Of which: – income from property rentals – operating income from previous fiscal years	*1,566*	*14,993*
(3) Of which: – equipment leasing – property leasing	*7,925,364*	*6,746,040*
(4) Of which operating costs from previous fiscal years [(8)]		*32,355*
(5) Of which earnings concerning related parties	*12,864,060*	*9,794,040*
(6) Of which interest concerning affiliated companies	*565,839*	*66,671*
(6a) Of which charitable donations (Article 238 bis of the French General Tax Code)		
(7) Details of extraordinary income and expenses		
(8) Details of earnings and costs from previous fiscal years		
(9) Of which cost transfers	*2,058,239*	*3,034,631*
(10) Of which proprietor's personal contributions		
(11) Of which royalties for concessions, patents, licenses (income)	*6,551,013*	*10,239,677*
(12) Of which royalties for concessions, patents, licenses (costs)	*4,311,582*	*4,455,985*

Appendix

To the balance sheet before distribution of the fiscal year ending 31 March 2017, whose total amounts to €344,809,294 and to the fiscal year's profit and loss account, presented in list form, whose total expenditure is €282,079,361.83, income is €302,427,493.58 and generating a profit of €20,348,131.75.

The fiscal year ran for 12 months from 1 April 2016, to 31 March 2017.

The notes and tables below are an integral part of the annual financial statements.

Taking into account the profit for the year ended 31 March 2017, the Board of Directors will submit to the vote of the Shareholders' General Meeting of 26 July 2017, that the profit for the fiscal year be allocated in full to "retained earnings" for the partial clearance of past losses. The amount of this line item would thus be reduced from -€885,450,402 to -€865,102,270.

These annual financial statements were closed by the Board of Directors on 14 June 2017.

Accounting rules and methods and notes to the balance sheet

The general accounting agreements have been applied in accordance with the principle of prudence, pursuant to the basic assumptions: going concern, consistency of accounting methods from one year to the next, independence of fiscal years, pursuant to the general rules of preparing and presenting annual financial statements.

The basic method used to measure the value of recorded items is the historical cost method.

Introduction: Going concern principle

Following the completion of two capital increases in April-May 2016 for a total gross amount of €151.9 million, including share premium, the Company has a stronger shareholder structure and restored financial leeway enabling it to pursue its profitable growth strategy in its core Electronics business.

Soitec S.A. recorded a profit of €20 million for the fiscal year ending 31 March 2017, and showed net equity of €113.5 million, compared with negative equity balance of €51.2 million as at 31 March 2016.

On these bases, the Company believes that it will be able to continue operations in 2017-2018. The financial statements have therefore been prepared based on the "going concern" principle over the next 12 months.

General principles and conventions

The financial statements for the year ended have been prepared and presented pursuant to the accounting rules in accordance with the principles set out in Articles 121-1 to 121.5 et seq. of the 2014 general chart of accounts.

The basic method used to value recorded items is the historical cost method.

The accounting conventions have been applied in accordance with the provisions of the French Commercial Code, the Accounting Decree of 11/29/83 and the ANC Regulation 2015-06 on the rewriting of the general chart of accounts applicable at the end of the fiscal year.

The accounting rules and methods applied are the same as those of the previous fiscal year apart from the change described below.

Highlights

Reverse stock split

The decision of the Shareholders' General Meeting of 25 July 2016, to carry out a reverse stock split, combining 20 old ordinary shares with a nominal value of €0.10 each to create one new share with a nominal value of €2.00 each, was implemented on 8 February 2017.

Capital increases and repayment of the financial debt

Soitec completed capital increases respectively reserved for Bpifrance Participations, CEA Investissement and NSIG Sunrise, pursuant to the resolutions of the Shareholders' General Meeting of 29 April 2016. As part of these capital increases with cancellation of preferential subscription rights, it is specified that the information below is given "post-reverse-stock split":

- Bpifrance Participations subscribed 1,581,508 new shares, or 8.54% of the post-increase capital, at a price of €11 per share, representing a capital increase of €17,396,589.65 (including the share premium). Upon completion of this transaction, Bpifrance Participations owned 14.5% of the Company's capital and 14.055% of its voting rights;
- CEA Investissement subscribed 2,685,097 new shares, or 14.5% of the post-increase capital, at a price of €11 per share, representing a capital increase of €29,536,069.20, including the share premium. Upon completion of this transaction, CEA Investissement owned 14.5% of the Company's capital and 14.055% of its voting rights;
- NSIG Sunrise subscribed 2,685,097 new shares, or 14.5% of the post-increase capital, at a price of €11 per share, representing a capital increase of €29,536,069.20 (including the share premium). Upon completion of this transaction, NSIG Sunrise owned 14.5% of the Company's capital and 14.055% of its voting rights.

In total, these three transactions resulted in the admission to trading on the Paris Euronext regulated market of 6,951,702 new shares issued at a unit price of €11, or a total of €76,468,728.05, including the share premium.

The Company subsequently carried out a capital increase with preferential subscription rights, issuing 11,784,125 new shares at a price, including the share premium, of €6.40 per share, representing a total amount of €75,418,403.20 including the share premium.

The completed capital increases for a gross total amount of €151.9 million (net proceeds of around €145 million) were used to repay (i) the outstanding amount on the bridge loans granted by Bpifrance Participations, CEA Investissement and Shin-Etsu Handotaï in May 2015, (ii) interest totaling €44.6 million, (iii) CEA Leti invoices under moratorium for €7.8 million, and (iv) to redeem 59% of the convertible bonds due in September 2018 for €58.3 million.

Free preferred shares allocation plan

On 26 July 2016, the Board of Directors decided to allot a maximum number of 295,703 preferred shares to eligible employees and corporate officers, pursuant to decisions of the Shareholders' General Meetings of 11 April and 29 April 2016. The objective of this plan is to collectively encourage the participants to persevere in their efforts and to allow them to share in the fruits of the Group's growth by converging their interests with those of the Company's shareholders.

The number of shares granted depends on achievement of performance conditions based on reaching a target market price and on internal performance criteria based on achieving the target EBITDA level over fiscal years 2017-2018 and 2018-2019, as well as continuous employment conditions.

The amount recognized in the income statement for the year ended 31 March 2017, under this free preferred shares allocation plan is a payroll charge related to the social charges payable at the time of acquisition of said preferred shares, or €5,421 thousand.

Subsequent events

None.

Intangible and tangible fixed assets

The intangible fixed assets mainly include software that is accounted at their purchase price and amortized using the straight-line method over their estimated useful life, i.e., one to five years.

Tangible assets are valued at their purchase cost. Depreciation of tangible assets is calculated following the straight-line method over their useful life estimated as follows:

Buildings, fixtures and fittings	15 to 30 years
Equipment and tooling	3 to 8 years
Other fittings and fixtures	5 to 10 years
Transport equipment	5 years
IT and office equipment	3 to 7 years
Office furniture	5 to 10 years

Trust-surety

As Soitec S.A. has settled all guaranteed receivables with each beneficiary, the Trust Agreement has come to an end: the parties therefore wished to give all powers to Soitec for the purpose of completing the procedures for cancelling the Trust and the land registration related to the transfer of the Trust Assets from the Trustee to Soitec.

Goodwill: The accounting rules set out in ANC Regulation No. 2015-06 of 23 November 2015, on technical merger losses came into force on 1 April 2016. As such, the merger loss of €705 thousand was reclassified against tangible assets in its entirety. This transfer from intangible assets to tangible assets constitutes a change in accounting policy.

Investments

Financial fixed assets include equity investments, receivables attached to holdings, deposits and bonds, and treasury shares.

The holdings are valued at their historic purchase price. At the end of the fiscal year, an examination of the value of the securities was carried out consisting of analyzing the book value of the securities, mainly based on the remeasured net asset value or on the realizable value of the companies concerned. The lowest of these values is used on the balance sheet.

Thus, the value of the securities of the Soitec S.A. subsidiaries was adjusted in accordance with the results of the re-valuation tests on the economic situation of each of the subsidiaries.

During the 2016-2017 fiscal year, the Company increased its equity interest in Technocom 2 by €375 thousand and in Exagan by €300 thousand.

Summary of the holdings of the Company

		Impairment			
Company	**Gross value 31/03/2017**	**01/04/2016**	**Change**	**31/03/2017**	**Net value 31/03/2017**
Shares					
Soitec US	16,796				16,796
Soitec JP	2,636,988	147,988	(147,988)	0	2,636,988
Soitec ME	67,197,054	67,197,054		67,197,054	0
Soitec Gmbh	101,244,230	101,244,230		101,244,230	0
Soitec KOREA	328,483				328,483
Soitec CORP	1,000				1,000
Soitec CHINA	102,138				102,138
Ceotis Éclairage	281,181	-	281,181	281,181	0
Cissoid	339,903	339,903		339,903	0
Technocom 2	1,775,000	700,000	187,500	887,500	887,500
Exagan	905,895				905,895
Simgui	4,440,962				4,440,962
TOTAL	**179,269,629**	**169,629,175**	**320,693**	**169,949,868**	**9,319,761**

Provisions for impairment were recorded on the securities of two companies: Technocom 2, for €187.5 thousand, and Ceotis, for €281.1 thousand. The provision for impairment of the securities of the subsidiary Soitec Japan was reversed in the amount of €148 thousand.

The receivables in foreign currencies attached to holdings are not revalued insofar as the repayment horizon is far off. A provision is recognized as appropriate in order to bring the value of the receivable into line with its recoverable value. An impairment loss was recognized during the fiscal year in the amount of €11,820 thousand, respectively corresponding to impairments on receivables from subsidiaries Soitec Solar GmbH, for €8,601 thousand, and Soitec Microelectronics Singapore, for €3,039 thousand, and from Ceotis, for €180 thousand.

Summary of provisions for impairment of receivables on holdings:

		Change			
Company	**Gross value 31/03/2017**	**01/04/2016**	**Change**	**31/03/2017**	**Net value 31/03/2017**
Receivables					
Soitec ME	66,963,981	23,995,981	3,039,000	27,034,981	39,929,000
Soitec Gmbh	425,444,521	409,851,701	8,601,235	418,452,936	6,991,585
Ceotis	214,000	-	180,000	180,000	34,000
TOTAL	**492,622,502**	**433,847,682**	**11,820,235**	**445,667,917**	**46,954,585**

Deposit paid for the Southchester project: this was subject to a release of provision of €1,226 thousand to bring the provision to €4,856 thousand.

At 31 March 2017, the Company had 5,572 treasury shares in its portfolio, after the reverse split of 20 old shares for 1 new share.

	31 March 2017
Number of treasury shares	5,572
Gross value *(in € thousand)*	475,139
Unrealized capital loss *(in € thousand)*	(244,888)

Inventory

Inventories of raw materials, consumables and goods are valued at their purchase cost. A provision for impairment is set aside for obsolete or surplus items.

Inventories of finished goods are valued at production cost except for those whose cost exceeds their selling price during the start-up phase of production and that of obsolete or surplus items.

A provision for impairment writes down the carrying amount of finished goods to their realizable value less proportionate selling expenses.

Semi-finished products are evaluated using the same principles depending on their state of progress in the manufacturing process.

They are broken down as follows:

Inventory category	Gross values	Amount of impairment	Net values
Raw materials	10,888,160	3,037,396	7,850,764
Consumables	11,103,032	3,487,541	7,615,491
Semi-finished products	8,216,718	1,073,153	7,143,565
Finished products	8,516,266	482,499	8,033,767
Goods	656,388	0	656,388

Receivables

Trade receivables, which generally fall due between 30 and 90 days, are recognized at face value.

These receivables are then carried at amortized cost, less any impairment losses on non-recoverable amounts. An impairment loss is recognized whenever there is an objective indication that the Company may not be able to recover its receivables. Identified non-recoverable receivables are written off in full.

The provision for impairment of bad debts increased over the year by €147 thousand, for a total of €467 thousand at the end of the year.

Other receivables

Other receivables relate to tax and social security receivables, as well as grants receivable amounting to €4,137 thousand. They mainly concern the Agate program for €1,736 thousand, the Waytogofast program (France portion) for €1,589 thousand and the Reference program for €760 thousand.

The "State and local authorities" item includes a Research Tax Credit of €35,518 thousand.

The competitiveness-employment tax credit (CICE) receivable at 31 March 2017, was €4,086 thousand, composed of CICE receivables from 2013, 2014, 2015, 2016 and the first quarter of 2017. Reimbursement of the 2013 receivable, for €795 thousand, will be requested when the current year's tax filings are made.

All CICE receivables were pre-financed by Bpifrance Participations, for a total amount of €4,215 thousand.

The purpose of the CICE is to finance the competitiveness of companies, particularly through efforts relating to investments, research, innovation, training, recruitment, prospecting new markets and rebuilding working capital.

It can neither finance an increase in distributed profits nor increase the compensation of directors.

Liquid assets and marketable securities

Cash and cash equivalents include liquid assets and marketable securities. Bank overdrafts are part of these short-term debts.

Cash at bank is principally denominated in euros (83% of the total) and in US dollars (15% of the total).

Cash is held in interest-bearing accounts.

The amount of this item at 31 March 2017 was €41 million for marketable securities and €57 million for liquid assets, compared to €1 million and €38.5 million respectively at the end of the previous year.

Currency translation adjustments

Expenses and earnings in foreign currencies are recorded at their average exchange value at the date of the transaction of the previous month.

Debts, receivables and cash in foreign currencies are recorded on the balance sheet at the exchange rate posted at the end of the fiscal year.

The difference resulting from this updating of the value of debts and receivables in foreign currencies is recorded on the balance sheet as a "currency translation adjustment." Unrealized foreign exchange losses, which are not offset, are subject to provisions for liabilities and charges. It amounted to €32.5 thousand at fiscal year end.

The receivables in foreign currencies attached to holdings are not revalued insofar as the repayment horizon is far off.

Debt issue expenses

These are costs related to the 2014 bond, costs initially amounting to €3,841 thousand, staggered over a five-year period. The amount still to be amortized at the end of this fiscal year is €487 thousand.

Equity

General information

The change in share capital is detailed in the highlights.

At 31 March 2017, the number of Company shares outstanding was 30,311,510.

These are ordinary shares with a par value of €2 per share.

The Shareholders' General Meeting of 25 July 2016, decided to proceed with a reverse split of the Company's shares so that 20 ordinary shares with a par value of €0.10 each would be exchanged against 1 new share with a nominal value of €2.00. The reverse stock split was effective on 8 February 2017.

Information on changes in the stock option plans

There were no new plans over the fiscal year.

The table below summarizes information relating to changes in stock option plans and the weighted average exercise price per share:

(In number)	Shares (in number)	Weighted average exercise price per share *(in €)*	Price range *(in €)*
31 March 2015*	**921,600**	**11.93**	**6.20 to 16.41**
Allocated	-	-	-
Exercised	-	-	-
Cancelled	(620,800)	10.29	6.20 to 16.41
31 March 2016*	**300,800**	**15.30**	**15.11 to 16.41**
Allocated	75,037	15.30	15.11 to 16.41
Exercised	-		
Cancelled*	(375,837)	15.30	15.11 to 16.41
31 March 2017	**-**	**-**	**-**

* *Before reverse stock split of February 2017.*

Other equity

During the year, Soitec partially repaid the advance received on the Nanosmart program for €883 thousand.

The item also decreased due to the cancellation by Bpifrance Participations of its advance on the G2Rec program amounting to €1,072 thousand. This came after the Committee determined the economic and technical failure of the program and changed the advance into a grant.

Loans and financial debts

The completed capital increases for a gross total amount of €151.9 million (net proceeds of around €145 million) were used to repay (i) the outstanding amount on the bridge loans granted by Bpifrance Participations, CEA Investissement and Shin-Estu Handotai in May 2015, (ii) interest totaling €34 million, (iii) CEA Leti invoices under moratorium for €7.8 million, and (iv) to redeem 59% of the convertible bonds due in September 2018 for €58.3 million.

Financial Instruments

Hedging derivative instruments

The Company hedges its currency risk on some of its transactions denominated in US dollars through derivatives (forward sales, options contracts). These derivative instruments are solely designed to hedge currency risks on fixed commitments or highly probable future transactions.

Attributable transaction costs are recognized in the income statement when incurred.

In the absence of a hedging relationship, after initial recognition:

- realized gains and losses resulting from foreign exchange derivatives are recognized immediately in the income statement;
- net unrealized losses, calculated on an instrument-by-instrument basis, are fully provisioned; unrealized gains are not recognized in accordance with the principle of prudence.

If the instrument is used for hedging purposes, the income and expenses resulting from the use of these instruments are recorded symmetrically to the recording of the expenses and income from the hedged transactions:

- gains and losses resulting from derivatives used to hedge firm commitments or identifiable future transactions are deferred and taken into account in the valuation of the transaction concerned which occurs when it is unwound.

At 31 March 2017, the Company recorded a provision for risk on the forward market of €870 thousand.

The following table shows the existing financial instruments at 31 March 2017, and 31 March 2016, to hedge currency risks:

		31 March 2017		31 March 2016	
Type of contract *(In € thousand)*	**Currency**	**Market value (net)**	**Hedged position**	**Market value (net)**	**Hedged position**
Hedging of balance sheet items (trade receivables and payables):		(870)			
Of which forward sales contracts	USD to EUR	(870)	22,449	-	3,514
Commitments on currency hedges:					
Forward sale	USD to EUR		101,955		
Options	USD to EUR		228,230		

The maturities of financial hedging instruments fall between 1 April 2017, and May 2019.

Currency risk

The Company's objectives are to hedge currency risk on commercial transactions recorded on the balance sheet and on future transactions that are highly probable. The Company's policy on exposure to currency risk on its future dollar trading transactions is to hedge a very significant portion of the currency risk of the following two years at the end of the fiscal year by using derivative instruments on the basis of operating budgets. The currency risks identified are hedged by forward sales or options contracts, in order to minimize the EUR/USD currency position. The useful lives of these instruments are in line with the Company's settlement flows.

However, the policy is not to use instruments for speculative purposes.

Currency risk on EUR/ZAR remains unhedged.

The exchange rates of the Company's three main currencies at 31 March 2017, are as follows:

- EUR/USD: 1 euro for 1.0691 US dollars (1 euro for 1.1385 US dollars at 31 March 2016).
- EUR/JPY: 1 euro for 119.55 yen (1 euro for 127.9 yen at 31 March 2016).
- EUR/ZAR: 1 euro for 14.2404 rand (1 euro for 16.7866 rand at 31 March 2016).

Credit risk

The financial instruments on which the Company potentially incurs a credit risk are mainly cash, liquid assets subject to restrictions and accounts receivables. The Company has implemented a cash flow management policy with the objective of optimizing its investments in short-term and low-risk financial liquid instruments. The Company's liquid assets are mainly invested with large international financial institutions.

The Company markets its products to actors in the semiconductor industry mainly located in the United States, Asia and Europe. At 31 March 2017, eight customers individually represented more than 5% of Electronics division sales, and together accounted for 80% of sales. As at 31 March 2016, there were nine customers individually representing more than 5% of the Group's revenue, and they jointly represented 76% of the revenue.

The Company frequently evaluates its customers' credit risk and financial position and provisions the potential losses on receivables that cannot be recovered. The amount of these losses remained within the limits forecast by the Management.

Equity risk

The Company may be exposed to equity risk due to the shares which it owns; however, this risk is limited because the Company owned only 5,572 treasury shares as of 31 March 2017, or 0.02% of the Company's capital.

Liquidity risk

The Company's financing is based on long-term borrowing from capital markets (convertible bond issues and capital increases), finance leases for capital spending and confirmed credit lines.

Confirmed credit lines

In 2012, the Company signed with its banking partners confirmed credit lines for a total amount of €72 million to mature on 31 March 2017, and which are amortized over five years. One of these lines was restructured for an amount of €8 million, amortizable at 31 August 2014. The amount outstanding at 27 May 2015, i.e., €37.2 million, was restructured in the form of credit lines repayable in full (principal and interest) at maturity in November 2019. These credit lines bear a commitment fee of 0.15% to 0.40%, and a utilization fee ranging from Euribor 0.60% to 1.00% depending on the credit lines.

Within the framework of the mobilization of receivables on the research tax credit and the CICE, the Company signed credit lines with BPI for a total amount of €19,167 thousand to mature between September 2017 and September 2021. These credit lines bear a commitment fee of 0.30%, and a utilization fee of Euribor 1 month +0.70%.

> *Revenue recognition*

Revenue recognition comes mainly from the sales of products. It is supplemented by license income: Revenue is recognized when it is probable that future economic benefits will flow to the Company and such income can be measured reliably.

The revenue recognition criteria vary depending on the nature of the services provided by the Company:

- sales of silicon wafers are recorded as earnings when the transfer of risks and benefits takes place pursuant to the Incoterms specified in the contracts;
- license income is recorded using a straight-line method over the period during which the rights are granted. When the license agreements provide, in addition to royalties, for payments of advances or interim invoices allowing for the financing of the developments implemented to respond to the specific needs of a customer, these are recorded as earnings over the foreseeable duration of the use by the customer of the transferred technology.

At 31 March 2017, deferred income related mainly to:

- a pre-payment on a license agreement entered into in March 2011 in the field of image sensors, for a total amount of €2,609 thousand, consisting of a non-current portion of €1,957 thousand and a current portion of €652 thousand;
- a prepayment on a licensing agreement concluded in March 2013 in the field of III-V materials for the light-emitting diode market, for a total amount of €577 thousand (current portion);
- a pre-payment on a license agreement entered into in May 2014 in the field of radiofrequency applications and power applications, for a total amount of €5,539 thousand, consisting of a non-current portion of €4,775 thousand and a current portion of €764 thousand.

> *Research and development expenditure*

Research and development costs are essentially made up of the following:

- salaries and social charges;
- operating costs of clean room equipment and equipment required for research and development;
- material used for finalizing and manufacturing prototypes;
- subcontracting to public research centers or private laboratories, cooperation agreements;
- costs related to maintaining and strengthening the Company's intellectual property rights.

Provided that such agreements are signed and the administrative authorizations are obtained, the amounts received under the aid contracts are recognized as operating grants.

Soitec S.A. receives research tax credits (CIR).

The amount of the research tax credit granted is reduced by the grants collected during a calendar year for the projects concerned. The amount of the research tax credit received may thus vary from one period to the next depending on the level of grants received.

Research tax credits recorded in the financial statements for the 2016 calendar year totaled €12.8 million.

A portion of the subsidies used to finance the R&D activities may be granted in the form of redeemable advances.

Pension costs

Retirement indemnities and related benefits

French law provides for the lump-sum payment of retirement indemnities. This indemnity is determined depending on the years of service and the level of remuneration at the time of retirement. Entitlements are only enjoyed by employees working in the Company at retirement age. The Group has entered into an agreement to supplement statutory retirement benefits.

Other pension plans

In addition to statutory benefits, the Company operates a supplementary pension plan for certain employees. This defined benefit plan is managed by an outside agency.

Defined benefit plans (Article 83 of the French General Tax Code) are measured on an actuarial basis using the projected unit credit method, which factors in demographic assumptions (salary trends, age upon retirement, staff turnover, mortality rate) and financial assumptions (discount rate and inflation rate).

For defined contribution plans (Article 39 of the French General Tax Code), payments are recognized as costs of the fiscal year to which they relate. There are no actuarial liabilities to this end.

The pension commitment of the Company at 31 March 2017, amounts to €8,234 thousand.

Provisions

A provision is recognized when the Company has a present (legal or constructive) obligation arising from a past event, the amount of which can be estimated reliably, and the settlement of which is expected to result in an outflow of resources embodying economic benefits for the Company. The provisions are updated when the impact of the update is significant.

A provision for restructuring is only recognized when there is an implicit obligation to a third party, originating from a decision of Management materialized before fiscal year-end by the existence of a detailed and formalized plan and the announcement of this plan to the persons concerned.

The other provisions correspond to risks and charges identified specifically:

Provisions for litigation: Labor Courts, Social Security	€1,220,316
Provisions for foreign exchange losses	€32,514
Provision for risk on futures market	€870,311
Provisions for restructuring	€480,728
Other provisions for liabilities: rent still due on obsolete equipment	€1,718,471

Related party disclosures

Since 2 May 2016, the Board of Directors has been comprised of 13 members. Besides the Chairman and CEO, the 12 other members were selected based on their experience of the semiconductor market or their professional experience in other relevant areas for the Group's development. The semiconductor market is characterized by a small number of players, so the Company maintains or is likely to have business relations with ARM Holdings Plc, Shin-Etsu Handotaï, Global Foundries, CEA and Shanghai Simgui Technology Co., LTD, where Douglas Dunn, Satoshi Onishi, Christophe Gégout and Xi Wang respectively hold or held positions.

When the financing plan was set up in connection with the conciliation procedure approved by the Grenoble Commercial Court on 5 May 2015, Shin-Etsu Handotaï Europe, Bpifrance Participations and CEA Investissement granted the Company a financing facility for a total amount of €54 million. The terms of these loans are described in Chapter 10.3. (conditions for loans and structure of finance) in the first update to the 2014-2015 Reference Document, filed with the French Financial Markets Authority on 7 March 2016. The Company made a partial repayment in August 2015 and the balance of €34 million was repaid in May 2016. With respect to these loans, interest payments totaling €2,575 thousand were paid in fiscal year 2016-2017.

During the year ended 31 March 2017, purchases of raw materials from Shin-Etsu Handotaï represented €65,999 thousand (€57,963 thousand in the year ended 31 March 2016).

Soitec S.A. invoiced royalties to Shin-Etsu Handotaï of €2,835 thousand for fiscal year 2016-2017 (€2,675 thousand for fiscal year 2015-2016).

It also invoiced royalties to ARM LTD of $551 thousand for fiscal year 2016-2017 ($860 thousand for fiscal year 2015-2016).

Global Foundries is one of Soitec's main clients. Sales of wafers amounted to $63,044 thousand in fiscal year 2016-2017 ($83,161 thousand for fiscal year 2015-2016).

In fiscal year 2016-2017, Soitec paid CEA €5,263 thousand under the research and development contract (€5 million in fiscal year 2015-2016) and €4,591 thousand in patent royalties (€3,447 thousand in fiscal year 2015-2016).

During the year, Soitec paid Shanghai Simgui Technology Co., LTD, $2,697 thousand to purchase 200 mm SOI wafers.

Soitec S.A. invoiced it $1 million under the service contract and $2,894 thousand for silicon substrates.

Lastly, Soitec, which had entered into a commercial collaboration agreement with Novaday in which Joël Karecki is a shareholder, did not make any purchase in fiscal year 2016-2017 (€41 thousand in fiscal year 2015-2016).

In fiscal year 2016-2017, the internal governance body, called the Executive Committee (COMEX), had nine members excluding corporate officers (versus ten people the previous year). Total gross remuneration of the salaried members of the COMEX, excluding corporate officers, including direct and indirect benefits of the salaried members was, for the year ended 31 March 2017, €2,690 thousand.

(In € thousand)	31 March 2017	31 March 2016
Short-term benefits	2,690	2,626
Post-employment benefits	-	47
Share-based payments	-	-
TOTAL GROSS REMUNERATION PAID TO GROUP MANAGEMENT	**2,690**	**2,673**

The amount of the gross remuneration allocated to corporate officers and non-employee directors is as follows:

(In € thousand)	31 March 2017	31 March 2016
Corporate officers:		
Short-term benefits	1,145	1,026
Post-employment benefits	-	42
Termination benefits		
Share-based payment		-
TOTAL GROSS REMUNERATION PAID TO CORPORATE OFFICERS	**1,145**	**1,068**
Non-executive directors:		
Directors' fees paid	429	375
Reimbursement of travel expenses	73	96
TOTAL COMPENSATION AWARDED TO NON-EXECUTIVE DIRECTORS	**502**	**471**

Managers were not allocated options or free shares during the year.

On the other hand, following the decision to establish a free preferred share plan, contingent rights to preferred shares were allocated to managers during the year. These rights will enable the definitive allocation of preferred shares followed by conversion into ordinary shares, subject to continued employment and performance conditions based on reaching a target stock market price and internal performance criteria based on achieving the target EBITDA level for fiscal years 2017-2018 and 2018-2019.

Breakdown of contingent rights to preferred shares allocated during the year:

(In number)	Preferred shares*	Total at 31 March 2017
Management personnel	230,676	230,676
Of which corporate officers	*44,947*	*44,947*

* *First, contingent rights to preferred shares were granted. They grant entitlement to preferred shares a year later subject to certain conditions (in particular continued employment).*

Information required by Article R. 123-198-9 of the French Commercial Code

The total amount of statutory auditors' fees recorded in the income statement for the fiscal year was €248.5 thousand. These fees include the audit assignment, certification and examination of the individual financial statements for €234 thousand and the assignment for the other duties and services directly pertaining to the audit for €14.5 thousand.

Balance sheet and income statement information

Fixed assets

Items	Gross value beginning of year	Revaluation	Acquisitions
Start-up and research & development costs	**3,710,000**		
Other intangible fixed asset items (1)	**45,660,422**		**1,192,545**
Land	300,000		1,485,801
Land constructions	230,000		6,657,482
Buildings on non-freehold land			
General installations constructions, fixtures, fittings			
Technical installations, equipment and industrial tools	200,886,637		5,749,300
General installations, fixtures, fittings	50,218,450		785,565
Transport equipment	73,231		
Office, IT equipment and furniture	11,536,563		168,163
Recyclable and various packaging			
Tangible fixed assets in the process of construction	7,905,970		9,461,439
Advances and installments			
Tangible fixed assets	**271,150,853**		**24,307,750**
Holdings valued against equivalents			
Other holdings	662,338,155		14,241,125
Other long-term investments			
Loans and other financial investments	9,528,613		133,000
Investments	**671,866,769**		**14,374,125**
GRAND TOTAL	**992,388,045**		**39,874,420**

Items	Reclassifications	Assignment, decommissioning	Gross value end of year
Start-up and research & development costs			**3,710,000**
Other intangible fixed asset items	**705,000**	**19,199**	**46,128,767**
Land			1,785,801
Land constructions [(2)]		74,166	6,813,315
Buildings on non-freehold land			
General installations constructions, fixtures			
Technical installations, equipment and industrial tooling		7,165,848	199,470,088
General installations and various fixtures		589,727	50,414,287
Transport equipment			73,231
Office, IT equipment and furniture		1,404,622	10,300,103
Recyclable and various packaging			
Tangible fixed assets in the process of construction	6,701,251		10,666,158
Advances and installments			
Tangible fixed assets	**6,701,251**	**9,234,363**	**279,522,987**
Holdings valued against equivalents			
Other holdings	4,687,149		671,892,130
Other long-term investments			
Loans and other financial investments		53,896	9,607,716
Investments	4,687,149	53,896	681,499,847
GRAND TOTAL	**12,093,400**	**9,307,458**	**1,010,861,602**

(1) *Goodwill: The accounting rules set out in ANC Regulation No. 2015-06 of 23 November 2015, on technical merger losses came into force on 1 April 2016. As such, the merger loss of €705 thousand was reclassified against tangible assets in its entirety. This transfer from intangible assets to tangible assets constitutes a change in accounting policy.*

(2) *Construction: As Soitec S.A. has settled all guaranteed receivables with each beneficiary, the Trust Agreement has come to an end: the parties therefore wished to give all powers to Soitec for the purpose of completing the procedures for cancellation of the Trust and the land registration related to the transfer of the Trust Assets from the Trustee to Soitec.*

Depreciation

Items	Beginning of the fiscal year	Expenses	Reversals	End of the fiscal year
Start-up and research & development costs	**1,854,999**	**371,000**		**2,225,999**
Other intangible assets	**40,522,011**	**2,754,275**		**43,276,286**
Land				
Land constructions	230,000	3,213,578	74,166	3,369,411
Buildings on non-freehold land				
General installations constructions, fixtures				
Technical installations, equipment, tooling	170,575,516	7,942,578	7,166,158	171,351,935
General installations and fixtures	26,937,733	2,876,571	589,727	29,224,576
Transport equipment	61,346	9,280		70,626
Office, IT equipment and furniture	10,941,363	459,313	1,404,308	9,996,367
Recyclable and various packaging				
Tangible fixed assets	**208,745,959**	**14,501,320**	**9,234,360**	**214,012,917**
GRAND TOTAL	**251,122,971**	**17,626,595**	**9,234,358**	**259,515,204**

Breakdown of expenses	Reversals of accelerated tax depreciation
Start-up and research & development costs	
Other intangible assets	**129,026**
Land	
Land constructions	
Buildings on non-freehold land	
Constructions and installations	
Technical installations, tooling	
General installations and fixtures	
Transport equipment	
IT and office equipment	
Recyclable packaging	
Tangible fixed assets	
GRAND TOTAL	**129,026**

Costs spread over several fiscal years	Beginning of the fiscal year	Increases	Expense for the period	Net amount at end of fiscal year
Costs to be spread over several fiscal years	1,910,426		1,423,431	486,994
Bond redemption premium				

Provisions in the balance sheet

Items	Beginning of the fiscal year	Expenses	Reversals	End of the fiscal year
Mining and oil deposits				
Investment provisions				
Provisions for price increases				
Provisions for stock price fluctuations				
Special depreciation allowances	908,001		129,026	778,974
Foreign ventures before 01/01/1992				
Foreign ventures after 01/01/1992				
Provisions for installation loans				
Other regulatory provisions				
Regulated provisions	**908,001**		**129,026**	**778,974**
Provisions for litigation	1,321,376	1,097,829	1,198,890	1,220,315
Provisions for guarantees given to customers				
Provisions for losses on forward markets		870,310		870,310
Provisions for fines and penalties				
Provisions for foreign exchange losses	2,157,769	32,514	2,157,769	32,514
Provisions for pensions and similar commitments	2,718,159		2,237,431	480,727
Provisions for taxes				
Provisions for renewing fixed assets				
Provisions for major repairs				
Provisions for company costs, tax costs and leave to be paid				
Other provisions for contingencies and charges	4,122,491	50,000	2,454,020	1,718,470
Provisions for contingencies and expenses	**10,319,797**	**2,050,654**	**8,048,111**	**4,322,337**
Provisions for intangible fixed assets	333,379		258,895	74,483
Provisions for tangible fixed assets	14,720,595	149,221	2,764,342	12,105,474
Provisions for securities				
Provisions for equity loans	169,629,174	468,681	147,987	169,949,867
Provisions for other investments	440,340,427	12,065,123	1,636,821	450,768,728
Provisions for inventory and work-in-progress	8,291,135	8,080,589	8,291,135	8,080,589
Provisions for customer accounts	320,071	177,009	29,860	467,220
Other provisions for depreciation				
Provisions for depreciation	**633,634,783**	**20,940,624**	**13,129,041**	**641,446,363**
GRAND TOTAL	**644,862,582**	**22,991,278**	**21,306,179**	**646,547,675**
Operating expenses and reversals		9,554,649	17,234,578	
Financial expenses and reversals		13,436,628	3,942,578	
Exceptional contributions and recoveries			129,027	
Depreciation of investments in equity affiliates at the end of the fiscal year				

Receivables and payables

Receivables statement	Gross amount	Less than 1 year	More than 1 year
Receivables linked to holdings	492,622,502	46,956,001	445,666,501
Loans (1) (2)			-
Other investments	9,607,716	4,215,185	5,392,531
Doubtful and disputed trade receivables	494,557	494,557	
Other trade receivables	49,886,270	49,886,270	
Receivables relating to loaned securities			
Staff and related accounts	2,927	2,927	
Social security and other social agencies			
State, other local authorities: income tax	39,604,713	8,784,528	30,820,185
State, other local authorities: VAT	449,241	449,241	
State, other local authorities: other duties, taxes and related payments			
State, other local authorities: miscellaneous receivables	4,137,276	4,137,276	
Group and related parties (2)			
Other debtors	111,364	111,364	
Prepaid expenses	1,770,602	1,770,602	
GRAND TOTAL	**598,687,168**	**116,807,951**	**481,879,217**

(1) Amount:
- of loans granted during the year
- of repayments obtained during the year

(2) Loans and advances given to related parties

Debt statement	Gross amount	Less than 1 year	More than 1 year but less than 5 years	More than 5 years
Convertible bonds [1]	41,828,928		41,828,928	
Other bonds [1]	94,035	94,035		
Loans and debts of 1 year maximum initially	57,526,932	7,560,413	49,966,520	
Loans and debts of more than 1 year initially [1] [2]				
Miscellaneous loans and financial debt [1] [2]	-	-		
Prepayments received on orders	20,296	20,296		
Trade payables and related accounts	45,050,571	45,050,571		
Staff and related accounts	11,608,759	11,608,759		
Social security and other social agencies	14,028,446	14,028,446		
State and other local authorities: income tax				
State and other local authorities: VAT	325,910	325,910		
State and other local authorities: secured bonds				
State and other local authorities: other duties, taxes and related payments	2,884,484	2,884,484		
Amount due on fixed assets and related accounts	3,705,419	3,705,419		
Group and related parties [2]	9,016,873	9,016,873		
Other liabilities*	6,207,655	5,584,586	623,069	
Liabilities representing borrowed securities				
Deferred income	8,763,445	2,032,171	5,014,502	1,716,772
GRAND TOTAL	**201,061,753**	**101,911,963**	**97,433,019**	**1,716,772**
(1) Loans – taken out during the year	-			
- repaid during the year	94,997,639			
(2) Loans and debts entered into with related parties				

* *Other liabilities: The change in "other liabilities" comes from the reclassification of the moratorium granted by [social security administration] URSSAF on tax and social security liabilities as at 31 March 2016.*

Items relating to several balance sheet items

Items	Affiliates	Holdings
Fixed assets		
Capital (subscribed but not called)		
Prepayments on intangible fixed assets		
Prepayments on tangible fixed assets		
Holdings	3,085,404	6,234,357
Receivables linked to holdings	46,920,585	34,000
Loans		
Other long-term investments		
Other investments		
Current assets		
Advances, goods paid for on order		
Customer receivables and related accounts	30,360,590	199,865
Other receivables	5,800	
Subscribed capital, called but not paid		
Marketable securities		
Liquid assets		
Debts		
Convertible bonds		
Other bonds		
Borrowings and debt with credit institutions		
Various borrowings and financial debt		
Prepayments received on customer orders	20,296	
Trade payables	889,427	150,799
Amount due on fixed assets and related accounts	153,002	
Other liabilities		

Results of the last five fiscal years

Type of indications	Fiscal year 31/03/2013	Fiscal year 31/03/2014	Fiscal year 31/03/2015	Fiscal year 31/03/2016	Fiscal year 31/03/2017
I. Capital at the end of the fiscal year					
Share capital	12,262,674	17,258,080	23,118,843	23,132,418	60,623,020
Number of existing ordinary shares	6,131,337	8,629,040	11,559,421	11,566,209	30,311,510
Number of existing priority dividend shares (without voting right)					
Maximum number of future shares to be created					
• By conversion of bonds					
• By exercising subscription rights					
II. Transactions and earnings for the fiscal year					
Revenue before tax	248,265,323	149,763,853	161,132,017	220,309,732	238,222,800
Earnings before tax, employee profit-sharing and allowances for amortization and provisions	(22,749,433)	(30,879,143)	(26,299,367)	(32,496,849)	24,345,522
Income tax	(8,902,491)	(7,463,321)	(7,849,663)	(11,126,317)	(13,883,265)
Depreciation expenses and provisions	44,514,363	283,430,002	368,617,053	42,925,794	17,880,655
Earnings after tax, employee profit-sharing and allowances for amortization and provisions	(58,361,305)	(306,845,824)	(387,066,790)	(64,296,326)	20,348,132
Distributed profits					
III. Earnings per share					
Earnings after tax, employee profit-sharing and before allowances for amortization and provisions	(2.26)	(2.71)	(1.60)	(1.85)	1.26
Earnings after tax, employee profit-sharing and allowances for amortization and provisions	(9.52)	(35.56)	(33.48)	(5.56)	0.67
Dividend allocated to each share					
IV. Personnel					
Average workforce during the fiscal year	1,056	909	814	850	859
Payroll for the fiscal year	52,657,377	43,742,171	44,336,825	47,485,029	47,573,398
Amount paid as social benefits during the fiscal year (social security, social welfare work, etc.)	25,470,464	19,214,511	18,499,799	21,072,868	27,098,669

Currency translation adjustments on receivables and payables in foreign currencies

Type of adjustments	Asset – Unrealized losses	Adjustments offset by currency hedging	Provisions for foreign exchange losses	Liabilities – Unrealized gains
Non-financial fixed assets				
Investments	1,416		1,416	65,995
Receivables				245,224
Financial debt				
Operating debts	31,098		31,098	48,279
Debts on fixed assets				
TOTAL	**32,514**		**32,514**	**359,497**

Composition of the share capital

Categories of securities	Number of shares			Par value
	At the end of the fiscal year	Created during the fiscal year	Redeemed during the fiscal year	
Ordinary shares	30,311,510	18,745,301		€2
Redeemed shares				
Priority dividend shares without voting rights				
Preferred shares				
Membership shares				
Investment certificates				

Changes in equity

Position at the beginning of the fiscal year		Balance
Equity before distribution on previous earnings		(51,224,345)
Distribution on previous earnings		
Equity after distribution on previous earnings		(51,224,345)
Changes during the fiscal year	**Minus**	**Plus**
Changes in the share capital		37,490,602
Changes in bonuses linked to capital		107,074,674
Changes in reserves	18,947	
Changes in investment grants		
Changes in regulatory provisions	129,027	
Other changes: Period earnings		20,348,132
BALANCE		**164,765,434**
Position at the end of the fiscal year		**Balance**
EQUITY BEFORE DISTRIBUTION		**113,541,090**

Allocation of earnings submitted for approval of the Shareholders' General Meeting

1 - Origin	Amount
Prior retained earnings	(885,450,402)
Period earnings	20,348,132
including current earnings after tax	20,348,132
Withdrawals from reserves	
TOTAL	**(865,102,270)**

2 - Allocations	Amount
Statutory reserve	
Long-term capital gains special reserve	
Other reserves	
Dividends	
Other distributions	
Retained earnings	20,348,132
TOTAL	**20,348,132**

Provisions for contingencies and expenses

	Position and changes				
			Decreases		
Items	Provisions at the start of the fiscal year	Increases in expenses for the fiscal year	Amounts used during the fiscal year	Amounts not reversed in the fiscal year	Provisions at the end of the fiscal year
Labor disputes	304,415	367,910	220,930		451,395
Other litigation	1,016,962	729,920	455,400	522,561	768,921
Risk on futures market	-	870,311			870,311
Foreign exchange loss	2,157,769	32,514	1,173,739	984,030	32,514
Restructuring	2,718,160		1,955,180	282,252	480,728
Other expenses (obsolete equipment rent)	3,880,390		2,161,919		1,718,471
Other risks (offset stock)	242,102	50,000	292,102		-
TOTAL	**10,319,798**	**2,050,654**	**2,923,612**	**5,124,501**	**4,322,339**

Average headcount

Headcount	Salaried personnel	Personnel loaned to the Company
Operators	258	
Technicians and office workers	297	
Engineers and executives	305	
TOTAL	**859**	

Breakdown of revenue in euros

Items	Revenue France	Revenue Export	Total 31 March 2017	Total 31 March 2016	% 2017/2016
By geographic market	17,349,586	220,873,214	238,222,800	220,309,732	8%
TOTAL	**17,349,586**	**220,873,214**	**238,222,800**	**220,309,732**	**8%**

Extraordinary income and expenses

Breakdown of extraordinary income and expenses	Expenses	Income
771700 Extraordinary income tax relief		326,993
771800 Other extraordinary income – Customer advances		11,852
772000 Earnings from previous fiscal years		1,566
Extraordinary income on management operations		**340,411**
775000 Income from disposal of assets		691,241
778300 Premium resulting from the Company redeeming its bonds		3,070,075
778800 Extraordinary income – Transaction		26,847
Extraordinary income on capital transactions		**3,788,163**
787250 Reversal of special provisions for depreciation		129,027
Reversals on provisions and transfer expenses		**129,027**
671000 Extraordinary management operating costs	284,503	
671200 Penalties and fines	161,599	
Extraordinary costs on management operations	**446,102**	
675000 Disposal of operating assets	3	
678000 Miscellaneous extraordinary costs	7,582	
Extraordinary costs on capital transactions	**7,584**	
GRAND TOTAL	**453,686**	**4,257,602**

Deferred and unrealized tax position

Items (in € thousand)	Amount
Tax due on:	
Other:	
Currency translation adjustment: Assets	11
Deferred depreciation of charges	
Regulated provisions: special depreciation allowances	
Investment grants:	
Total increases	11
Prepaid tax on:	
Temporarily non-deductible costs (to be deducted the following year):	
Organic	35
Currency translation adjustment	11
Other (Provision for R&C)	**2,937**
To be deducted subsequently:	
Provisions for own insurer	
Other: pensions	**2,745**
Total tax relief	5,727
Net deferred tax position	(5,716)
Tax due on: Deferred capital gains	
Credit to be charged to:	
Deficits carried forward (in € thousand)	(255,249)
Long-term capital losses	
NET UNDERLYING TAX POSITION	**255,249**

Financial commitments, other information

Leasing commitments

Items	Land	Buildings	Equipment and tooling	Other fixed assets	Total
INITIAL VALUE			**66,883,466**		**66,883,466**
Depreciation					
Running total for previous fiscal years			45,802,833		45,802,833
Current fiscal year			4,485,013		4,485,013
Total			**50,287,847**		**50,287,847**
NET VALUE			**16,595,619**		**16,595,619**
Royalties paid					
Running total for previous fiscal years			8,904,538		8,904,538
Current fiscal year			8,796,360		8,796,360
Total			**17,700,898**		**17,700,898**
Royalties to be paid					
Less than 1 year			5,856,260		5,856,260
More than 1 year and less than 5 years			1,005,716		1,005,716
More than 5 years					
Total			**6,861,976**		**6,861,976**
RESIDUAL VALUE					
Amount accounted for in the fiscal year			7,925,364		7,925,364

Off-balance sheet commitments

Items	Off-balance sheet amount *(in € thousand)*
Unmatured eligible bills	
Guarantees and bonds	133
Pension obligations	8,234
Other commitments given	173,690
Long-term lease commitments	*156*
Guarantees given	*155,535*
Pledge on inventory	*18,000*
Pledges on industrial materials	
TOTAL	**182,057**

Contingent liabilities consist of a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation for which an outflow of resources is unlikely. Contingent liabilities are not recognized but are disclosed in the notes.

A pledge on inventory of €18 million is maintained as a guarantee of the long-term commitment to purchase raw materials from Shin-Etsu Handotaï. (The €29,312 thousand pledge as of 31 March 2016, was related to the €30 million loan granted by Shin-Etsu Handotaï.)

As of 31 March 2017, guarantees given by Soitec SA total €155.5 million and the main beneficiaries are:

- a comfort letter of €112 million granted by Soitec S.A. to Soitec Singapore under which Soitec S.A. is committed to supporting its subsidiary so that it can continue its business and address its debts;
- the project company for the Touwsrivier solar power plant: €30.0 million;
- the buyers of the Desert Green and Rians solar power plants: €3.8 million;
- notice of mortgage intent: €7.2 million.

Commitments given to subsidiaries (guarantees and bonds)	**Amount** *(in €)*
Soitec Solar US	3,800,000
Soitec Singapore	112,000,000
Soitec Solar RSA	30,000,000

Commitments made on behalf of Soitec S.A. (guarantees and sureties)	**Amount** *(in €)*
Pledge of the SEH loan	18,000,000
Notice of mortgage intent	7,200,000

List of subsidiaries and equity interests

Name – Registered office	Capital equity	Q.P. Holding of dividends received	Gross val. shares Net val. shares	Loans, advances, bonds	Revenue earnings
Subsidiaries (more than 50%)					
Soitec USA Inc. 11682 El Camino Real, Suite 260 San Diego, CA, USA	10,000 8,093,000	100%	16,796 16,796		52,828,000 199,855
Soitec Japan Inc., 3-1 Marunouchi 3-Chome Chiyoda-Ku, 100-00005 Tokyo, Japan	300,500,000 392,107,173	100%	2,636,988 2,636,988		16,636,168 618,154
Soitec Solar GmbH Bötzinger Str.31 79111 Freiburg – Germany	319,890 (453,481,000)	100%	101,244,230 0	425,445,936	199,000 (5,434,000)
Soitec Microelectronics Singapore Pte Ltd 81, Pasir Ris Industrial Drive 1, Singapore 518220	93,395,220 (53,568,000)	100%	67,197,054 0	66,963,981	63,341,000 (1,648,000)
Soitec Korea, Kyunggi-do hwasung-si Bansong Dong 93-10, Shinyoung Gwell	500,000,000 625,108,750	100%	328,483 328,483		0 19,459
Soitec Corporate Services 54, avenue Marceau – 75008 Paris	1,000 (7,374)	100%	1,000 1,000		 (1,907)
Soitec Shanghai Trading 3261 Dong Fang Road Pu Dong New District Shanghai, China	852,619 899,350	100%	102,138 102,138		0 791
Holdings (10% to 50%)					
Ceotis Éclairage C/o Soitec – Parc Technologique des Fontaines – 38190 Bernin	937,270 (587,804)	30%	281,181 0	214,000	814,714 (1,525,074)
Exagan S.A.S. 7 Parvis Louis Néél – 38040 Grenoble Cedex 9	108,256 5,692,965	15.32%	905,895 905,895		0 617,056
Other securities – equity interests below 10%					
Technocom 2 23, rue Royale 75008 Paris	23,976,984 22,983,224	8.00%	1,775,000 887,500		0 (848,565)
Simgui 200, Puhui Road, Jiading District, Shanghai, China	315,000,000 817,031,495	2.698%	4,440,962 4,440,962		49,457,458 (4,087,633)
Cissoid, chemin du Cyclotron 6 B-1348 Louvain la neuve	3,782,772 2,755,217	0.36%	339,903 0		922,000 (618,044)

The capital and shareholders' equity are shown in local currency, i.e., US dollars for Soitec USA Inc. and Soitec Microelectronics Singapore, Korean won for Soitec Korea, yuan for Soitec China and Japanese yen for Soitec Japan.

The other amounts (revenue and profit/loss) are shown in euros.

For subsidiaries and shareholdings, no dividend was received during the year.

For holdings below 10%, no loan, advance or deposit was granted during the fiscal year.

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