HALF-YEAR REPORT 2017-2018

soitec

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1 | PERSONS RESPONSIBLE

1.1. PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Paul Boudre, Chief Executive Officer

1.2. DECLARATION BY THE PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

I certify, to the best of my knowledge, that the condensed interim consolidated financial statements for the past six months have been prepared in accordance with the applicable accounting standards, and provide an accurate and fair view of the assets, financial position, and results of the company and all companies included in the consolidation, and that the attached half-year management report shows an accurate and fair view of the significant events during the first six months of the year, their impact on the financial statements, the main transactions between related parties, as well as a description of the principal risks and uncertainties for the remaining six months of the year.

November 29, 2017
Paul Boudre
Chief Executive Officer

2 | STATUTORY AUDITORS

Principal Auditors

KPMG S.A. represented by Jacques Pierre and Stéphane Devin

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

Date of first appointment: July 25, 2016

Expiration date of this appointment: The Shareholders' Ordinary General Meeting called to approve the financial statements for the year ending March 31, 2022.

Ernst & Young Audit represented by Nicolas Sabran

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

Date of first appointment: July 25, 2016

Expiration date of this appointment: The Shareholders' Ordinary General Meeting called to approve the financial statements for the year ending March 31, 2022.

Alternate Auditors

Salustro Reydel (alternate for KPMG S.A.)

Tour EQHO, 2, avenue Gambetta, 92,066 Paris La Défense Cedex

Date of first appointment: July 25, 2016

Expiration date of this appointment: The Shareholders' Ordinary General Meeting called to approve the financial statements for the year ending March 31, 2022.

Auditex (alternate for Ernst & Young Audit)

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

Date of first appointment: July 25, 2016

Expiration date of this appointment: The Shareholders' Ordinary General Meeting called to approve the financial statements for the year ending March 31, 2022.

3 | RISK FACTORS

The main risks and uncertainties facing the Group during the remaining six months of fiscal 2017-2018 are those described in Chapter 4 "Risk Factors" found on pages 13-20 of the Soitec 2016-2017 Reference Document filed with the French Financial Markets Authority (AMF) on July 4, 2017 under number D. 17-0720. We have conducted a review and found no new risk.

4 | REVIEW OF THE FINANCIAL POSITION AND RESULTS

The half-year business report that follows must be read in conjunction with the condensed interim consolidated financial statements for the period ended September 30, 2017 and the Company's Reference Document for fiscal 2016-2017 filed with the French Financial Markets Authority on July 4, 2017 under number D. 17-0720.

In the first half of fiscal year 2017-2018, the Group operated in two business segments:

- Electronics: historical activity in the semiconductor sector, representing the production and marketing of substrates and components for the semiconductor industry.
- Other businesses: operations that have largely been discontinued by the Group, including mainly the Solar Energy sector.

The Solar Energy sector handled the production and marketing of concentrator photovoltaic modules; the 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 (an equity-accounted company held at 20% and a loan provided to one of the plant's shareholders), which are classified as assets available for sale and it includes some ongoing maintenance activities, primarily in Europe and the United States.

In this segment, only the guarantee deposit on the bond in South Africa was maintained as a continuing operation as of March 31, 2017. The accounting impact of the recovery of this deposit is presented in financial income/(expense) for the first half of fiscal year 2017-2018 in continuing operations.

4.1. POSITION AND BUSINESS OF THE GROUP

The first half of 2017 was marked by continued restructuring of the Group's balance sheet and equity, strong growth of 27% in sales, and improved operating profitability for the Electronics business.

As of September 30, 2017, the Group's consolidated shareholders' equity totaled 216.8 million euros (versus 149.1 million euros at March 31, 2017) and net debt was negative at 31.5 million euros (versus 11.6 million euros in net debt at March 31, 2017). Available cash was 99.1 million euros, compared with 109.3 million euros at March 31, 2017.

Total activity rose 27% over the first half of the fiscal year, with revenue of 143 million euros versus 112.1 million euros during the first six months of the preceding year. This growth was driven by the sharp increase in sales volumes for 300 mm wafers, but also by small-diameter sales through the optimization of the volumes produced in Bernin and the increase in the volumes produced by our Chinese partner Simgui.

The increase in revenue had a favorable impact on gross profit, which was up 14 million euros from the first half of 2016-2017. Current operating income was positive at 22.5 million euros, an increase of 13.1 million euros over the current operating income of +9.4 million euros recorded in the first half of the previous year.

Research and development expenses remained stable, moving from 9.7 million euros in the first half of 2016-2017 to 9.5 million euros in the first half of fiscal 2017-2018 and represented 6.7% of revenue.

Administrative expenses were up 1.2 million euros, an increase driven primarily by a payroll expense related to management's long-term incentive plan. Sales and marketing costs were stable.

The Other Activities segment income, including the impacts related to the financial assets tied to the Touwsrivier plant, are reported on a separate line of the income statement "net profit/(loss) from discontinued operations".

4.2. ELECTRONICS SEGMENT

The Electronics segment generated revenue of 143.0 million euros in the first half of the year, an increase of 27.5% over the same period in the previous year (112.1 million euros).

The following tables enable to analyze the trend in the breakdown of sales by region, client, and wafer size.

- Geographic distribution of revenue from the Electronics segment

	H1 2017-2018	H1 2016-2017	H1 2015-2016
United States	25%	20%	34%
Europe	41%	49%	36%
Asia	34%	32%	30%

- Distribution of revenue from the Electronics segment by customer

	H1 2017-2018	H1 2016-2017	H1 2015-2016
Top five customers	59%	64%	57%
Customers No. 6 to 10	23%	25%	20%
Other customers	17%	11%	23%

- Distribution of Electronics segment revenue by product family

	H1 2017-2018	H1 2016-2017	H1 2015-2016
300 mm SOI	31%	20%	21%
Small diameters	66%	78%	77%
Royalties	3%	2%	2%

(In thousands of euros)	For the 6-month period ended September 30, 2017	For the 6-month period ended September 30, 2016
300mm SOI	44,867	22,031
Small diameters	93,922	87,384
Royalties	4,186	2,719
Total	**142,975**	**112,134**

In comparison with the first half of the previous fiscal year, sales of small diameter wafers (150-200 mm) rose by 7.5% to 93.9 million euros versus 87.4 million euros at September 30, 2016. These wafers are primarily intended for radiofrequency (RF) and power electronics applications for the mobility and automobile markets. This growth was made possible because of both the performance of the Bernin 200 mm SOI wafer production unit, which operated at full capacity, and the additional volumes outsourced by Soitec to its subcontractor partner Simgui.

Sales of 300 mm SOI wafers grew 103% to 44.9 million euros, compared to 22.0 million euros at September 30, 2016. This growth primarily reflects an increase in the sales of 300 mm fully depleted silicon-on-insulator (FD-SOI) wafers to major foundries ranking among our strategic customers, but also an increase in sales of Emerging-SOI substrates partially dedicated to photon circuits (need to optimize the transmission speed of data centers for applications hosted in the Cloud) and even more to the Imagers (new-generation image sensors) and, finally, an increase in the sales of 300 mm wafers designed for radiofrequency (RF) applications.

The distribution of sales between the 300 mm and 200 mm wafers is more balanced, with 31% of the revenue generated by sales of 300 mm wafers versus 20% at September 30, 2016.

Licensing revenue totaled 4.2 million euros (2.7 million euros at September 30, 2016).

4.3. OTHER ACTIVITIES SEGMENT

Revenues and costs related to the Solar Energy sector recorded in the first half of fiscal 2017-2018 are presented on a separate line in the income statement as profit/(loss) from discontinued operations. This profit/(loss) mainly comprises an operating loss of 0.3 million euros and a financial loss of 0.8 million euros, including a foreign exchange loss related to the fluctuation of the ZAR.

4.4. GROSS PROFIT

Gross profit represents total revenue minus the total cost of sales. The cost of sales equals the sum of production and distribution costs plus licensing fees (CEA-Leti for the use of the SmartCut™ technology).

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

Gross profit improved, rising from 32 million euros (28.6% of revenue) in the first half of 2016-2017 to 46.3 million euros (32.4% of revenue) in the first half of fiscal 2017-2018.

The improvement was primarily driven by the growth in sales volumes for 300 mm wafers and by controlling production costs on the small diameter line that is running at full capacity. The loading rate of the 300 mm production lines improved significantly, but still remains globally low.

4.5. RESEARCH AND DEVELOPMENT

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

Research and development costs essentially consist of the following:

- salaries and social charges, including share-based payments;
- operating costs for equipment dedicated to cleanrooms and the equipment necessary for the research and development activities;
- costs related to maintaining and strengthening the Group's intellectual property rights.

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

A portion 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, if the Group believes that the technical and commercial progress of the projects makes the probability of success too low, the corresponding development costs are not capitalized but are booked directly through income and the corresponding repayable advances are recognized as a deduction from these costs, independently of the notifications from the financial organizations which can intervene only later when milestones are reached that put an end to the programs or open the period to repayment of the advances.

Depending on the change in the probabilities of the technical or commercial success of the projects in question, the Group may retain a financial liability in relation to the prospects of revenue generated by the new products developed within the context of grant programs.

Soitec SA benefits from a research tax credit (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 in the first half of fiscal 2017-2018 totaled 6.3 million euros.

Net R&D expenses were stable at 9.5 million euros (6.7% of revenue) versus 9.7 million euros (8.6% of revenue) in the first half of fiscal 2016-2017. These expenditures reflect the continually reaffirmed strategy to develop Soitec with a unique positioning through its new product generations.

4.6. OPERATING EXPENSES

4.6.1. Sales and marketing expenses

Sales and marketing expenses amounted to 3.5 million euros over the first half of the current fiscal year, versus 3.4 million euros over the same period of 2016-2017.

4.6.2. General and administrative expenses

General and administrative expenses rose 13% to total 10.7 million euros over the first half of 2017-2018, versus 9.5 million euros over the first half of 2016-2017. This year-on-year increase of 1.2 million euros primarily reflects the increase in payroll (expense related to management's long-term incentive plan).

4.7. CURRENT OPERATING INCOME

Current operating income was up 138% to 22.5 million euros (15.7% of revenue), compared with 9.4 million euros (8.4% of revenue) in the first half of fiscal 2016-2017.

4.8. OPERATING INCOME

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

Over the first half of 2016-2017, the Group did not recognize other significant operating income or expenses (versus an expense of -1.2 million euros in the first half of 2016-2017). The operating income was 22.5 million euros (15.7% of revenue), compared with 8.2 million euros in the first half of 2016-2017.

4.9. FINANCIAL INCOME/(EXPENSE)

Over the first half of the 2017-2018 fiscal year, the Group posted net financial income of 4.5 million euros versus net expense of -5.9 million euros over the first half of 2016-2017.

This expense represents the following items:

Financial income, excluding foreign exchange gains or losses, was a gain of 4.1 million euros versus the expense of -6.2 million euros recorded in the first half of fiscal 2016-2017. It primarily represents:

- +4.6 million euros (compared with income of 0.6 million euros at September 30, 2016) recognized following the recovery of a guarantee deposit (related to the bond for the Touwsrivier solar power plant), which was depreciated sharply over fiscal 2015-2016;
- -0.4 million euros in financial expenses on OCEANEs (versus an expense of -4.6 million euros recognized over the first half of 2016-2017). Following the conversion of the OCEANEs into ordinary shares, the interest expense on this financing was definitively discharged;
- -0.4 million euros in interest on finance leases (versus -0.7 million euros at September 30, 2016).

The foreign exchange result was a gain of 0.4 million euros compared with a loss of -0.3 million euros in the first half of fiscal 2016-2017.

4.10. NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS

The net loss from discontinued operations was 1.2 million euros compared with profit of 1.1 million euros for the first six months of 2016-2017.

At September 30, 2017, the operating income posted a loss of 0.3 million euros including residual revenue on photovoltaic projects in France, revenue on maintenance contracts on solar power plants in the United States, solar current operating and withdrawal expenses. Financial income/(expense) from discontinued operations consists primarily of unrealized exchange losses related to the depreciation of the ZAR (-2.4 million euros), an unrealized exchange gain on the dollar (+0.6 million euros), a realized exchange loss (-0.2 million euros), and a financial income related to an interest payment on a loan made to one of the shareholders of the Touwsrivier plant (1.3 million euros).

At September 30, 2016, the 1.1 million euro income primarily reflected additional provisions recognized to cover the risks and costs for 18 months of activities still under the Group’s responsibility (-1.4 million euros), a net gain on the financial assets related to the Touwsrivier plant (0.8 million euros), unrealized foreign exchange gains related to the appreciation of the ZAR (1.8 million euros), and a foreign exchange loss on the dollar (-0.1 million euros).

4.11. PROFIT(LOSS) AND TAXES

The Group recognized a net profit of 23.2 million euros over the first half of 2017-2018 compared with a net profit of 3.1 million euros over the first half of fiscal 2016-2017.

Profit (loss) before tax from continuing operations was 27 million euros (versus 2.3 million euros at September 30, 2016) and income tax was 2.6 million euros for the current year versus an income tax of 0.2 million euros for the first half of 2016-2017.

Net profit/(loss) from discontinued operations after taxes was a loss of 1.2 million euros (versus a profit of 1.1 million euros in the first half of fiscal 2016-2017).

Basic earnings per share is 0.76 euro (up from 0.13 euro over the first half of fiscal 2016-2017). Diluted earnings per share is 0.74 euro (versus 0.12 euro over the first half of fiscal 2016-2017).

4.12. BALANCE SHEET

4.12.1. Non-current assets

Impairment tests on non-current assets are carried out on cash generating units (CGU) for which the Group believes there is an indication of loss of value.

For the closing on September 30, 2017, the Company identified no new risk of impairment either on its Singapore asset nor on any other Group assets.

Non-current assets totaled 165.9 million euros at September 30, 2017 versus 161.0 million euros at March 31, 2017. The change for the period (+4.9 million euros) can be analyzed as follows:

The value of intangible assets and property, plant and equipment fell 1.1 million euros. This change is primarily the result of:

- amortization and depreciation: -9.3 million euros;
- acquisitions for the period: +11.4 million euros;
- a foreign exchange variation of -3.2 million euros.

The 5.6 million euro increase in other non-current assets primarily reflects the increase in the non-current portion of the research tax credit claim and the net decrease in the competitiveness and employment tax credit.

4.12.2. Working capital requirement

The working capital requirement (WCR) is calculated as follows:

- Operating working capital requirement, including inventory, trade receivables, trade payables, advances and installments paid or received as well as tax and social security receivables and liabilities, excluding the corporate tax.
- Non-operating WCR, including receivables and payables to asset suppliers (including installments paid or received) and tax receivables and tax debt related to the corporate tax.

During the first half of fiscal 2017-2018, the working capital requirement rose from 29.1 million euros at March 31, 2017 to 48.3 million euros as of September 30, 2017. This change can be analyzed as follows:

- Operating WCR increased from -7 million euros at March 31, 2017 to 19 million euros at September 30, 2017. This change was primarily driven by the decrease in trade payables (13 million euros) and other current liabilities (8.9 million euros).
- Non-operating WCR declined from 36.1 million euros at March 31, 2017 to 29.1 million euros at September 30, 2017. This positive change of 7 million euros primarily reflects the increase in tax liabilities and the drop in receivables related to the research tax credit (5.8 million euros) and the increase in payables to asset suppliers (1.2 million euros).

4.12.3. Shareholders' Equity

With the early conversion of the OCEANEs into ordinary shares, the Group continued to restructure its balance sheet and equity, which totaled 216.8 million euros at September 30, 2017 versus 149.1 million euros as of March 31, 2017.

The change primarily reflects the net profit of 23.2 million euros for the period and the impact of the conversion of the OCEANEs (2.1 million euros on the share capital and 38.8 million euros on the share premium).

4.12.4. Financial liabilities

Financial debt declined from 120.9 million euros at the end of March 2017 to 67.6 million euros at the end of September 2017.

This reduction of 53.3 million euros is essentially due to the early conversion of the OCEANEs (-39.6 million euros), the decline in the credit lines (-6.5 million euros), and the decrease in finance lease agreements (-2.7 million euros).

4.12.5. Net debt

Net debt (financial debt minus cash) improved substantially and became negative net debt of -31.5 million euros at September 30, 2017 (cash exceeding financial debt) versus net debt of 11.6 million euros at the end of March 2017.

4.13. CASH POSITION AND FINANCING

Net cash generated by operating activities was positive in the amount of 3.8 million euros for the first half of 2017-2018, including 5.9 million euros in positive cash flows from continuing operations and -2.2 million euros in negative flows for discontinued operations.

For continuing operations, the change is explained by an auto-financing capacity at the level of 34.9 million euros that could respond to the significant use of WCR over the period (-29 million euros) due in large part to the payment of trade payables (-13 million euros) and other liabilities (-11.8 million euros), including 7.3 million euros in non-recurring disbursements of social security expenses.

Cash flows from investing activities totaled -1.9 million euros at September 30, 2017 versus -2.2 million euros at September 30, 2016. Flows from continuing operations represented a loss of -2.3 million euros at September 30, 2017 and primarily reflected the acquisition of fixed assets at the Bernin site for -10.3 million and 8.8 million euros for the guarantee deposit recovered by Soitec SA related to the financing of the South African solar farm.

Cash flows from financing activities were negative in the first half of 2017-2018 (at -9.1 million euros). This amount primarily represents loan repayments.

In total, the Group's cash declined by 10 million euros during the first half of 2017-2018 to reach 99 million euros.

4.14. OBJECTIVES OF THE CASH MANAGEMENT POLICY

The cash management policy established by the Group is designed to cover the foreign exchange risk on the dollar on commercial transactions recognized on the balance sheet and on future transactions that are highly probable via forward sales or options. Remaining cash is invested in low-risk money markets.

5 | INFORMATION ON TRENDS

For the full year 2017-2018, on the basis of the strong performance achieved in the first half of this fiscal year, Soitec is confirming that it expects growth for the year to be around 25% at constant exchange rates, while the Group now expects an EBITDA margin rate for the Electronics segment (EBITDA/revenue, definition of the EBITDA specified in section 7.3) to be around 25%, including the impact of its hedge accounting policy implemented over the final quarter of fiscal 2016-2017.

6 | FINANCIAL INFORMATION

6.1. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2017

6.1.1. Consolidated income statement

(In thousands of euros)	Notes	For the 6-month period ended September 30, 2017	For the 6-month period ended September 30, 2016
Sales	7.3	**142,975**	**112,134**
Cost of sales	-	(96,671)	(80,105)
Gross profit	**7.3**	**46,305**	**32,029**
Sales and marketing expenses	7.3	(3,492)	(3,429)
Research and development costs	7.5.2	(9,533)	(9,670)
General and administrative expenses	7.3	(10,737)	(9,493)
Current operating income	**7.3**	**22,543**	**9,435**
Other operating income	7.5.4	-	-
Other operating expenses	7.5.4	(82)	(1,216)
Operating income	-	**22,461**	**8,220**
Financial income	-	6,024	1,017
Financial expenses	-	(1,482)	(6,906)
Financial income/(expense)	**-**	**4,542**	**(5,889)**
Profit/ (loss) before tax	**-**	**27,003**	**2,331**
Income tax	7.5.5	(2,637)	(243)
Net profit/(loss) from continuing operations	-	**24,366**	**2,088**
Net profit/(loss) from discontinued operations	**7.5.6**	**(1,195)**	**1,053**
CONSOLIDATED NET PROFIT/(LOSS) FOR THE PERIOD	-	**23,171**	**3,141**
NET PROFIT/(LOSS) (GROUP SHARE)	-	**23,171**	**3,141**
Basic earnings/(loss) per share (in euros) *	-	0.76	0.13
Diluted earnings/(loss) per share (in euros)*	-	0.74	0.12

*Following the reverse stock split effective on February 8, 2017 (resolution adopted by the Shareholders' Meeting of July 25, 2016) with an exchange ratio of 20 existing shares with a par value of €0.10 each for one new share with a par value of €2.00, the basic earnings per share and the diluted earnings per share at September 30, 2016 were recalculated to allow comparability of the financial statements.

Basic earnings per share totaled 0.76 euro, divided between continuing operations (0.80 euro) and discontinued operations (-0.04 euro).

Diluted earnings per share totaled 0.74 euro, divided between continuing operations(0.78 euro) and discontinued operations (-0.04 euro).

6.1.2. Comprehensive Income

(In thousands of euros)	Notes	For the 6-month period ended September 30, 2017	For the 6-month period ended September 30, 2016
Consolidated net profit/(loss) for the period	6.1.1	**23,171**	**3,141**
Items of comprehensive income that may be reclassified to the income statement:			
- currency translation adjustments of foreign entities	6.1.4	(4,823)	1,261
- change in the fair value of instruments eligible for hedge accounting	6.1.4	12,158	
-Income tax on items recognized as equity		(4,182)	
Items of comprehensive income that may not be reclassified to the income statement:			
- Revaluations of liabilities for retirement benefit obligations	6.1.4		(2,813)
Income and expenses recognized directly in equity	-	**3,153**	**(1,552)**
COMPREHENSIVE INCOME FOR THE PERIOD	6.1.4	**26,324**	**1,590**
Group share	6.1.4	*26,324*	*1,590*

6.1.3 Consolidated statement of financial position:

Assets (in thousands of euros)	Notes	September 30, 2017	March 31, 2017
Non-current assets			
Intangible assets	7.4.1	4,088	4,009
Property, plant and equipment	7.4.2	112,271	113,475
Non-current financial assets	7.4.3	12,654	12,167
Other non-current assets	7.4.4	36,911	31,341
Deferred tax assets			-
Total non-current assets	-	**165,924**	**160,992**

Current assets			
Inventories	7.4.5	34,351	33,642
Trade receivables	7.4.6	39,894	39,975
Other current assets	-	11,153	14,840
Current financial assets	-	10,634	1,797
Cash and cash equivalents	7.4.7	99,103	109,286
Total current assets	-	**195,134**	**199,540**
Assets held for sale and related to discontinued operations	7.4.8	24,792	29,069
TOTAL ASSETS	**-**	**385,851**	**389,601**

Equity and liabilities (in thousands of euros)	Notes	September 30, 2017	March 31, 2017
Equity			
Share capital	6.1.4	62,759	60,623
Share premium	6.1.4	926,302	887,516
Treasury shares	6.1.4	(432)	(475)
Reserves and retained earnings	6.1.4	(781,893)	(806,050)
Other reserves	6.1.4	10,047	7,501
Equity (Group share)	6.1.4	216,782	149,115
Total equity	**6.1.4**	**216,782**	**149,115**
Non-current liabilities			
Long-term financial debt	7.4.11	60,835	104,656
Deferred tax liabilities		2,091	
Provisions and other non-current liabilities	7.4.12	14,938	15,180
Total non-current liabilities		**77,864**	**119,836**
Current liabilities			
Short-term financial debt	7.4.11	6,728	16,204
Trade payables		31,405	44,430
Provisions and other current liabilities		42,582	46,271
Total current liabilities	-	**80,715**	**106,906**
Liabilities related to discontinued operations	7.4.8	10,490	13,744
TOTAL EQUITY AND LIABILITIES		**385,851**	**389,601**

6.1.4. Statements of changes in equity:

(In thousands of euros)	Number of shares**	Capital	Share premium	Treasury shares	Retained earnings (accumulated losses)	Other reserves	Equity (Group share)	Total equity
March 31, 2016 published	**231,324,184**	**23,132**	**780,442**	**(475)**	**(816,339)**	**6,129**	**(7,111)**	**(7,111)**
Impact of error correction					(726)		(726)	(726)
March 31, 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:						1,261	1,261	1,261
-inc. currency translation adjustments of foreign entities						1,261	1,261	1,261
-inc.: revaluation of the fair value of instruments eligible for hedge accounting								
Items of comprehensive income that may not be reclassified to the income statement:						(2,813)	(2,813)	(2,813)
- inc.: Actuarial gains (losses) on retirement benefit obligations						(2,813)	(2,813)	(2,813)
Total income and expenses for the period recognized directly in equity						**(1,552)**	**(1,552)**	**(1,552)**
Net income/(loss) from continuing operations					2,087		2,087	2,087
Net income/ (loss) from discontinued operations					1,054		1,054	1,054
Comprehensive income for the period	**-**	**-**	**-**	**-**	**3,141**	**(1,552)**	**1,590**	**1,590**
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			(6,785)				(6,785)	(6,785)
Share-based payments					872		872	872
Other					135		135	135
SEPTEMBER 30, 2016	**30,311,510**	**60,623**	**888,072**	**(475)**	**(812,936)**	**4,577**	**139,862**	**139,862**

*Pursuant to IAS 8, reserves were corrected for an income tax expense of 170 thousand euros due for fiscal year 2014-2015 and the net profit/(loss) at March 31, 2016 for an income tax expense of 556 thousand euros for the Singapore subsidiary for fiscal year 2015-2016.

**The number of ordinary shares was divided by 20 following the reverse stock split effective on February 8, 2017 (as approved by the Shareholders' Meeting of July 25, 2016 to exchange 20 old ordinary shares with a par value of 0.10 euro each for one new share with a par value of 2.00 euros).

(In thousands of euros)	Number of common shares	Number of preferred shares (PS)	Capital	Share premium	Treasury shares	Retained earnings (accumulated losses)	Other reserves	**Equity (Group share)**	**Total equity**
March 31, 2017	**30,311,510**		**60,623**	**887,516**	**(475)**	**(806,050)**	**7,501**	**149,115**	**149,115**
Items of comprehensive income that may be reclassified to the income statement:									
-inc. currency translation adjustments of foreign entities							(4,823)	(4,823)	(4,823)
-inc.: revaluation of the fair value of instruments eligible for hedge accounting							12,158	12,158	12,158
- inc.: taxes on items recognized directly in equity							(4,182)	(4,182)	(4,182)
Items of comprehensive income that may not be reclassified to the income statement:									
Total income and expenses for the period recognized directly in equity							**3,153**	**3,153**	**3,153**
Net income/(loss) from continuing operations						24,366		24,366	24,366
Net income/(loss) from discontinued operations						(1,195)		(1,195)	(1,195)
Comprehensive income for the period						**23,171**	**3,153**	**26,324**	**26,324**
Exercise of stock options and/or definitive allocation of free shares		236,157	24			(24)			
Impact of conversion of OCEANEs	1,056,057		2,112	39,171		(1,396)		39,887	39,887
Capital increase costs				(385)				(385)	(385)
Treasury share transactions					43		(24)	19	19
Share-based payments						1,845		1,845	1,845
Reclassifications						583	(583)	0	0
Other						(23)		(23)	(23)
SEPTEMBER 30, 2017	**31,367,567**	**236,157**	**62,759**	**926,302**	**(432)**	**(781,893)**	**10,047**	**216,782**	**216,782**

* Following the expiration on July 26, 2017 of the one-year vesting period affecting 18 beneficiaries of the free preferred shares allocation plan, which was approved by the Ordinary and Extraordinary Shareholders' Meeting of April 11, 2016 (first notice) and April 29, 2016 (on the second notice), the implementation of which by the Board of Directors began on July 26, 2016, 236,157

preferred shares of stock, each with a par value of 0.10 euro, were issued at par value, resulting in an increase of 23,615.70 euros in the Company's share capital.

6.1.5. Statement of cash flows

(In thousands of euros)	Notes	For the 6-month period ended September 30, 2017	For the 6-month period ended September 30, 2016
Net profit/(loss) from continuing operations	6.1.1	24,366	2,087
Net profit/(loss) from discontinued operations	6.1.1-7.5.6	(1,195)	1,054
CONSOLIDATED NET PROFIT/(LOSS) FOR THE PERIOD	6.1.1	23,171	3,141
Elimination of non-cash items:			
Depreciation and amortization expenses	7.5.3	9,345	11,070
Impairment of non-current assets and accelerated depreciation/amortization	7.4.1-7.4.2	-	(446)
Provisions, net	-	852	(1,207)
Provisions for retirement benefit obligations	-	423	256
Income on asset disposals	-	(8)	(297)
Income tax	7.5.5	2,637	243
Financial (income)/expense	-	(4,542)	5,889
Share-based payments	7.4.10	1,845	872
Non-cash items relating to discontinued operations		(920)	(5,873)
Total		**9,632**	**10,506**
Of which continuing operations		*10,552*	*16,379*
EBITDA		**32,803**	**13,647**
Of which continuing operations		*34,918*	*18,466*
Increase/(decrease) in cash relating to:			
Inventories		(717)	(3,117)
Trade receivables		(1,029)	6,928
Other receivables		(2,319)	(1,054)
Trade payables		(13,150)	(14,189)
Other liabilities		(11,764)	(4,824)
Change in working capital requirement on discontinued operations		(41)	338
Change in working capital requirement		**(29,020)**	**(15,916)**
Of which continuing operations		*(28,981)*	*(16,254)*
Net cash generated by/(used in) operating activities		**3,783**	**(2,269)**
Of which continuing operations		*5,937*	*2,212*
Purchases of intangible assets		(756)	(552)

Purchases of property, plant and equipment		(9,543)	(3,540)
Proceeds from sales of intangible assets and property, plant and equipment		9	297
(Acquisition) and disposal of financial assets		8,029	792
Investment/divestment flows related to discontinued operations		388	783
Net cash generated by/(used in) investing activities		**(1,873)**	**(2,221)**
Of which continuing operations		*(2,261)*	*(3,003)*
Proceeds from shareholders: capital increases and exercise of stock options		43	145,294
Drawing of credit lines		-	9,245
Repayment of borrowings (including finance leases)		(9,602)	(110,721)
Interest received		538	64
Interest paid		(1,256)	(5,424)
Financing flows related to discontinued operations		1,209	(4)
Net cash generated by/ (used in) financing activities		**(9,068)**	**38,454**
Of which continuing operations		*(10,277)*	*38,458*
Effects of exchange rate fluctuations		(3,024)	89
CHANGE IN NET CASH POSITION		**(10,183)**	**34,054**
Of which continuing operations		*(9,625)*	*37,757*
Cash at beginning of the period		109,286	49,068
Cash at end of the period		99,103	83,122

7 | NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2017

7.1. OVERVIEW OF THE COMPANY AND BUSINESS

Soitec S.A. is a joint stock company (société anonyme) governed by French law and listed for trading in compartment B of Euronext Paris. Soitec S.A. and its subsidiaries are referred to hereinafter as the “Group”. Soitec S.A. is referred to hereinafter as the “Company”.

The Group operates in two business segments:

- Electronics: the Group’s historical business that produces and markets substrates and components used in the semiconductor industry. The wafers produced are either 300 mm wafers or wafers of smaller sizes (mainly 200 mm).

- Other Activities: this segment primarily covers the Group’s discontinued operations, specifically 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 (an equity-accounted company held at 20% and a loan provided to one of the plant’s shareholders), which are classified as assets available for sale and it includes some ongoing maintenance activities, primarily in Europe and the United States. In the Solar Energy segment, only the guarantee deposit for the bond in South Africa was maintained as a continuing operation at March 31, 2017.

7.2. ACCOUNTING POLICIES

7.2.1. Basis of preparation of the financial statements

Basis of preparation

The condensed consolidated half-year financial statements have been prepared in accordance with IAS 34 (“Interim Financial Reporting”).

The consolidated half-year financial statements do not contain all the information and notes as presented in the annual financial statements. As a result, they should be read in conjunction with the Group’s consolidated financial statements as of March 31, 2017.

The Group’s consolidated financial statements for the period ended March 31, 2017 are available on request at the Company’s headquarters at Parc Technologique des Fontaines in Bernin (38190), or on the website www.soitec.com.

Significant accounting policies

The accounting policies and bases for measurement used by the Group in the preparation of the condensed interim consolidated financial statements for the period ended September 30, 2017 are the same as those used to prepare the Group's consolidated financial statements for the year ended March 31, 2017, with the exception of the recognition of income tax, the amount of which is provisioned in the interim financial statements on the basis on the best estimate of the annual tax rate expected to apply to the entire fiscal year.

The standards, amendments and interpretations used to prepare the consolidated financial statements for the period ended September 30, 2017 are those published in the Official Journal of the European Union (OJ) before September 30, 2017 and mandatory on that date.

These standards are available on the website of the European Commission at: https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002_fr.

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 April 1, 2017 (subject to approval by the European Union):

Amendment to IAS 7: Disclosure Initiative

Amendment to IAS 12: Accounting of deferred tax assets as unrealized losses

Annual improvements – 2014-2016

These new standards and interpretations had no material impact on the Group's financial statements.

In addition, the Group has chosen not to apply early the standards, interpretations and amendments that are not mandatory or that cannot be applied early as of January 1, 2017. These include:

IFRS 9 "Financial Instruments"

IFRS 15 "Revenue from Contracts with Customers"

IFRS 16 "Leases"

The impact of these standards, amendments and interpretations that have not been adopted early by the Group is currently being assessed.

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. These estimates and assumptions relate specifically to the depreciation of non-current assets, the valuation 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, estimates or assessment are prepared on the basis of available information or situations prevailing on the reporting date for the condensed interim financial statements for the period ended September 30, 2017. Depending on changes in the assumptions used or economic conditions that differ from those existing as of that date, the amounts presented in the Group's future financial statements could differ significantly from the current estimates, particularly with respect to the costs of closing or selling the business activities in the Solar Energy segment and the recoverable value from the

Singapore assets. Regarding the assets held for sale, the expected selling prices are not inferior to their net book value.

7.2.2. Significant events of the period

- **Change in the Soitec governance: separation of the offices of Chairman of the Board and Chief Executive Officer**

Victoire de Margerie was elected Chairman of the Board of Directors on July 26, 2017. Paul Boudre continues to provide the executive management of the Company in his capacity as Chief Executive Officer.

The July 27, 2017 press release is available on the Company's website (www.soitec.com).

- **Early conversion of the OCEANEs**

The company continued actions to reduce its debt. On August 8, 2017, it successfully completed an early conversion of its OCEANEs with a 98.74% rate of conversion into shares. As a result, the holders of OCEANEs who opted for the allocation of shares were granted 1,056,057 new ordinary shares in exchange for 16,001,014 OCEANEs. The others received repayment of their OCEANEs in cash (204,250 OCEANEs not presented for conversion), for a total of approximately 541 thousand euros.

At the end of the early conversion process, the Company's share capital was increased by 2,112 thousand euros, i.e. around 3.48%, and the share premium was increased by the amount of 38,786 thousand euros.

- **Announcement of a long-term agreement on the FD-SOI with a major strategic customer**

A long-term agreement to supply FD-SOI wafers was signed by GlobalFoundries and Soitec. This strategic step will help to guarantee the volume supply of products resulting from the FD-SOI technology.

The September 19, 2017 press release is available on the Company's website (www.soitec.com).

- **Announcement of the re-startup of the Paris Ris plant**

In September 2017, the Group announced the launch of a pilot line to produce fully depleted silicon-on-insulator (FD-SOI) wafers in its Singapore plant. This launch is the first step toward manufacturing FD-SOI wafers in Singapore and supplying the global semiconductor market with FD-SOI substrates from different production sites.

The Group plans to obtain qualifications by customers of the line in the first half of 2019, and then boost capacity on the basis of commitment from the market. The amount of the investment to launch this pilot line represents approximately USD 40 million, to be spent over a 24-month period.

7.2.3. Consolidation principles

All companies which the Group controls are consolidated.

The Group considers that it holds exclusive control over an entity in which it has invested when (i) it holds power over the entity, (ii) it is exposed to or has rights to variable returns because of its links to this entity, and (iii) it has the ability to exercise its power over the entity in order to affect the returns obtained from 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.

As of September 30, 2017, the consolidated financial statements integrate the accounts of the Company and the subsidiaries listed below:

Entity	Date of consolidation	Percentage interest	Country	Functional currency
Soitec USA Inc.	1997	100.00%	United States	US Dollar
Soitec Japan Inc.	June 2004	100.00%	Japan	Japanese Yen
Soitec Microelectronics Singapore Pte Ltd	June 2006	100.00%	Singapore	US Dollar
Soitec Korea	July 2011	100.00%	South Korea	US Dollar
Soitec Corporate Services	July 2012	100.00%	France	Euro
Soitec Trading Shanghai	November 2013	100.00%	China	Yuan
Entities of the Solar Energy segment:				
Soitec Solar GmbH	December 2009	100.00%	Germany	Euro
Soitec Solar Inc.	December 2009	100.00%	United States	US Dollar
Soitec Solar Industries LLC	December 2009	100.00%	United States	US Dollar
Soitec Solar USA Real Estate LLC	January 2014	100.00%	United States	US Dollar
Soitec Solar Development LLC	September 2010	100.00%	United States	US Dollar
Soitec Solar France SAS	October 2011	100.00%	France	Euro
Soitec Solar Chile	July 2013	100.00%	Chile	Chilean peso
Soitec Solar RSA Ltd	April 2011	100.00%	South Africa	Rand
CPV Power Plant No.1 Ltd (Touwsrivier)	October 2009	20.00%	South Africa	Rand
CPV Power Plant No. 1 Bond SPV Ltd	September 2012	20.00%	South Africa	Rand
Project entities* in the solar segment:				
Sorrel Solar Farm LLC	February	100.00%	United	US Dollar

	2012		States	
CPV Power Plant No.1 Equity SPV Ltd	February 2014	100.00%	South Africa	Rand
CPV Power Plant No. 2 Ltd	September 2010	100.00%	South Africa	Rand
Black Mountain CPV Power Plant No. 3	March 2012	100.00%	South Africa	Rand
Schmidtsdrift CPV Power Plant No. 4	March 2012	100.00%	South Africa	Rand

* In the context of its Solar Energy business, the Group established special purpose entities to hold the permits, administrative authorizations, costs and income related to solar power plant projects. 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 period:

Entity	Change in scope
Newberry Solar 1 LLC	Company sold

This withdrawal has had no significant impact on net profit/(loss) for fiscal year 2017-2018.

7.3. 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);
- 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).

Information on the calculation of EBITDA:

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 must not be considered an alternative to any other financial indicator.

Key segment information is presented below.

Breakdown of the consolidated income statement:

	For the 6-month period ended September 30, 2017			For the 6-month period ended September 30, 2016*		
(In thousands of euros)	Electronics	Other activities	Total	Electronics	Other activities	Total
Sales	142,975		142,975	**112,134**		**112,134**
Gross profit	**46,305**		**46,305**	**32,029**		**32,029**
Gross research and development costs	(22,337)		(22,337)	(21,315)		(21,315)
Sales of prototypes and other income	3,656		3,656	2,198		2,198
Grants and redeemable advances	9,148		9,148	9,446		9,446
Net research and development costs	**(9,533)**		**(9,533)**	**(9,670)**		**(9,670)**
Sales and marketing expenses	**(3,492)**		**(3,492)**	**(3,429)**		**(3,429)**
General and administrative expenses	**(10,738)**		**(10,738)**	**(9,492)**		**(9,492)**
Current operating income	**22,543**		**22,543**	**9,436**		**9,436**
Other operating income						
Other operating expenses	(82)		(82)	(1,216)		(1,216)
Other operating income and expenses	**(82)**		**(82)**	**(1,216)**		**(1,216)**
EBIT	**22,461**		**22,461**	**8,221**		**8,220**
Amortization and depreciation	*9,345*		*9,345*	11,070		11,070
Impairment of non-current assets and accelerated depreciation/amortization				(446)		(446)
Share-based payments	*1,845*		*1,845*	872		872
Provisions, net	*852*		*853*	(1,207)		(1,207)
Provisions for retirement benefit obligations	*423*		*423*	256		256
Income on asset disposal	*(8)*		*(8)*	(297)		(297)
EBITDA from discontinued operations		(2,115)	(2,115)		(4,821)	(4,821)
EBITDA	**34,918**	**(2,115)**	**32,803**	**18,467**	**(4,821)**	**13,648**

* Pursuant to IFRS 5, the consolidated income statement has been restated to reflect the activities of the Other Activities business segment, which are presented as discontinued operations.

Breakdown of the balance sheet:

	September 30, 2017			March 31, 2017		
(In thousands of euros)	Electronics	Other Activities	Total	Electronics	Other Activities	Total
Intangible assets, net	4,088		4,088	4,009		4,009
of which goodwill						
Property, plant and equipment, net	112,271		112,271	113,475		113,475
Non-current financial assets	12,654		12,654	8,201	3,966	12,167
Other non-current assets	36,911		36,911	31,341		31,341
Non-current assets (1)	**165,924**		**165,924**	**157,026**	**3,966**	**160,992**
Inventories	34,351		34,351	33,642		33,642
Trade receivables	39,894		39,894	39,975		39,975
Current financial assets	10,634		10,634	1,797		1,797
Other current assets	11,153		11,153	14,840		14,840
Current assets (2)	**96,032**		**96,032**	**90,254**	**-**	**90,254**
Trade payables	31,405		31,405	44,430		44,430
Other current and non-current liabilities	57,520		57,520	61,451		61,451
Current and non-current liabilities (3)	**88,925**		**88,925**	**105,881**		**105,881**
Assets held for sale and related to discontinued operations (a)		24,792	24,792		29,069	29,069
Liabilities held for sale and related to discontinued operations (b)		10,490	10,490		13,744	13,744
Net assets held for sale and related to discontinued operations (4 = a - b)		**14,302**	**14,302**		**15,325**	**15,325**
Capital employed (1) + (2) - (3) + (4)	**173,031**	**14,302**	**187,333**	**141,399**	**19,291**	**160,690**

Other non-current assets were included in the distribution of the segment balance sheets at September 30, 2017 and March 31, 2017.

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Non-current financial assets for the Solar Energy business segment at March 31, 2017 reflected a guarantee deposit related to the South African bond in the amount of 3,966 thousand euros.

Breakdown of revenue

Revenue by segment can be analyzed as follows:

(In thousands of euros)	For the 6-month period ended September 30, 2017*	For the 6-month period ended September 30, 2016*
300mm SOI	44,867	22,031
Small diameters	93,922	87,384
Royalties	4,186	2,719
Total Electronics	**142,975**	**112,134**
Total revenue	**142,975**	**112,134**

Pursuant to IFRS 5, the revenue from the Other Activities segment has been reclassified as "Profit/(loss) from discontinued operations" (see note 7.5.6).

7.4. NOTES TO THE BALANCE SHEET

As no new indices of impairment were identified, the Group did not update the impairment tests at the half-year closing on September 30, 2017.

7.4.1 Intangible assets

During the first half of fiscal year 2017-2018, the details of changes in net values by asset category are as follows:

(In thousands of euros)	Good will	Capitalized development projects	Concessions , patents and other rights	Software	Intangible assets in progress	Total
March 31, 2017	**-**	**1,484**	**548**	**1,047**	**929**	**4,009**
Assets put into service	-	-	-	610	(610)	-
Acquisitions	-	-	-	-	756	756
Amortization (expense for the period)	-	(186)	(88)	(404)	-	(678)
SEPTEMBER 30, 2017	**-**	**1,298**	**461**	**1,253**	**1,075**	**4,088**

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7.4.2 Property, plant and equipment

During the first half of fiscal year 2017-2018, the details of changes in net values by asset category are as follows:

(In thousands of euros)	Buildings	Equipment and tooling	Other	Property, plant and equipment in progress	Total
March 31, 2017	**76,442**	**29,338**	**371**	**7,323**	**113,474**
Assets put into service	861	2,459	360	(3,680)	-
Acquisitions	-	-	-	10,706	10,706
Currency translation adjustments	(3,233)	(7)	(2)		(3,242)
Amortization (expense for the period)	(4,510)	(4,020)	(136)	-	(8,666)
Disposals or retirements	-	-	(2)	-	(2)
SEPTEMBER 30, 2017	**69,560**	**27,770**	**591**	**14,349**	**112,271**

7.4.3. Non-current financial assets

Non-current financial assets break down as follows:

(In thousands of euros)	September 30, 2017	March 31, 2017
Financial assets - Investments	8,493	7,743
Loans	180	180
Deposits and guarantees		8,822
Restricted cash	133	133
Derivative financial instruments	5,662	1,833
Gross value	**14,468**	**18,711**
Financial assets - Investments	(1,634)	(1,509)
Loans	(180)	(180)
Other financial assets		(4,856)
Provision for impairment	**(1,813)**	**(6,545)**
Non-current financial assets, net	**12,654**	**12,167**

The change in deposits and guarantees and the change in the provision on other financial assets represent a guarantee deposit related to the bond issue in South Africa, which was recovered over the first half of fiscal 2017-2018.

The derivative financial instruments presented as non-current expire later than September 30, 2018.

7.4.4. Other non-current assets

Other non-current assets break down as follows:

(In thousands of euros)	**September 30, 2017**	**March 31, 2017**
Tax receivables	36,405	30,819
Prepayments on orders of non-current assets	172	170
Deposits and guarantees	334	352
Gross value	36,911	**31,341**
Other non-current assets, net	**36,911**	**31,341**

7.4.5 Inventories

Inventories can be analyzed as follows:

(In thousands of euros)	**September 30, 2017**	**March 31, 2017**
Raw materials	23,522	19,555
Production in progress	8,670	8,113
Finished products and goods	9,758	14,057
Gross value	**41,951**	**41,723**
Provisions for depreciation	(7,600)	(8,081)
Inventories, net	**34,351**	**33,642**

7.4.6. Trade receivables

As of September 30, 2017, the age analysis of receivables was as follows:

(*In thousands of euros)*	**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	39,987	38,213	1,211	19	502	42
Provision for impairment	(93)	-	-	-	-	(93)
Net value at September 30, 2017	**39,894**	**38,213**	**1,211**	**19**	**502**	**(51)**
Gross value	40,076	38,209	859	926		82
Provision for impairment	(101)	(12)		(6)		(83)
Net value at March 31, 2017	**39,975**	**38,197**	**859**	**920**		**(1)**

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7.4.7. Cash and cash equivalents

Cash and cash equivalents can be analyzed as follows:

(In thousands of euros)	**September 30, 2017**	**March 31, 2017**
Cash	59,103	68,286
Cash equivalents	40,000	41,000
Total cash and cash equivalents	**99,103**	**109,286**

7.4.8. 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. The held for sale assets remaining include the financial assets related to the solar power plant in South Africa: the equity-accounted companies CPV Power Plant No. 1 and CPV Bond (20% stakes), and the financing (principal and interest) provided to one of the shareholders of the Touwsrivier plant, for which the Group believes that the criterion for a highly probable sale within 12 months has been met.

The remaining assets and liabilities are presented below:

	Assets and liabilities held for sale and related to discontinued operations	
(In thousands of euros)	September 30, 2017	March 31, 2017
Solar power plant projects	-	1,360
Equity-accounted companies	6,925	8,698
Non-current financial assets	14,733	16,495
Other non-current assets	8	8
Non-current assets	**21,666**	**26,561**
Trade receivables	1,005	869
Other current assets	77	287
Current financial assets	2,044	1,352
Current assets	**3,126**	**2,508**
Total assets (1)	**24,792**	**29,069**
Non-current liabilities	**-**	**-**
Short-term financial debt	1,812	1,165
Trade payables	450	573
Provisions and other current liabilities	8,228	12,006
Current liabilities	**10,490**	**13,744**
Total liabilities (2)	**10,490**	**13,744**
Net assets (1) – (2)	**14,302**	**15,325**

The assets and liabilities held for sale (related to the Touwsrivier solar power plant in South Africa) at September 30, 2017 represent:

- the shares representing 20% CPV Power Plant No. 1 (Touwsrivier) and its subsidiary CPV Bond. The investments were measured at fair value (6,925 thousand euros at September 30, 2017 compared with 8,698 thousand euros at March 31, 2017);

- a receivable of 14,733 thousand euros at September 30, 2017 (compared with 16,495 thousand euros at March 31, 2017; the year-on-year change reflecting only an exchange rate effect).

With respect to the other remaining assets and liabilities:

- The item "Solar power plant projects" at March 31, 2017 (1,360 thousand euros) represents the Newberry plant in the United States, which was sold on May 1, 2017.
- Current financial assets and current financial liabilities represent the cash payable to a third party following the distributions by CPV Power Plant No. 1.
- The item "Provisions and other liabilities" consists primarily of the provisions detailed below. They relate to operations that have been discontinued or sold and the commitments underlying these discontinuations or sales:

(In thousands of euros)	**March 31, 2017**	**Expense for the period**	**Reversals (used)**	**Reversals (not used)**	**Currency translation adjustment**	**Reclassifications**	**September 30, 2017**
- Employee departure plan	3						3
- Cost of cessation ofoperations and compensation			(163)			498	335
Bernin site	**3**		**(163)**			**498**	**339**
- Employee departures	184			(110)			74
- Dismantling of solar power plants (excl. US) and compensation	3,988	85	(89)	(276)		(498)	3,210
- Costs of cessation of operations	1,453	114	(571)				996
Freiburg site	**5,626**	**199**	**(660)**	**(386)**		**(498)**	**4,280**
- Costs of cessation of operations	1,257	352	(442)		(115)		1,051
- Dismantling of solar power plants located in the United States and compensation	2,116		(703)		(174)		1,238
San Diego site	**3,372**	**352**	**(1,145)**		**(289)**		**2,289**
- Costs of cessation of operations	172						
South African site	**172**		**(27)**		**(18)**		**127**
Total	**9,174**	**551**	**(1,996)**	**(386)**	**(307)**		**7,035**

7.4.9. Appropriation of income

The Shareholders' General Meeting of July 26, 2017 decided to carry forward the profit and not to distribute a dividend.

7.4.10. Share-based payments

Following the decision to establish a free preferred share plan, contingent rights to preferred shares were granted 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. At the end of September 2017, 236,157 preferred shares were fully vested.

The expense recognized in the income statement for this preferred free share plan for the period ended September 30, 2017 was an expense of 2,519 thousand euros, including the social contribution (compared with an expense of 8,024 thousand euros for the year ended March 31, 2017).

7.4.11. Loans and financial debts

The due dates for repayment of loans and financial debts at September 30, 2017 are as follows:

	September 30, 2017				
(In thousands of euros)	**Less than 1 year**	**1 to 5 years**	**> 5 years**	**Total**	**March 31, 2017**
Finance lease contracts:					
Equipment	4,498			4,498	7,174
Loans:					
Bond: OCEANE 2018					39,634
Other loans and financial debt:					
Redeemable advances	1,096	2,790	8,871	12,757	13,360
Financial services payables					369
Derivative financial instruments, liabilities	55	181		236	3,735
Authorized credit line used	1,079	48,993		50,072	56,589
Total loans and debt	**6,728**	**51,964**	**8,871**	**67,563**	**120,860**

The change in bonds reflects the early conversion of the OCEANEs on August 8, 2017 (conversion of the OCEANEs into shares with a conversion rate of 98.74%).

7.4.12. Provisions and other non-current liabilities

Provisions and other non-current liabilities break down as follows:

(In thousands of euros)	**September 30, 2017**	**March 31, 2017**
Deferred income	6,023	6,731
Deposits and guarantees received	61	67
Other debtors		-
Non-current liabilities	**6,084**	**6,798**
Provisions	8,854	8,382
Provisions and other non-current liabilities	**14,938**	**15,180**

At September 30, 2017, the principal items of deferred income were the following:

- A prepayment on a licensing agreement signed in March 2011 in the area of image sensors for a total of 2,283 thousand euros, divided between a non-current portion of 1,631 thousand euros and a current portion of 652 thousand euros.
- A prepayment on a licensing agreement signed in May 2014 in radio frequency applications and power applications, for a total of 5,946 thousand euros, divided between a non-current portion of 4,393 thousand euros and a current portion of 764 thousand euros.

Provisions for non-current liabilities and charges primarily reflect provisions for retirement benefit obligations amounting to 8,854 thousand euros.

7.4.13. Provisions

Provisions can be analyzed as follows:

(*In thousands of euros)*	**March 31, 2017**	**Allocations for the period**	**Reversals (used)**	**Reversals (not used)**	**Currency translation adjustment**	**Actuarial gains/(losses) recognized in Other items of comprehensive income**	**September 30, 2017**
Current provisions:							
Litigation	1,258	974	(73)	(11)			2,148
Restructuring	987		(41)		(48)		898
Total current	**2,245**	**974**	**(114)**	**(11)**	**(48)**		**3,046**
Non-current							
Retirement benefit	8,382	488			(16)		8,854
Litigation	-						
Warranties	-						
Restructuring	-						
Total non-current	**8,382**	**488**			**(16)**		**8,854**

Provisions for restructuring for continuing operations are detailed in the table below:

(In thousands of euros)	**March 31, 2017**	**Expense for the period**	**Reversals (used)**	**Reversals (not used)**	**Currency translation adjustment**	**September 30, 2017**
Fiscal years 2012-2013 and 2013-2014						
- Production equipment shutdown costs	319		(2)			317
Bernin site	**319**		**(2)**			**317**
Fiscal year 2014-2015: Sale of the business assets of Soitec Specialty Electronics						
- Employee departures	108					108
- Dismantling and restoration of the site	50		(39)			11
Villejust site	**158**		**(39)**			**119**
Fiscal year 2014-2015: Production shutdown						
- Dismantling of equipment and production shutdown costs	510				(48)	462
Singapore site	**510**				**(48)**	**462**
Total	**987**		**(41)**		**(48)**	**898**

7.4.14. Financial Instruments

Classification of financial instruments pursuant to IFRS 13:

The distribution of financial instruments at fair value by level is as follows:

(In thousands of euros)	Notes	Level 1	Level 2	Level 3	Net value on the balance sheet
Assets:					
Other financial investments	-	-	-	-	-
Cash and cash equivalents	-	99,103	-	-	99,103
Derivative financial instruments (positive fair value)	-	-	16,197	-	16,197
Liabilities:					
Derivative financial instruments	-	-	(237)	-	(237)
Net value at September 30, 2017		**99,103**	**15,960**	**-**	**115,063**

(In thousands of euros)	Notes	Level 1	Level 2	Level 3	Net value on the balance sheet
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 March 31, 2017		**109,286**	**(316)**	**-**	108,970

There were no transfers between Level 1 and Level 2 for the fair value hierarchy for the assets and liabilities that were valued at fair value between September 30, 2017 and March 31, 2017.

The Group uses derivative currency financial instruments in order to hedge the risks related to the currency fluctuations that can occur in the context of its current operations. The instruments used by the Group are sales of US dollars (forwards or options) and purchases of JPY against the Euro.

The portfolio of currency hedging derivative financial instruments was the following at September 30, 2017:

(In thousands of euros)	**September 30, 2017**	**March 31, 2017**
Derivative assets	**16,197**	**3,419**
Derivative assets - cash flow hedge	14,033	3,419
Derivative assets - fair value hedge	2,164	
Derivative liabilities	**(237)**	**(3,581)**
Derivative liabilities - cash flow hedge	(237)	(2,711)
Derivative liabilities - fair value hedge		(870)

The amounts recognized over the period result, after deferred taxes, in an increase of 7,976 thousand euros in Other items of comprehensive income, and an increase of 4 million euros in net profit.

The market value of the hedge instruments was estimated using one or more commonly used models.

7.5. NOTES TO THE INCOME STATEMENT

7.5.1 Employee-related costs

Employee-related costs break down as follows:

(In thousands of euros)	**For the 6-month period ended September 30, 2017***	**For the 6-month period ended September 30, 2016***
Personnel-related costs, including social charges**	(38,438)	(36,257)
Competitiveness and employment tax credit (CICE)	594	491
Pension costs	(428)	(290)
Share-based payment expenses	(1,845)	(872)
Total employee-related costs	**(40,117)**	**(36,929)**

* The data presented does not include discontinued operations.

** The personnel-related costs presented also include the expense for incentives and profit-sharing.

The main change from the 6-month period ended September 30, 2016 is related to the cost of the free preferred share plan, which was recognized at September 30, 2017 for a total of 2,519 thousand euros, including the social contribution.

7.5.2 Research and development costs

Research and development costs can be analyzed as follows:

(In thousands of euros)	**For the 6-month period ended September 30, 2017**	**For the 6-month period ended September 30, 2016**
Gross research and development operating costs	**(22,337)**	**(21,314)**
Sales of prototypes	3,656	2,198
Research and development grants recognized in profit/(loss)	2,804	3,466
Redeemable advances recognized in profit/(loss)		-

Research tax credit	6,344	5,980
Other income		
Total income deducted from gross operating costs	**12,804**	**11,644**
Total research and development operating costs, net	**(9,533)**	**(9,670)**

Research and development spending mainly relates to research costs and are recognized in profit/(loss).

7.5.3. Amortization and depreciation included in the consolidated income statement

(In thousands of euros)	**For the 6-month period ended September 30, 2017**	**For the 6-month period ended September 30, 2016**
Cost of sales	(6,676)	(7,843)
Research and development costs	(2,565)	(2,945)
Sales and marketing expenses	(3)	(4)
Administrative expenses	(101)	(278)
Total depreciation and amortization expenses	**(9,345)**	**(11,070)**

7.5.4. Other operating income and expenses

Other operating income and expenses in the income statement break down as follows:

(In thousands of euros)	**For the 6-month period ended September 30, 2017**	**For the 6-month period ended September 30, 2016**
Total other operating income		
Expenses relating to restructuring measures and disputes	(82)	(1,215)
Expenses relating to non-current asset impairment tests		
Other expenses		
Total other operating expenses	**(82)**	**(1,215)**
Total other operating income and expenses, net	**(82)**	**(1,215)**

7.5.5. Income tax

The difference between the theoretical income tax calculated using the rate applicable in France (34.43% for September 30, 2017 and 2016) and the income tax expense reflected in the income statement can be analyzed as follows:

(In thousands of euros)	For the 6-month period ended September 30, 2017	For the 6-month period ended September 30, 2016
Theoretical income tax benefit (expense) at the applicable rate	**(9,297)**	**(803)**
Use of tax loss carryforwards	3,555	534
Deferred taxes not activated	3,663	(5,493)
Non-deductible provisions and expenses	(2,004)	3,844
Non-taxable income (tax credits)	2,389	1,952
Other estimation differences in provisions for income taxes	(943)	(277)
Total income tax benefit (liability)	**(2,637)**	**(243)**

7.5.6. Net profit/(loss) from discontinued operations

(In thousands of euros)	Notes	For the 6-month period ended September 30, 2017	For the 6-month period ended September 30, 2016
Sales		**818**	**376**
Expenses for the period	-	(334)	(548)
Current operating income	**-**	**484**	**(170)**
Other operating expenses, net	-	(783)	(1,757)
Operating income	**-**	**(299)**	**(1,926)**
Financial income/(expense)	-	(840)	2,981
Profit (loss) before tax	**-**	**(1,139)**	**1,055**
Income tax	-	(56)	(2)
Net profit/(loss) from discontinued operations		**(1,195)**	**1,053**

At September 30, 2017, operating income posted a loss of 299 thousand euros, including residual revenue on photovoltaic projects in France, revenue from solar power plant maintenance contracts in the United States, solar current operating and withdrawal expenses. Financial income/(expense) from discontinued operations consists primarily of unrealized exchange losses related to the depreciation of the ZAR (-2.4 million euros), an unrealized exchange gain on the dollar (+0.6 million euros), a realized exchange loss (-0.2 million euros), and financial income related to an interest payment on a loan made to one of the shareholders of the Touwsrivier plant (1.3 million euros).

At September 30, 2016, a majority of the sales of discontinued operations represented a sale of industrial property on Soitec GMBH. Net other operating expenses included primarily additional allocations for provisions for the restructuring of the solar activities (expense of 1,390 thousand euros). The financial income/(expense) from discontinued operations consisted primarily of unrealized exchange gains related to the appreciation of the ZAR (1.8 million euros), an unrealized exchange loss on the dollar (-0.1 million euros), and financial income related to an interest payment on a loan made to one of the shareholders of the Touwsrivier plant (1.2 million euros).

7.6. OTHER INFORMATION

7.6.1. Seasonal fluctuation in business

The Group's business does not experience seasonal fluctuations. Generally, sale fluctuations may be related to the startup phases for new generations of products, which are generally not seasonal, and the overall seasonal effects that can impact certain applications are diluted by the diversity of the markets targeted: consumer products (smart phones, gaming consoles, laptop computers, tablets, etc.), industrial products or products intended for companies (automobile, servers).

7. 6.2. Related party disclosures

At the end of the Shareholders' Ordinary and Extraordinary Meeting of July 26, 2017, and the meeting of the Board of Directors on the same date, the membership of the Board changed. Victoire de Margerie, newly elected as Board member, took the seat of Joseph Martin, who had indicated he did not wish to remain on the Board at the end of his term. Since that date, the members of the Board were as follows:

- Victoire de Margerie, who is now Chairman following the Board's decision to separate the office of Chairman and Chief Executive Officer;
- Paul Boudre, who also continues to lead the Company as Chief Executive Officer;
- Monica Beltrametti;
- Bpifrance Investissement, represented by Thierry Sommelet;
- Bpifrance Participations, represented by Sophie Paquin;
- CEA Investissement, represented by Guillemette Picard;
- Laurence Delpy;
- Douglas Dunn;

- Nadine Foulon-Belkacémi;
- Christophe Gegout;
- Satoshi Onishi;
- Weidong Ren;
- Xi Wang.

At its meeting held on June 14, 2017, and on the 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 section 8 of the AFEP-MEDEF Code. Following discussions, the Board of Directors first found that four of its thirteen directors are independent, namely Monica Beltrametti, Laurence Delpy, Nadine Foulon-Belkacémi and Joseph Martin. Since July 26, 2017, the expiration date of the term of Joseph Martin and the simultaneous election of Victoire de Margerie, the Compensation and Appointments Committee has not yet met to formally discuss the status of independent director of Ms. de Margerie. It is, however, specified that the Company is pursuing the goal to increase the number of independent directors on its Board; the election of Victoire de Margerie was conducted within the framework of a selection process based on a plurality of criteria established by the Board of Directors, including independence.

The information provided in Chapters 14 (14.2 Conflicts of interest in the Board of Directors, Management and Executive Management), 19 (Related-Party Transactions), 9.1.4 (Principal related-party transactions), 20.3.1.2 (Note 5.3 Information on Related Parties), and 22 (Major Contracts) of the Soitec 2016-2017 Registration Document, filed with the French Financial Markets Authority (AMF) on July 4, 2017 under number D. 17-0720 remains valid. First, it discusses existing business relations (or those which could exist) with the companies ARM Holdings Plc (royalties/director concerned > Douglas Dunn), Shin-Etsu Handotai (purchases of raw materials, licensing royalties/director concerned > Satoshi Onishi), Global Foundries (wafer sales/director concerned > Douglas Dunn), CEA (research and development contract, patent royalties/directors concerned > Christophe Gegout and CEA Investissement, represented by Guillemette Picard), and Shanghai Simgui Technology Co. Ltd (licensing and service agreement, wafer purchase, distribution agreement/director concerned > Xi Wang). In addition, the information described the related-party agreements and commitments already approved by the Shareholders' General Meeting, which were still in effect in fiscal 2016-2017 and continue to this day.

Moreover, during the first half of the current 2017-2018 fiscal year, the Company has signed three contracts to supply wafers to GlobalFoundries Inc. (director concerned > Douglas Dunn), as well as two contracts with the CEA - Commissariat à l'énergie atomique et aux énergies alternatives (Atomic Energy and Alternative Energies Commission) - (directors concerned > Christophe Gegout and CEA Investissement, represented by Guillemette Picard), including an amendment to extend the term of the collaboration agreement which was signed on October 3, 2013. It is specified that, pursuant to Article L. 225-38 of the French Commercial Code, the signature of each of these five related-party agreements was previously approved by the Board of Directors at its meetings of March 30, 2017 (GlobalFoundries Inc.) and June 14, 2017(CEA).

7. 7. SUBSEQUENT EVENTS

New repayment schedule on the credit lines: full repayment in the amount of 37.2 million euros was planned in November 2019. The contracts being restructured will allow repayment in five annual installments of 7.44 million euros beginning November 30, 2017.

8 | STATUTORY AUDITORS' REVIEW ON THE 2017 HALF-YEAR FINANCIAL INFORMATION

Soitec
Period from April 1 to September 30, 2017

To the Shareholders,
In compliance with the assignment entrusted to us by your Annual General Meetings and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you, on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Soitec, for the period from April 1 to September 30, 2017;

- the verification of information presented in the half-yearly management report.

These consolidated condensed interim financial statements have been prepared under the responsibility of your Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.
We have no matters to report as to its fair presentation and its consistency with the condensed half-yearly consolidated financial statements.

Paris-La Défense and Lyon, November 29, 2017

The Statutory Auditors
French original signed by

KPMG S.A.	ERNST & YOUNG Audit
Jacques Pierre Stéphane Devin	Nicolas Sabran