Half-year Report
2020 - 2021

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1.| Persons responsible

1.1 Statement from the person responsible for the half-year report

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 half-year management report included hereafter presents 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 18, 2020
Paul Boudre
Chief Executive Officer

1.2 Statutory Auditors

Principal Auditors

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

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

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, France

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

<u>Salustro Reydel (alternate for KPMG S.A.)</u>

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

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.

<u>Auditex (alternate for Ernst & Young Audit)</u>

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

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.

2. | Risk factors

The main risks and uncertainties facing our Group during the remaining six months of fiscal year 2020-2021 are those described in Chapter 2 "Risk Factors" found on pages 43 to 57 of the Soitec 2019-2020 Universal Registration Document filed with the French Financial Markets Authority (AMF) on September 2, 2020, under number D. 20-0782. We have conducted a review of these risks and found no new risk.

3. | Review of financial position and results

The half-year management report that follows must be read in conjunction with the condensed interim consolidated financial statements for the period ended September 30, 2020, and our Company's Universal Registration Document for fiscal year 2019-2020 filed with the French Financial Markets Authority (AMF) on September 2, 2020, under number D.20-0782.

In the first half of fiscal year 2020-2021, our Group operated in two business segments:

- production and sale of substrates and components for the semiconductor industry ("**Electronics**");
- other **discontinued operations** of our Group (Other Activities), mainly the Solar Energy business (operation and maintenance of photovoltaic installations).

3.1 Group business and results

3.1.1 Background

Whilst focusing on the health of our employees, our Group has ensured the continuity of its operations. Since the beginning of the Covid-19 health crisis, our Group's priority has been to protect the health of our own employees as well as those of our various partners, subcontractors, customers and all the communities with which our Group interacts.

All of our teams have maintained, and continue to maintain, ongoing exchanges with all of our Group's suppliers and partners in order to ensure continuity of operations in all businesses. Firmly determined to support our customers in this difficult environment, our Group has been able to maintain production, in particular at the Bernin and Singapore sites, by implementing drastic safety measures. Our Group has continued, and continues, to deliver to its customers to meet their requirements. Our Group is also pursuing all its major R&D projects to secure their progress schedule.

The assumptions for closing the financial statements have each been reviewed in relation to the information regarding the Covid-19 crisis without any significant impact on the financial statements as of September 30, 2020. Our Group notably reviewed its other assets: inventories, capitalized R&D costs, deferred tax assets and goodwill. This analysis did not show any impairment indicators liable to generate impairment during the first half of fiscal year 2020-2021.

However, this situation has created a degree of uncertainty about the future.

3.1.2 Business and income statement

As expected, business was stable at constant scope and exchange rates for the first half-year 2020-2021 compared to the first half-year 2019-2020. In this context, our Group succeeded in maintaining a high level of profitability, with an EBITDA rate exceeding 30%, whilst continuing its investment effort both in France and Singapore.

(in € million)	First half-year 2020-2021	First half-year 2019-2020
Revenue	**254.4**	**258.5**
Gross margin	77.4	87.4
as % of revenue	*30.4%*	*33.8%*
Current operating income (loss)	37.2	51.3
as % of revenue	*14.6%*	*19.9%*
Other operating income and expenses	0.0	1.8
Operating income (EBIT)	37.1	53.2
as % of revenue	*14.6%*	*20.6%*
EBITDA Electronics (*)	**77**	**78**
as % of revenue	***30.4%***	***30.2%***
Income/(loss) from discontinued operations (**)	0.0	0.0
Net profit (loss) (Group share)	22.2	41.5
as % of revenue	*8.7%*	*16.1%*
Basic earnings/(loss) per share (in €)	0.67	1.30

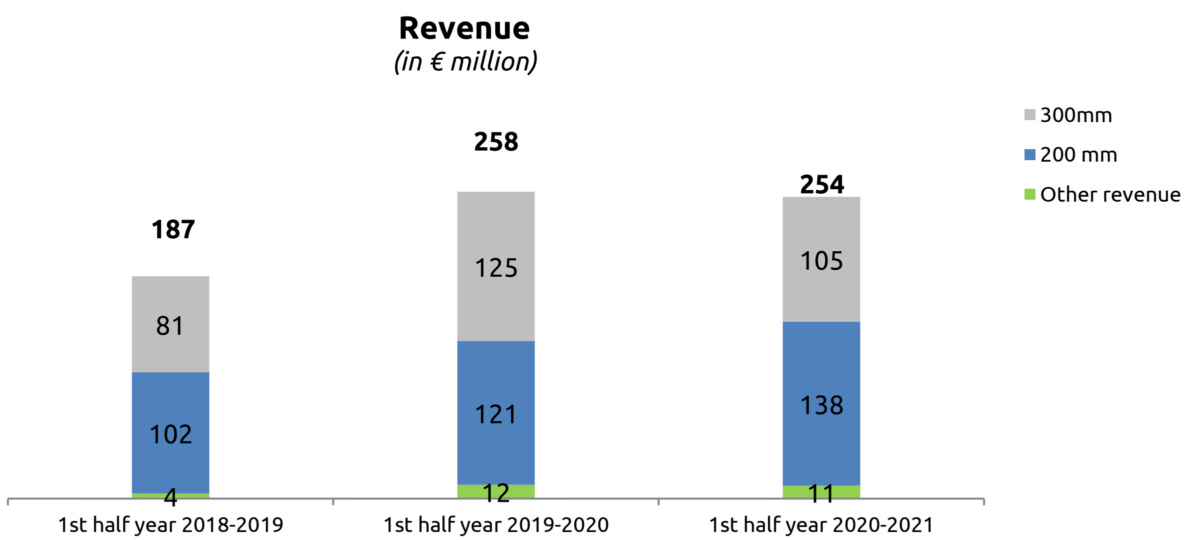
** The EBITDA represents the operating income/(loss) (EBIT) before depreciation, amortization, non-monetary items related to share-based payments and changes in provisions on current assets and provisions for risks and contingencies, and excluding profit (loss) from asset disposals.*
This indicator is 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.

*** Restatement in application of IFRS 5 of the solar businesses.*

3.1.2.1 REVENUE

Revenue for the first half of fiscal year 2020-2021 amounted to €254.4 million compared to €258.5 million for the first six months of the previous fiscal year. This change is due to stable activity at constant scope and exchange rates combined with an unfavorable exchange rate effect (€3 million). This stable activity compared to last year is mainly due to:

- the increase in sales of 200 mm wafers for €17 million, or +14%, compared with the first half-year 2019-2020;
- partly offset by:
    - the decrease in sales volumes of 300 mm wafers for €20 million, or -16%, compared with the first half-year 2019-2020,
    - the decline in other revenue for €1 million.



<u>Geographical breakdown of revenue</u>

	First half-year 2020-2021	First half-year 2019-2020	First half-year 2018-2019
United States	11%	24%	20%
Europe	19%	24%	37%
Asia	69%	52%	43%

The change in geographical breakdown is due to higher growth in Asian customers (notably Taiwanese foundries).

The following tables analyze the trend in the breakdown of sales by wafer size.

(in € million)	First half-year 2020-2021	First half-year 2019-2020	First half-year 2018-2019
300 mm	105	125	81
200mm	138	121	102
Other revenue	11	12	4
Total	**254**	**258**	**187**

150 mm and 200 mm wafers

During the first half-year 2020-2021, sales of 150 mm/200 mm wafers increased by 14%, representing growth of 15% at constant scope and exchange rates compared to the first half-year 2019-2020.

Sales of wafers 200 mm
+14%
+ €17 million

Small diameter wafers comprise:

- products designed for radio-frequency and power applications. Driven by solid growth in sales of RF-SOI wafers, the increase in sales of 200 mm wafers is the result of a combination of higher volumes and a more favorable product mix, with a higher proportion of sales of RF-SOI substrate-based products compared to Power-SOI substrate-based products, which declined due to the economic context in the automotive market;
- 150 mm POI (Piezoelectric-on-Insulator) substrate-based products for RF filters bringing strong added value to filters for general public 4G and 5G smartphones. The ramp-up in production and sales of these 150 mm POI substrates continued in Bernin during the first half-year 2020-2021.

300 mm wafers

300 mm wafers comprise products designed for digital and radio frequency applications.

Sales of wafers 300 mm
-16%
-€20 million

During the first half-year 2020-2021, sales of 300 mm wafers decreased by 15% at constant exchange rates compared to the first half-year 2019-2020. This decrease reflects a slight decline in volumes as well as a slightly more unfavorable product mix.

Sales of 300 mm RF-SOI substrates remained at a high level. They continue to be driven by the still growing 4G market and the deployment of first generations of 5G smartphones (which contain on average 60% more RF-SOI content than 4G smartphones).

Sales of FD-SOI substrates were lower than last year. However, the activities of design and tape-out activities remained intense, particularly for applications related to 5G, edge-computing and automotive.

Sales of other 300 mm wafers (Imager-SOI for 3D imaging for smartphones and Photonics-SOI for data centers) remained quite robust.

Royalties and other revenue

The royalties and other revenue reached €10.9 million during the first half-year 2020-2021 compared to €11.7 million for the first half-year 2019-2020, down 8%.

3.1.2.2 Gross margin

Gross margin declined from €87.4 million (33.8% of revenue) in the first half of 2019-2020 to €77.4 million (30.4% of revenue) in the first half of 2020-2021. Despite more favorable bulk purchase prices as expected, profitability was impacted by:

- the increase in costs incurred by the industrial start-up of our filter (POI) products at our Bernin III plant;
- and the impact of the increase in depreciation and amortization expenses due to the high level of investment over the last few months.

3.1.2.3 Sales and marketing expenses

Sales and marketing expenses amounted to €5.5 million over the first half-year, versus €4.9 million over the same period of 2019-2020. They represented 2.1% of revenue at September 30, 2020, compared to 1.9% at September 30, 2019.

3.1.2.4 Research and Development

Net R&D costs increased from 16.0 million Euros in the first half of fiscal 2019-2020 to 17.5 million Euros in the first half of fiscal 2020-2021. This increase essentially reflects slightly higher gross R&D Expenses, driven in particular by higher depreciation and labor costs, as well as lower prototype sales, which were partially offset by slightly higher subsidies and research tax credits.

This increase in R&D activity is explained by the innovation efforts linked to the many market opportunities.

3.1.2.5 General and administrative expenses

General and administrative expenses amounted to €17.3 million during the first half of fiscal 2020-2021 compared to €15.3 million for the first half of fiscal 2019-2020, up €2 million, mainly due to the impact of the increase in personnel expenses (hires and other compensation items including share-based payments (due to the increase in the Soitec share price)).

General and administrative expenses represented 6.8% of our revenue compared to 5.9% for the previous period. Despite the stable activity resulting from the current situation, the level of general and administrative expenses was impacted by recruitments started during the previous fiscal year. Our Group also continued to reinforce its structure in anticipation of the expected growth during 2021-2022 and subsequent fiscal years.

3.1.2.6 Current operating income/(loss)

Current operating income amounted to €37.2 million (14.6% of revenue), compared with €51.3 million (19.9% of revenue) in the first half of fiscal 2019-2020.

3.1.2.7 EBITDA

For the six months period ended September 30, 2019, EBITDA for continuing operations (Electronics) amounted to €78 million (30.2% of revenue).

The level of EBITDA as at September 30, 2020 was impacted by the downturn in the value of gross margin (excluding the impact of depreciation and amortization expenses) combined with the increase in general and administrative expenses generated by the Company's structuring momentum.

The EBITDA for continuing operations (Electronics) amounted to €77 million at September 30, 2020 (30.4% of revenue), in line with our Group's expectations.

3.1.2.8 Operating income/(loss)

For the first half-year 2020-2021, the other operating income and expenses recorded by our Group were not significant.

As at September 30, 2019, these other operating income and expenses mainly comprised the gain from the sale of the industrial Villejust site (site unused for the last four years).

Operating income was €37.1 million (14.6% of revenue) compared to €53.2 million during the first half-year 2019-2020.

3.1.2.9 Financial income/(expense)

Over the first half of fiscal 2020-2021, our Group booked a net financial expense of €10.2 million compared to a net expense of €1.7 million over the first half of 2019-2020.

This net expense includes mainly the following items:

- €2.2 million in financial expenses for OCEANE 2023 (the same amount as for the first half of 2019-2020);
- Foreign exchange loss amounted to €6.4 million (versus a gain of €2.1 million recorded in the first half of fiscal 2019-2020) as a result of the change in the Euro/Dollar exchange rate over the period.

3.1.2.10 Net profit/(loss) from discontinued operations

Net profit/(loss) from discontinued operations was balanced at the same level as at September 30, 2019.

3.1.2.11 Net profit

The Group recognized a net profit of €22.2 million over the first half of 2020-2021 compared with a net profit of €41.5 million over the first half of fiscal 2019-2020.

Basic earnings per share were 0.67 euros (against 1.3 euros over the first half of fiscal 2019-2020). Diluted earnings per share were 0.66 euros (versus 1.25 euros over the first half of fiscal 2019-2020).

3.2 Financial position

(in € million)	09/30/2020	03/31/2020
Non-current assets	482	445
Current assets	326	365
Cash	291	191
Assets held for sale	0	0
Total Assets	**1,099**	**1,001**
Equity	577	552
Financial debt	297	245
Provisions and other non-current liabilities	44	41
Operating debts	181	164
Liabilities related to assets held for sale	0	0
Total Equity and Liabilities	**1,099**	**1,001**

3.2.1. Non-current assets

The value of property, plant and equipment and intangible assets increased by €30.6 million due to investments during the period mainly due to:

- acquisitions for +€64.5 million:
  - the capitalization of development expenses,
  - following on from the previous fiscal year, industrial equipment and installations for both the Bernin site (Bernin III plant for POI substrates (filters)) and the Singapore site mainly for the capacity increase of 300 mm SOI wafer and Epitaxy production lines,
  - equipment used for research and development,
  - IT investments;
- partly offset by:

- depreciation and amortization expenses over the period (€27.4 million),
- an exchange rate impact of -€9.3 million.

3.2.2. Current assets and liabilities

During the first half of fiscal 2020-2021, current assets decreased by €39 million compared to March 31, 2020, to €326 million, due to:

- the decrease in trade receivables and related accounts (-€55 million), due to a very high level of billing in March;
- the decrease in other current assets of €13 million explained by the receipt of research tax credit receivables partly offset by an increase in grants receivables;
- partly offset by:
  - an increase in inventories (+€21 million) in line with the seasonality of the business,
  - an increase in current financial assets of €8 million corresponding to the fair value of exchange rate hedges.

Current operating liabilities increased by €18 million compared to March 31, 2020, to €182 million at closing. This change is due to:

- an increase of €25 million in other operating debts due to the higher level of advances received from customers, the increase in payables to fixed asset suppliers, partly offset by the decrease in tax and social security payables due to the seasonality effect;
- partly offset by the decrease of €7 million in trade payables.

3.2.3. Financial debt

Financial debt went from €245 million at the end of March 2020 to €297 million at the end of September 2020.

This €52 million increase is mainly due to:

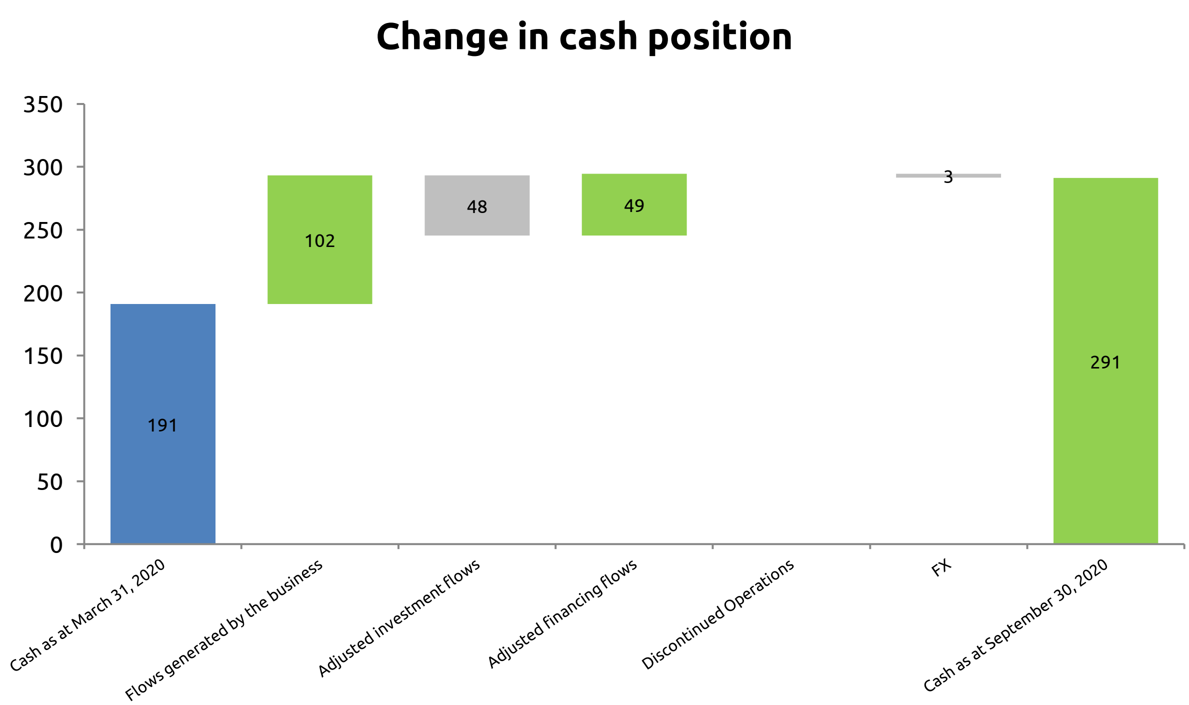
- drawdowns on the IPCEI loan with the "Caisse des Dépôts et Consignation" as part of the Nano 2022 project, for €58 million;
- new leases for €3.5 million;
- miscellaneous financing for €3 million in some of our subsidiaries;
- partly offset by the repayments of credit lines for €10 million (research tax credit pre-financing line) and leases (€6 million).

3.2.4. Net debt

Net debt (financial debt less cash) amounted to €5.2 million at September 30, 2020, compared to net debt of €53.7 million at March 31, 2020, due to cash generated by the business (net of investments).

3.3 Cash and financing

Cash generation over the first half-year 2020-2021 (in € million):



The above investment and financing cash flows are taken from the IFRS cash flow statement adjusted to include new finance leases in the financing cash flow in the case of lease-back contracts (and not netted with investments).

The cash balance as of September 30, 2020 includes ZAR 125 million (€6.4 million), related to the sale of the shares held in our South African subsidiary, held in our lawyer's bank account in South Africa pending the authorization to repatriate these funds to France.

The net cash generated by operating activities was positive at €102 million for the first half-year 2020-2021.

For continuing operations, this change reflects a positive self-financing capacity of €77 million, combined with a decrease in the working capital requirement of €31 million, partly offset by income tax paid of €6 million.

Strong improvement in net cash generated by operating activities: €102 million for the first half-year 2020-2021 compared to €36 million for the first half-year 2019-2020

These flows related to operating activities financed the investments over the period. Adjusted cash flows from investing activities totaled -€48 million at September 30, 2020, versus -€75.5 million at September 30, 2019. They concern solely the continuing operations and mainly comprise investments during the period (as described in paragraph 3.2.1).

Adjusted cash flows from financing activities amounted to +€49 million during the first half-year 2020-2021 (compared to negative flows of €15.2 million for the same period of the previous fiscal year). They mainly comprise the drawdown of €58 million on the IPCEI loan from the "Caisse des Dépôts et Consignation" as part of the Nano 2022 project, partly offset by the repayments over the period (research tax credit pre-financing credit lines and finance leases).

In total, our Group's cash amounted to €291 million at September 30, 2020 (€191 million at March 31, 2020).

Sources of financing

Our Group's primary objective is to have the necessary and sufficient financial resources to fund the growth of its business. As such, it systematically reinvests its earnings to promote an industrial growth strategy oriented toward strong product innovation. It has in the past called on its shareholders, or other investors, to finance its capital spending through capital increases and convertible bond issues.

As of September 30, 2020, our Group has a strong level of liquidity:

- available cash of €291 million;
- financial indebtedness increased from €245 million as of March 31, 2020 to €297 million as of September 30, 2020, mainly explained by the drawdown of €58 million on the IPCEI loan from the "Caisse des Dépôts et Consignation".

Our Group also has bank credit lines worth €75 million with seven banks (€20 million of which were drawn down at end September 2020). These credit lines are repayable *in fine* no later than June 2025. No covenant is attached to them.

Our Group finances a portion of its industrial capital expenditure through finance lease contracts and tries to obtain funding for its R&D expenditure through grants.

On October 1, 2020, our Group concluded the placement of an issue of bonds convertible into or exchangeable for new or existing ordinary shares (OCEANEs) with a maturity date of October 1, 2025, through the placement with qualified investors of a nominal amount of €325 million bearing no interest and with a premium of 45% compared to the current stock market price. This issue will provide additional flexibility in operational and strategic terms, will enable the financing of potential growth opportunities and will strengthen our Group’s liquidity.

3.4 Information on trends

We confirm expecting FY’21 sales to remain stable at constant exchange rates and perimeter and Electronics EBITDA margin to reach around 30%.

We anticipate Electronics adjusted net cash out related to capital expenditure to reach around 135 million Euros in FY’21 increasing as compared to the “at least 100 million Euros” previously announced. This reflects an acceleration in the capacity CAPEX related to the POI products.

Our Group now expect its FY’22 sales to reach more than 900 million Dollars / 800 million Euros, based on a €/$ rate of 1.13.

4. | Condensed interim consolidated financial statements at September 30, 2020

4.1. Consolidated income statement

(In thousands of euros)	Notes	6-month period ended September 30, 2020	6-month period ended September 30, 2019
Sales	4.6.6.18.	**254,375**	**258,451**
Cost of sales		(176,949)	(171,013)
Gross margin		**77,426**	**87,438**
Sales and marketing expenses		(5,458)	(4,860)
Research and development costs	4.6.6.20.	(17,521)	(15,961)
General and administrative expenses		(17,284)	(15,308)
Current operating income/(loss)		**37,163**	**51,309**
Other operating income		-	1,911
Other operating expenses	4.6.6.22.	(17)	(65)
Operating income/(loss)		**37,146**	**53,155**
Financial income		78	2,306
Financial expenses		(10,232)	(3,984)
Financial income/(expense)		**(10,154)**	**(1,678)**
Profit/(loss) before tax		**26,992**	**51,477**
Income tax	4.6.6.23.	(4,756)	(9,906)
Net profit/(loss) from continuing operations		**22,236**	**41,571**
Net profit/(loss) from discontinued operations	4.6.6.24.	(48)	(29)
Consolidated net profit/(loss)		**22,188**	**41,542**
Net profit/(loss) (Group share)		**22,188**	**41,542**
Basic earnings/(loss) per share *(in €)*		0.67	1.30
Diluted earnings/(loss) per share *(in €)*		0.66	1.25

Basic earnings per share totaled 0.67 euros, from continuing operations (0.67 euros) and discontinued operations (0 euros).

Diluted earnings per share totaled 0.66 euros, from continuing operations (0.66 euros) and discontinued operations (0 euros).

4.2. Consolidated statement of comprehensive income

(In thousands of euros)	Notes	6-month period ended September 30, 2020	6-month period ended September 30, 2019
Consolidated net profit/(loss)		**22,188**	**41,542**
Items of comprehensive income that may be reclassified to the income statement		(5,852)	5,335
of which: foreign exchange gains/(losses) on translation of foreign operations		(10,944)	5,335
of which: changes in the fair value of hedging instruments		7,491	
of which: tax on items recognized in other comprehensive income		(2,399)	
Items of comprehensive income that may not be reclassified to the income statement		(1,005)	(426)
of which: actuarial gains/(losses) on defined benefit plans		(1,355)	(650)
of which: changes in the fair value of non-current assets		-	-
of which tax impact		350	224
Income and expenses recognized in other comprehensive income		(6,857)	4,909
Comprehensive income for the period		**15,331**	**46,451**
Total comprehensive income (Group share)		*15,331*	*46,451*

4.3. Consolidated statement of financial position

Assets *(In thousands of euros)*	Notes	Sep. 30, 2020	March 31, 2020
Non-current assets			
Intangible assets	4.6.6.1.	91,610	87,471
Property, plant and equipment	4.6.6.2.	323,607	297,154
Non-current financial assets	4.6.6.3.	14,994	14,428
Other non-current assets	4.6.6.4.	15,093	8,997
Deferred tax assets		37,073	37,176
Total non-current assets		**482,377**	**445,226**
Current assets			
Inventories	4.6.6.5.	144,040	123,291
Trade receivables and related accounts	4.6.6.6.	112,205	167,409
Other current assets	4.6.6.7.	60,619	73,945
Current financial assets	4.6.6.8.	8,838	351
Cash and cash equivalents	4.6.6.9.	291,262	190,998
Total current assets		**616,964**	**555,994**
Total Assets		**1,099,341**	**1,001,220**

Equity and liabilities *(In thousands of euros)*	Notes	Sep. 30, 2020	March 31, 2020
Equity			
Share capital	4.6.6.11.	66,558	66,558
Share premium	4.6.6.11.	82,426	82,426
Reserves and retained earnings	4.6.6.11.	427,022	395,355
Other reserves	4.6.6.11.	530	7,387
Equity (Group share)	4.6.6.11.	576,536	551,726
Total equity	4.6.6.11.	**576,536**	**551,726**
Non-current liabilities			
Long-term financial debt	4.6.6.13.	253,562	192,521
Provisions and other non-current liabilities	4.6.6.14. 4.6.6.15.	43,842	40,515
Total non-current liabilities		**297,404**	**233,036**
Current liabilities			
Short-term financial debt	4.6.6.13.	42,949	52,182
Trade payables and related accounts		69,504	76,318
Provisions and other current liabilities	4.6.6.15. 4.6.6.16.	112,948	87,958
Total current liabilities		**225,401**	**216,458**
Total Equity and Liabilities		**1,099,341**	**1,001,220**

4.4. Statement of changes in equity

Changes in equity between March 31, 2020, and September 30, 2020

(In thousands of euros)	Share capital	Share premium	Treasury shares	Reserves and retained earnings	Other reserves	Equity (Group share)	Total equity
March 31, 2020	**66,558**	**82,426**	**(377)**	**395,732**	**7,387**	**551,726**	**551,726**
Items of comprehensive income that may be reclassified to the income statement	-	-	-	-	**(5,852)**	**(5,852)**	**(5,852)**
of which: foreign exchange gains/(losses) on translation of foreign operations	-	-	-	-	(10,944)	(10,944)	(10,944)
of which: changes in the fair value of hedging instruments	-	-	-	-	7,491	7,491	7,491
of which: tax on items recognized in other comprehensive income	-	-	-	-	(2,399)	(2,399)	(2,399)
Items of comprehensive income that may not be reclassified to the income statement	-	-	-	-	**(1,005)**	**(1,005)**	**(1,005)**
of which: changes in the fair value of non-current assets	-	-	-	-	-	-	-
of which: actuarial gains/(losses) on defined benefit plans	-	-	-	-	(1,355)	(1,355)	(1,355)
of which tax impact	-	-	-	-	350	350	350
Total income and expenses in the fiscal year recognized in other comprehensive income	-	-	-	-	**(6,857)**	**(6,857)**	**(6,857)**
Income/(loss) for the period from continuing operations	-	-	-	22,236	-	22,236	22,236
Income/(loss) for the period from discontinued operations	-	-	-	(48)	-	(48)	(48)
Comprehensive income for the period	-	-	-	**22,188**	**(6,857)**	**15,331**	**15,331**
Share-based payments	-	-	-	9,414	-	9,414	9,414
Capital increase	-	-	-		-	-	-
Other	-	-	-	65	-	65	65
September 30, 2020	**66,558**	**82,426**	**(377)**	**427,399**	**530**	**576,536**	**576,536**

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Changes in equity between March 31, 2019, and September 30, 2019

(In thousands of euros)	Share capital	Share premium	Treasury shares	Reserves and retained earnings	Other reserves	Equity (Group share)	Total equity
March 31, 2019	**62,762**	**61,200**	**(432)**	**269,985**	**4,803**	**398,317**	**398,317**
Items of comprehensive income that may be reclassified to the income statement	-	-	-	-	**5,335**	**5,335**	**5,335**
of which: foreign exchange gains/(losses) on translation of foreign operations	-	-	-	-	5,335	5,335	5,335
of which: changes in the fair value of hedging instruments	-	-	-	-	-	-	-
of which: tax on items recognized in other comprehensive income	-	-	-	-	-	-	-
Items of comprehensive income that may not be reclassified to the income statement	-	-	-	-	**(426)**	**(426)**	**(426)**
of which: changes in the fair value of non-current assets	-	-	-	-	-	-	-
of which: actuarial gains/(losses) on defined benefit plans	-	-	-	-	(650)	(650)	(650)
of which tax impact	-	-	-	-	224	224	224
Total income and expenses in the fiscal year recognized in other comprehensive income	-	-	-	-	**4,909**	**4,909**	**4,909**
Income/(loss) for the period from continuing operations	-	-	-	41,571	-	41,571	41,571
Income/(loss) for the period from discontinued operations	-	-	-	(29)	-	(29)	(29)
Comprehensive income for the period	-	-	-	**41,542**	**4,909**	**46,451**	**46,451**
Share-based payments	-	-	-	7,888	-	7,888	7,888
Capital increase	2,472	-	-		(2,472)	-	-
Other	-	-	-	(330)	-	(330)	(330)
September 30, 2019	**65 234**	**61 200**	**(432)**	**319 085**	**7 240**	**452 326**	**452 326**

4.5. Statement of cash flows

(In thousands of euros)	Notes	6-month period ended September 30, 2020	6-month period ended September 30, 2019
Net profit/(loss) from continuing operations		22,236	41,571
Net profit/(loss) from discontinued operations	4.6.6.24.	(48)	(29)
Consolidated net profit/(loss)		**22,188**	**41,542**
Adjustments for:			
Depreciation and amortization expenses	4.6.6.21.	27,375	19,409
Provisions, net		2,079	(1,427)
Provisions for retirement benefit obligations		580	(61)
Income on asset disposal		721	(1,579)
Income tax		4,756	9,906
Financial income/(expense)		10,154	1,678
Share-based payments	4.6.6.19.	9,414	7,889
Other items			700
Non-cash items relating to discontinued operations		(123)	(412)
Changes in:			
Inventories		(24,193)	(47,166)
Trade receivables and related accounts		59,537	20,850
Other receivables		5,506	2,780
Trade payables and related accounts		627	11,734
Other liabilities		(10,229)	(15,840)
Change in working capital requirement on discontinued operations		(42)	(325)
Income tax paid		(6,256)	(14,192)
Net cash generated by/(used in) operating activities		**102,094**	**35,486**
of which continuing operations		*102,307*	*36,251*
Purchases of intangible assets		(8,875)	(12,349)
Purchases of property, plant and equipment		(36,176)	(38,891)
Proceeds from sales of intangible assets and property, plant and equipment		-	1,900
Acquisition of subsidiary, net of cash acquired		(992)	(25,502)
(Acquisition) and disposal of financial assets		1,720	(675)
(Investment)/divestment flows related to discontinued operations		-	-
Net cash generated by/(used in) investing activities		**(44,323)**	**(75,517)**
of which continuing operations		*(44,323)*	*(75,517)*
Financing received from minority shareholders		480	
Loans and drawing of credit lines		61,716	1,217
Repayment of borrowings (including leases)		(16,255)	(15,460)
Interest received		125	196
Interest paid		(634)	(1,207)
Financing flows related to discontinued operations		(1)	15
Net cash generated by/(used in) financing activities		**45,431**	**(15,239)**
of which continuing operations		*45,432*	*(15,254)*
Effects of exchange rate fluctuations		(2,938)	(2,973)
Change in Net Cash Position		**100,264**	**(58,245)**
of which continuing operations		*100,478*	*(57,494)*
Cash at beginning of the period		**190,998**	**175,308**
Cash at end of the period		**291,262**	**117,063**

4.6. Notes to the condensed interim consolidated financial statements at September 30, 2020

4.6.1. Overview of the Company and business

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

Our Group operates in two business segments:

1. **Electronics**: historical activity in the semiconductor sector, representing the production and marketing of substrates and components for the semiconductor industry;
2. **Other activities:** operations that have largely been discontinued by our Group, including mainly the Solar Energy sector. It included in particular the financing activities related to the Touwsrivier solar power plant in South Africa (sold during the 2019-2020 fiscal year) and includes some ongoing maintenance activities, primarily in Europe and the United States.

4.6.2. Accounting policies

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 our Group’s consolidated financial statements as of March 31, 2020.

Our Group’s consolidated financial statements for the period ended March 31, 2020, are available on request at our Company’s headquarters at Parc Technologique des Fontaines in Bernin (38190), France, or on our website www.soitec.com.

These condensed interim consolidated financial statements have been prepared under the responsibility of our Board of Directors of November 18, 2020.

Significant accounting policies

The accounting policies and bases for measurement used by our Group in the condensed interim consolidated financial statements at September 30, 2020 are the same as those used to prepare our Group's consolidated financial statements at March 31, 2020, with the exception of the recognition of income tax, the amount of which is provisioned in the interim financial statements on the basis of the best estimate of the annual tax rate expected to apply to the whole fiscal year and the new accounting standards with mandatory application as from April 1, 2020.

The standards, amendments and interpretations used to prepare the consolidated financial statements for the period ended September 30, 2020 are those published in the Official Journal of the European Union (OJ) before September 30, 2020 and mandatory on that date. This reference framework is available from the European Commission website.

Our Group has applied the following standards, amendments and interpretations, published by the IASB and adopted by the European Union, and mandatory for reporting periods beginning on or after April 1, 2020:

- Amendments to IAS 1 and IAS 8 – Definition of "material";
- Amendments to References to the Conceptual Framework in IFRS Standards 2018-2020;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform – Phase 1;
- Amendments to IFRS 3 – Definition of a Business.

These new standards and interpretations did not have a significant impact on our Group's financial statements and should not have a significant impact on our Group's consolidated financial statements for the fiscal year ending March 31, 2021.

Standards, interpretations and amendments to existing standards applicable in advance to fiscal years beginning on or after January 1, 2020

The new standards, interpretations and amendments to existing standards applicable to fiscal years beginning on or after January 1, 2020 were not early adopted by our Group on September 30, 2020. They concern

- IFRS 17 – Insurance Contracts;
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 3 – Reference to the Conceptual Framework;
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use;
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract.

No significant impact is expected on our Group's financial statements.

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. In particular, they apply to:

- the impairment of non-current assets;
- capitalization of research and development costs,
- the valuation of the cost of the free preferred share allocation plan;
- the impairment of inventories;
- the recognition of tax loss carryforwards;
- the amount of provisions for contingencies and charges
- the provisions for employee benefits and trade obligations.

These assumptions, estimates or assessments are prepared on the basis of available information or situations prevailing on the reporting date for the interim financial statements for the period ended September 30, 2020. Depending on changes in the assumptions used or economic conditions that differ from those existing as of that date, in particular given the current environment in relation to Covid-19 leading to a certain degree of uncertainty regarding the future, the amounts presented in our Group's future financial statements could differ significantly from the current estimates.

4.6.3. Highlights of the period

- **Covid-19**

While focusing on the health of our employees, our Group has ensured the continuity of its operations. Since the beginning of the Covid-19 health crisis, our Group's priority has been to protect the health of our own employees and of our various partners, subcontractors, customers and all communities with which our Group interacts.

All of our teams have maintained, and continue to maintain, ongoing exchanges with all of our Group's suppliers and partners in order to ensure continuity of operations in all businesses. Firmly determined to support our customers in this difficult environment, our Group has been able to maintain production, in particular at the Bernin and Singapore sites, by implementing drastic safety measures. Our Group has continued, and continues, to deliver to its customers to meet their requirements. Our Group is also pursuing all its major R&D projects to secure their progress schedule.

The assumptions for closing the financial statements have each been reviewed in relation to the information regarding the Covid-19 crisis without any significant impact on the financial statements as of September 30, 2020. More specifically, our Group has reviewed its other assets: inventories, capitalized R&D costs, deferred tax assets and goodwill. This analysis did not generate any additional impairment in the first half of 2020-2021.

However, this situation has created a degree of uncertainty about the future.

- **Tax inspection**

Since December 24, 2019, the accounting records and all tax returns of our Company (Soitec S.A.) for the period from April 1, 2016 to March 31, 2019 have been audited, as have the earnings subject to income tax for the period from April 1, 2015 to March 31, 2019.

No evidence of a provision for any risk was raised at this stage of the audit.

- **MobiSiC project**

On July 3, 2020, the French government announced that the MobiSiC collaborative innovation project led by Soitec, Valeo and CEA-Leti was selected as part of the innovation support plan for the automotive industry and sustainable mobility. This announcement confirms the strategic value of Soitec's advanced SiC substrates to improve the efficiency of electric vehicles and keep them competitive. It will enable Soitec to accelerate the development of its pilot line, which is installed at CEA-Leti in Grenoble. Valeo-Siemens eAutomotive will integrate Soitec's innovative SiC substrates into a prototype bi-directional on-board charger.

- **Commercial agreement with Qualcomm Technologies for POI substrates for 4G and 5G RF filters**

After several years of collaboration with Qualcomm Technologies, on July 7, 2020 Soitec announced the signing of a commercial agreement to supply Qualcomm with POI substrates for its next-generation radio frequency filters for smartphone transmission/reception modules. Soitec's POI substrate brings high added value to 4G and 5G filters for mass-market smartphones.

4.6.4. Consolidation scope

All the companies which our Group controls are consolidated.

Our 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 our subsidiaries are included in the consolidated financial statements from the date control is effectively transferred until the date that control ceases.

At September 30, 2020, the consolidated financial statements included the financial statements of our Company and the subsidiaries listed below:

Entity	Date of consolidation	Percentage interest	Country	Functional currency
Soitec USA LLC	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 LLC	July 2011	100%	South Korea	US dollar
Soitec Corporate Services SAS	July 2012	100%	France	Euro
Soitec Trading Shanghai Co., Ltd	November 2013	100%	China	Yuan
Frec I n I sys SAS	October 2017	100%	France	Euro
Dolphin Design SAS**	August 2018	100%	France	Euro
Dolphin Ltd**	August 2018	100%	Israel	Shekel
Dolphin Inc.**	August 2018	100%	Canada	Canadian dollar
Soitec Lab SAS	March 2019	100%	France	Euro
Soitec Newco 2 SAS	March 2019	100%	France	Euro
Soitec Newco 3 SAS	March 2019	100%	France	Euro
Soitec Newco 4 SAS	March 2019	100%	France	Euro
Soitec Asia Holding Pte Ltd	March 2019	100%	Singapore	US dollar
Soitec Belgium n.v.***	May 2019	100%	Belgium	Euro
Entities of the Solar Energy segment				
Soitec USA Holding Inc.	December 2009	100%	United States	US dollar
Soitec Solar Industries LLC	December 2009	100%	United States	US dollar
Soitec Solar Development LLC	September 2010	100%	United States	US dollar
Soitec Solar RSA Ltd	April 2011	100%	South Africa	Rand
Soitec Solar France SAS	October 2011	100%	France	Euro
Concentrix Holding SAS	March 2018	100%	France	Euro
Project entities of the Solar segment*				
CPV Power Plant No. 2 (Pty) Ltd	September 2010	100%	South Africa	Rand

* As part of its Solar Energy business, our 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.

** Acquisition of 60% of the shares but a commitment has been made to repurchase all non-controlling interests.
*** Acquisition of 96.7% of the shares but a commitment has been made to repurchase all non-controlling interests. Formerly EpiGaN.

No entities have entered or exited from the scope of consolidation during the period.

4.6.5. Segment reporting

As discussed in "Overview of the Company and Business", our Group has two business segments:

- production and marketing of substrates and components for the microelectronics industry (Electronics);
- other discontinued operations of our Group (Other Activities), mainly the Solar Energy business (operation and maintenance of photovoltaic installations).

Information on the calculation of EBITDA:

The EBITDA presented in the segment analysis table represents the operating income/(loss) (EBIT) before depreciation, amortization, impairment, non-monetary items related to share-based payments, changes in provisions on current assets and provisions for risks and contingencies, and excluding any profit or loss from asset disposals.

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

(In thousands of euros)	6-month period ended September 30, 2020			6-month period ended September 30, 2019		
	Electronics	Other Activities	Total	Electronics	Other Activities	Total
Sales	**254,375**		**254,375**	**258,451**		**258,451**
Gross margin	**77,426**		**77,426**	**87,438**		**87,438**
Gross R&D costs	*(31,199)*		*(31,199)*	*(30,759)*		*(30,759)*
Sales of prototypes and other income	*1,478*		*1,478*	*4,136*		*4,136*
Grants and repayable advances	*12,200*		*12,200*	*10,662*		*10,662*
Net R&D costs	(17,521)		(17,521)	(15,961)		(15,961)
Sales and marketing expenses	(5,458)		(5,458)	(4,860)		(4,860)
General and administrative expenses	(17,284)		(17,284)	(15,308)		(15,308)
Current operating income/ (loss)	**37,163**		**37,163**	**51,309**		**51,309**
Other operating income	-		-	*1,911*		*1,911*
Other operating expenses	*(17)*		*(17)*	*(65)*		*(65)*
Other operating income and expenses	(17)		(17)	1,846		1,846
Operating income/(loss) (EBIT)	**37,146**		**37,146**	**53,155**		**53,155**
Depreciation	27,375		27,375	19,409		19,409
Share-based payments	9,414		9,414	7,888		7,888
Provisions, net	2,079		2,079	(1,427)		(1,427)
Provision for retirement benefit obligations	580		580	(61)		(61)
Gains/(losses) on disposals of assets	721		721	(1,580)		(1,580)
Other adjustments			-	700		700
EBITDA from discontinued operations		(171)	(171)		(441)	(441)
EBITDA	**77,315**	**(171)**	**77,144**	**78,084**	**(441)**	**77,643**

Breakdown of the balance sheet

(In thousands of euros)	September 30, 2020			March 31, 2020		
	Electronics	Other Activities	Total	Electronics	Other Activities	Total
Intangible assets, net	91,610		91,610	87,471		87,471
of which goodwill	*20,765*		*20,765*	*20,765*		*20,765*
Property, plant and equipment, net	323,607		323,607	297,154		297,154
Non-current financial assets	14,994		14,994	14,428		14,428
Other non-current assets	15,093		15,093	8,997		8,997
Non-current assets (1)	**445,304**		**445,304**	**408,050**	**-**	**408,050**
Inventories	144,040		144,040	123,291		123,291
Trade receivables and related accounts	112,205		112,205	167,409		167,409
Other current assets	60,466	153	60,619	73,820	125	73,945
Current financial assets	8,838		8,838	351		351
Current assets (2)	**325,549**	**153**	**325,702**	**364,871**	**125**	**364,996**
Trade payables and related accounts	(69,343)	(161)	(69,504)	(76,100)	(218)	(76,318)
Other current and non-current liabilities	(147,407)	(5,412)	(152,819)	(118,661)	(5,555)	(124,216)
Current and non-current liabilities (3)	**(216,750)**	**(5,573)**	**(222,323)**	**(194,761)**	**(5,773)**	**(200,534)**
Capital employed (1)+(2)-(3)+(3)	**554,103**	**(5,420)**	**548,683**	**578,160**	**(5,648)**	**572,512**

4.6.6. Notes to the balance sheet and consolidated income statement

4.6.6.1. Intangible assets

During the first half of fiscal year 2020-2021, the changes in net values by asset category were as follows:

(In thousands of euros)	Goodwill	Capitalized development projects	Concessions, patents and other rights	Software	Other intangible assets	Intangible assets in progress	Total
March 31, 2020	**20,765**	**27,337**	**-**	**11,354**	**17,676**	**10,339**	**87,471**
Assets put into service				2,434		(2,434)	-
Acquisitions		949		3,089		7,210	11,248
Change in scope							-
Currency translation adjustments				(150)		(37)	(187)
Depreciation (expense for the period)		(2,019)		(3,821)	(1,082)		(6,922)
Other changes		(30)				30	-
September 30, 2020	**20,765**	**26,237**	**-**	**12,906**	**16,594**	**15,108**	**91,610**

Acquisitions of intangible assets mainly involve:

- the capitalization of development expenses for €5,822 thousand (of which €4,873 thousand in intangible assets in progress at September 30, 2020);
- IT investments for €5,426 thousand.

As it has not identified any indications of impairment despite the Covid-19 situation and given the outlook, our Group has not updated the impairment tests at the interim closing on September 30, 2020.

4.6.6.2. Property, plant and equipment

During the first half of fiscal year 2020-2021, the details of changes in net value by asset category were as follows:

(In thousands of euros)	Buildings	Equipment and tooling	Other	Tangible assets in progress	Total
March 31, 2020	**82,900**	**158,953**	**5,556**	**49,745**	**297,154**
Assets put into service	1,745	21,736	753	(24,234)	-
Acquisitions	25	102	126	53,009	53,262
Change in scope	-	-	-	-	-
Leased assets (IFRS 16)	139	3,186	134	-	3,459
Reclassification between categories and other changes	(379)	(119)	-	480	(18)
Currency translation adjustments	(2,496)	(4,690)	(133)	(1,757)	(9,076)
Depreciation (expense for the period)	(5,498)	(13,926)	(1,030)	-	(20,454)
Impairment and accelerated depreciation	-	-	-	-	-
Disposals or retirements (net value)	-	(689)	-	(31)	(720)
September 30, 2020	**76,436**	**164,553**	**5,406**	**77,212**	**323,607**

For the six-month period ended September 30, 2020, our Group acquired property, plant and equipment in the amount of €53,262 thousand (€35,182 thousand at September 30, 2019).

These acquisitions mainly concerned industrial equipment and technical facilities, for both the Bernin site (the Bernin III plant specializing in POI products) and the Singapore site.

4.6.6.3. Non-current financial assets

Non-current financial assets break down as follows:

(In thousands of euros)	September 30, 2020	March 31, 2020
Financial assets – Investments	11,336	14,745
Loans	1,230	180
Deposits and guarantees	85	85
Derivative financial instruments (positive fair value)	3,007	5
Gross value	**15,658**	**15,015**
Financial assets – Investments	(484)	(407)
Loans	(180)	(180)
Other financial assets		
Provision for impairment	**(664)**	**(587)**
Non-current financial assets, net	**14,994**	**14,428**

During the six-month period ended September 30, 2020, our Group:

- sold its stake in Exagan for €2,737 thousand (after deduction of disposal costs);
- invested €1,050 thousand in Greenwaves via a convertible bond.

The €3,007 thousand in "Derivative financial instruments (positive fair value)" correspond to the fair value of currency hedges (mainly forward sales of dollars) with a maturity of more than 12 months.

4.6.6.4. Other non-current assets

Other non-current assets break down as follows:

(In thousands of euros)	September 30, 2020	March 31, 2020
Tax receivables	13,063	4,853
Prepayments on orders of non-current assets	1,431	3,527
Deposits and guarantees	599	617
Gross value	**15,093**	**8,997**
Other non-current assets, net	**15,093**	**8,997**

Tax receivables of €13,063 euros at September 30, 2020 correspond to the non-current portion of the research tax credit (€4,853 thousand at March 31, 2020, including the job competitiveness and employment tax credit).

4.6.6.5. Inventories

Inventories break down was as follows:

(In thousands of euros)	September 30, 2020	March 31, 2020
Raw materials	85,779	85,070
Work-in-progress	23,650	18,008
Finished products and goods	45,816	31,034
Gross value	**155,245**	**134,112**
Provisions for depreciation	(11,205)	(10,821)
Inventories, net	**144,040**	**123,291**

4.6.6.6. Trade receivables

As of September 30, 2020, the aging analysis of receivables was as follows:

(In thousands of euros)	Total trade receivables	Not due	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	112,424	102,698	6,744	923	172	1,887
Provision for depreciation	(217)	(53)				(164)
Net value at September 30, 2020	**112,207**	**102,645**	**6,744**	**923**	**172**	**1,723**
Gross value	167,631	158,479	7,255	480	554	863
Provision for depreciation	(223)					(223)
Net value at March 31, 2020	**167,408**	**158,479**	**7,255**	**480**	**554**	**640**

4.6.6.7. Other current assets

(In thousands of euros)	September 30, 2020	March 31, 2020
Tax and social security receivables	21,305	42,598
Prepaid expenses	4,253	2,141
Subsidies receivable	30,857	25,927
Advances, goods paid for on order	2,172	1,565
Deposits and guarantees	55	39
Other	1,977	1,704
Gross value	**60,619**	**73,974**
Provisions for depreciation	-	(29)
Other current assets, net	**60,619**	**73,945**

Same as at March 31, 2020, subsidies receivable primarily concern the “Nano 2022” (first industrialization and research and development) for Soitec S.A. as well as programs financed by the Economic Development Board of Singapore for Singapore.

The decrease in tax and social security receivables compared to March 31, 2020 is due mainly to the collection of research tax credit receivables.

4.6.6.8. Current financial assets

Current financial assets relate to the fair value of currency hedges with a maturity of less than 12 months as of September 30, 2020.

4.6.6.9. Cash and cash equivalents

Cash and cash equivalents break down as follows:

(In thousands of euros)	September 30, 2020	March 31, 2020
Cash	265,168	170,994
Cash equivalents	26,094	20,004
Total cash and cash equivalents	**291,262**	**190,998**

Cash includes cash held in interest-bearing accounts and cash equivalents are deposits available without notice.

In order to determine whether an investment is eligible to be classified as a cash equivalent, our Group complies with the AMF guidance issued on May 3, 2011 relative to the classification of UCITS money-market funds as cash equivalents in accordance with IAS 7.

The cash balance as of September 30, 2020 includes ZAR 125 million (€6.4 million) related to the sale of the shares held in our South African subsidiary, held on the bank account of our notary public in South Africa, pending authorization to repatriate these funds to France (repatriation delayed due to the Covid-19 situation).

4.6.6.10. Discontinued Operations

As of September 30, 2020, further to the sale at the end of the last fiscal year of the financial assets related to the solar power plant in South Africa (equity-accounted investments in CPV Power Plant no. 1 (20% stake) and the repayment of the loan granted to one of the shareholders of the Touwsrivier plant), there are no more assets or liabilities held for sale.

The provisions relating to business either abandoned or sold and to the commitments underlying such abandonment or sales (mainly guarantees issued) are classified with the other provisions in the balance sheet (see Note 4.6.6.15).

4.6.6.11. Equity

<u>Changes in share capital</u>

There were no movements of share capital over the period.

<u>Appropriation of income</u>

The Shareholders' General Meeting of September 23, 2020, decided to carry forward the profit as retained earnings and not to distribute a dividend.

4.6.6.12. Share-based payments

Plans dated July 26, 2018

Our Board of Directors of July 26, 2018 decided to set up two other free ordinary share allocation plans. They are intended for all employees of our Company and its subsidiaries with the aim to involve them in achieving our Group's growth objectives.

Under the plans, subject to continued employment, length of service and performance conditions, 308,263 ordinary shares in total were allocated to employees, or about 1.1% of our Company's share capital at that date, divided as follows:

- 270,655 ordinary shares allocated to employees of our Company and its French subsidiary Frec|n|sys, or about 0.98% of the share capital at that date; and
- 37,608 ordinary shares allocated to foreign subsidiaries of our Company in the USA, Singapore, Japan, South Korea and Taiwan, or about 0.12% of the share capital at that date.

Subject to the achievement of all the conditions fixed by the rules of these plans, the ordinary shares thus allocated will be effectively and definitively acquired by beneficiaries on the first working day following July 26, 2021.

The amount recognized in the income statement for these free share allocation plans for employees of Soitec in respect of the period ended September 30, 2020, is an expense of €6,022 thousand, including the social security contributions of €2,691 thousand (€8,146 thousand at September 30, 2019).

Co-investment plan

The Extraordinary Shareholders' General Meeting of July 26, 2019, gave a delegation of authority to the Board of Directors to allocate free preferred shares (PS2) and created a new category of preferred shares convertible into ordinary shares (PS2) based on the achievement of targets relating to EBITDA, revenue and the total shareholder return (TSR) performance of our Company's ordinary shares compared to the Euro Stoxx 600 Technology index.

The PS2 shares will be definitively acquired, subject to a presence condition, at the end of three vesting periods:

- 40% of the PS2 granted will be definitively acquired on December 18, 2020;
- 30% of the PS2 granted will be definitively acquired on August 1, 2021; and
- 30% of the PS2 granted will be definitively acquired on August 1, 2022.

Following the subscription period for paid PS2 by employees and corporate officers, on December 18, 2019, our Board of Directors issued:

- 163,960 PS2 for salaried employees, or certain categories of them, and corporate officers, or certain categories of them, of the Company and/or its affiliates within the meaning of Article L. 225-197-2 of the French Commercial Code; and
- 31,982 PS2 for the Chief Executive Officer of our Company; Mr. Paul Boudre;
- on the basis of two free PS2 for one PS2 purchased.

The subscription price of €84.17 per PS2 share was determined by an independent expert after a 25% illiquidity discount was taken into account.

This plan generated an expense of €6,764 thousand (of which €1,022 thousand linked to social security contributions) in the income statement as of September 30, 2020.

Free share allocation plan dated December 18, 2019 and March 25, 2020

In the context of the authorizations granted by the Combined Shareholders General Meeting held on July 26, 2019, the Board of Directors of our Company, at meetings held on December 18, 2019 and March 25, 2020, resolved to grant a total of 38,816 ordinary shares to the employees and corporate officers of Soitec and its affiliates.

The primary objective of these allocations was to enable the creation of a long-term incentive plan based on the results of our Group, in the benefit of certain employees of our Company and its affiliates.

These allocations are accompanied by:

- a continued employment condition until August 1, 2022;
- performance conditions based on targets related to EBITDA, revenue and Total Shareholder Return (TSR) performance of the ordinary shares of our Company.

This plan generated an expense of €526 thousand (of which €185 thousand linked to social security contributions) in the income statement as of September 30, 2020.

4.6.6.13. Loans and financial debts

The due dates for repayment of loans and financial debts at September 30, 2020, are as follows:

(In thousands of euros)	September 30, 2020				March 31, 2020
	<1 year	1 to 5 years	>5 years	Total	
Leases (IFRS 16)					
Equipment leases	10,366	31,234	3,587	45,187	47,116
Other leases	1,471	3,570	64	5,105	5,719
Loans					
Bond: OCÉANE 2023		137,080		137,080	134,829
Bank loan	74	20,162	39,249	59,485	107
Other loans and financial liabilities					
Redeemable advances	1,750	3,316	3,431	8,497	8,269
Financial services payables	111			111	999
Derivative financial instruments	1,473	443		1,916	1,159
Committed credit line used	24,126	2,159		26,285	34,021
Repurchase commitment	2,000	7,830		9,830	9,836
Other financial liabilities	1,578	1,437		3,015	2,649
Total loans and financial liabilities	**42,949**	**207,231**	**46,331**	**296,511**	**244,704**

OCEANE 2023

On June 28, 2018, our Company issued bonds convertible into or exchangeable for new or existing shares (OCEANEs) with a maturity date of June 28, 2023, for an amount of €150 million.

After evaluating the debt component at €129,293 thousand, an amount of €20,707 thousand (gross amount before deduction of issuing fees) was recognized in equity for the 2018-2019 fiscal year. The amount recognized in the income statement in respect of the period ended September 30, 2020 for interest expenses related to the discount unwinding of the debt and amortization of issuing fees amounted to €2,249 thousand.

Leases

Our Group signed new equipment finance lease agreements (financing of production equipment for our Bernin site) in the total amount of €3,186 thousand bearing interest at rates of between 0.39% and 0.41%.

Bank loans

Bank loans consist mainly of the IPCEI loan taken out with Banque des Territoires (Caisse des Dépôts Group) as part of the Nano 2022 project.

This loan by drawdowns for a maximum amount of €200 million, subject to investment conditions, is repayable by constant amortization until the twelfth anniversary of the signing of the agreement, after a two-year grace period for the capital amortization. It bears interest at a rate equal to the yield on a fixed-rate treasury bond (OAT) issued by the French State plus a margin of 1.43%.

Bank credit lines

As of September 30, 2020, our Group had bank credit lines worth €75 million from seven banks, of which €20 million had been drawn by the end of September 2020 and therefore are shown as short-term financial liabilities. These credit lines are repayable *in fine* no later than June 2025. They bear a commitment fee of 0.20% (or a non-utilization fee of 0.05%) and a utilization fee ranging from Euribor +0.60% to +0.85% depending on the credit lines. No covenant is attached to them.

During fiscal year 2020-2021, €10,200 thousand of credit lines were repaid in relation to the financing facility on Soitec S.A.'s research tax credit and competitiveness and employment tax credit.

Redeemable advances

As at March 31, 2020, debts related to the redeemable advances collected under the Nanosmart and Guepard subsidy programs were recognized based on the best estimate of the reimbursements coming from their business plan (revenue generated by the new products developed under these subsidy programs) after discounting of cash flows.

Repurchase commitments

The Dolphin Design shareholder agreement includes a put option granted to MBDA. Under this option, MBDA may require Soitec to purchase the 40% of the shares that MBDA holds in Dolphin Design, between November 1 and December 31, 2022 (with the option to repurchase an initial tranche of 20% between October and November 2020). This option constitutes an obligation valued at €6,829 thousand at September 30, 2020, according to the best estimate of the performance criteria achievement and presented in the financial liabilities.

At September 30, 2020, EpiGaN's co-founding directors hold 3.39% of the share capital. The shareholder agreement provides for a cross put/call option for these directors at a price that will be determined according to the level of achievement of performance criteria. This debt was assessed at fair value (€3,001 thousand) on September 30, 2020.

Other financial liabilities

Other financial liabilities include the deferred portion of the firm purchase price of EpiGaN as well as miscellaneous financial debts.

4.6.6.14. Provisions and other non-current liabilities

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

(In thousands of euros)	September 30, 2020	March 31, 2020
Pre-paid income	17,314	16,914
Deferred tax liabilities	3,971	4,257
Other non-current liabilities	1,227	
Non-current liabilities	**22,512**	**21,171**
Provisions	21,330	19,344
Provisions and other non-current liabilities	**43,842**	**40,515**

At September 30, 2020, the principal items of deferred income were the following:

- royalties to be recognized as revenue in the amount of €1,050 thousand (€1,241 thousand as of March 31, 2020);
- sales of prototypes and research tax credits relating to capitalized development costs for €12,020 thousand (€11,247 thousand as of March 31, 2020);
- €4,185 thousand in subsidies related to investments in the Singapore site which will be recognized in income in line with the asset depreciation (€4,426 thousand as of March 31, 2020).

Provisions for non-current contingencies and expenses were mainly comprised of the €16,419 thousand provision for retirement benefit obligations (€14,382 thousand at March 31, 2020) as well as provisions for residual risks related to solar activities (€4,911 thousand at September 30, 2020).

4.6.6.15. Provisions

Provisions break down as follows:

(In thousands of euros)	**March 31, 2020**	**Expense for the period**	**Reversals (utilized)**	**Reversals (not utilized)**	**Currency translation adjustment**	**Actuarial gains/ (losses) categorized in Other Comprehensive**	**Other changes**	**September 30, 2020**
Current provisions								
Litigation	1,888	574			-	-	-	2,462
Restructuring	235	-	-	-	(12)	-	-	223
Total current	**2,123**	**574**	**-**	**-**	**(12)**	**-**	**-**	**2,685**
Non-current provisions								
Retirement benefit obligations	14,382	682				1,355		16,419
Total non-current	**14,382**	**682**		**-**	**-**	**1,355**	**-**	**16,419**
Provisions linked to solar(*)	5,555	38	(148)	(15)	(29)		1	5,402
Total provisions	**22,060**	**1,294**	**(148)**	**(15)**	**(41)**	**1,355**	**1**	**24,506**

(*) of which €491 thousand current and €4,911 thousand non-current

4.6.6.16. Provisions and other current liabilities

Provisions and other current liabilities break down as follows:

(In thousands of euros)	September 30, 2020	March 31, 2020
Prepayments received on customer orders	31,524	16,768
Payable to fixed asset suppliers	32,099	11,538
Tax and social security debts	38,959	51,600
Pre-paid income	3,066	3,084
Other	4,124	2,252
Other liabilities	**109,772**	**85,242**
Provisions	**3,176**	**2,716**
Provisions and other current liabilities	**112,948**	**87,958**

The change in social security and tax liabilities between March 31, 2020, and September 30, 2020, is mainly explained by the seasonality effect between these two dates.

4.6.6.17. Financial instruments

Type of contract	Currency	September 30, 2020		March 31, 2020	
(In thousands of euros)		Market value (net)	Hedged position	Market value (net)	Hedged position
Hedging of balance sheet items		2,233		(727)	
of which eligible for hedge accounting (hedging of trade receivables):		2,466		(727)	
Forward sales	USD to EUR	2,466	49,197	(727)	73,932
Options	USD to EUR				
of which not eligible for hedge accounting:		(233)		-	
Forward sales (hedging of trade receivables)	USD to EUR				
Forward sales (hedging of financial securities)	ZAR to EUR	(233)	6,342		
Options					
Forward purchases (hedging of trade payables)	JPY to EUR			-	-
Cash flow hedges		7,076		(415)	
of which eligible for hedge accounting:		7,076		(415)	
Forward sales	USD to EUR	7,076	206,867	(415)	132,439
Options	USD to EUR				-
of which not eligible for hedge accounting:		-		-	-
Options	USD to EUR				-
Total hedges		**9,309**		**(1 142)**	

At September 30, 2020, our Group used currency derivative financial instruments in order to hedge the risks related to the currency exchange rates fluctuations that could occur in the context of its current business operations. The instruments used by the Group were US dollar sales (forward sales).

4.6.6.18. Revenue

Revenue by wafer size breaks down as follows:

(In thousands of euros)	6-month period ended September 30, 2020	6-month period ended September 30, 2019
300 mm	105,146	125,335
150/200 mm	138,421	121,425
Royalties and other revenue	10,808	11,691
Total revenue	**254,375**	**258,451**

Revenue recognition comes mainly from the sales of products. It is supplemented by income from licenses and developments. Revenue recognition criteria and conditions are as follows:

- silicon wafer sales are recognized as revenue when the control of goods passes to the customer under the terms of sale set out in the customer contracts. Revenue is generally recognized when the customer accepts delivery of the goods at their facilities or when the goods leave the warehouses of our Group's entities, depending on the Incoterm in use;
- development sales (income from Dolphin Design, principally):
  - sales of IP (virtual component)/off-the-shelf licenses with no or very few modifications. Revenue from these sales is recognized fully when IP is delivered;
  - sales of more complex IP (virtual component) requiring a significant development effort. Revenue is recognized in line with the progression of incurred costs versus total estimated costs;
  - sales of design services for components principally used in the aerospace and defense industries. Revenue from these contracts is recognized by stage of completion.

Our Group may become involved in contracts in which the products are delivered but for which invoicing will take place only when the products are consumed by the customers (or at the latest at the end of a contractually agreed maximum period of time). In this case, our Group will analyze the control transfer criteria stipulated in IFRS 15:

- reason for implementing such an arrangement (intention of the parties);
- storage and identification of products within the dedicated areas;
- products being ready for physical transfer to the customer within a very short period of time;
- impossibility of selling the products to other customers.

4.6.6.19. Personnel-related costs

Personnel-related costs break down as follows:

(In thousands of euros)	6-month period ended September 30, 2020	6-month period ended September 30, 2019
Personnel-related costs, including social charges(*)	(64,207)	(60,355)
Pension costs	(594)	61
Share-based payment expenses(**)	(9,414)	(7,888)
Total personnel-related costs	**(74,215)**	**(68,182)**

(*) The personnel-related costs presented also include the expense for incentives and profit-sharing.
(**) Excluding social security contributions.

The increase in personnel-related costs is due to:

- the impact of recruitment;
- the increase in social security contributions for free share plans in light of the increase in Soitec's share price.

4.6.6.20. Research and development costs

R&D costs are recorded as expenses as and when they occur, if the criteria imposed by IAS 38 allowing their recording in the balance sheet are not met.

R&D costs are essentially made up of the following:

- salaries and social contributions, including share-based payments;
- operating costs of clean room equipment and equipment required for R&D;
- material used for finalizing and manufacturing prototypes;
- subcontracting to public research centers or private laboratories, cooperation agreements;
- costs relating to maintaining and strengthening our Group's intellectual property rights.
- amortization of research and development costs previously capitalized.

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 recorded in the income statement.

Our Group receives tax research credits. These are deducted from R&D costs in the income statement in accordance with IAS 20.

Research and development costs can be analyzed as follows:

(In thousands of euros)	6-month period ended Septembe r 30, 2020	6-month period ended Septembe r 30, 2019
Gross research and development operating costs	**(31,199)**	**(30,759)**
Sales of prototypes	1,478	4,136
Research and development grants recognized in profit/(loss)	5,756	4,783
Research tax credit	6,444	5,879
Total income deducted from gross operating costs	**13,678**	**14,798**
Total research and development operating costs, net	**(17,521)**	**(15,961)**

4.6.6.21. Depreciation and amortization expenses

(In thousands of euros)	6-month period ended September 30, 2020	6-month period ended September 30, 2019
Cost of sales	(21,017)	(15,505)
Research and development costs	(5,184)	(3,138)
Sales and marketing expenses	(214)	(99)
Administrative expenses	(960)	(668)
Total depreciation and amortization expenses	**(27,375)**	**(19,410)**
of which lease provisions	(4,847)	(3,020)

4.6.6.22. Other operating income and expenses

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

(In thousands of euros)	6-month period ended September 30, 2020	6-month period ended September 30, 2019
Capital gain on sale of Villejust site	-	1,900
Other operating income	-	11
Total other operating income	**-**	**1,911**
Expenses relating to restructuring measures and litigation	-	-
Other operating expenses	(17)	(65)
Total other operating expenses	**(17)**	**(65)**
Total other operating income and expenses, net	**(17)**	**1,846**

As of September 30, 2019, other operating income consisted primarily of the proceeds from the sale of the Villejust industrial site for €1,900 thousand.

4.6.6.23. Income tax

For the interim financial statements, the income tax expense (current and deferred) is calculated by applying the estimated average annual tax rate for the current year to the accounting income for the period. Where appropriate, this expense is adjusted for the tax impact of non-recurring items for the period.

4.6.6.24. Net profit/(loss) from discontinued operations

(In thousands of euros)	6-month period ended September 30, 2020	6-month period ended September 30, 2019
Sales		**0**
Income/(Expenses) for the period	(20)	240
Current operating income/(loss)	**(20)**	**240**
Other operating expenses, net	(26)	44
Operating income/(loss)	**(46)**	**284**
Financial income/(expense)	(1)	(313)
Profit/(loss) before tax	**(47)**	**(29)**
Income tax	(1)	-
Share of profit/(loss) of equity-accounted companies		-
Net profit/(loss) from discontinued operations	**(48)**	**(29)**

Income for the period comprises operating costs from operating and restructuring net of unused provisions.

Financial income/(expense) from discontinued operations mainly as at 30 September 2019 comprised unrealized foreign exchange losses related to the depreciation of the ZAR.

4.6.7. Related-party disclosures

Since July 26, 2019, the Board of Directors has been comprised of:

- Eric Meurice;
- Paul Boudre, who also continues to lead the Company as Chief Executive Officer;
- Bpifrance Participations, represented by Sophie Paquin;
- Guillemette Picard on a proposal from CEA Investissement,
- Thierry Sommelet on a proposal from Bpifrance Participations;
- Jeffrey Wang on a proposal from NSIG;
- Kai Seikku on a proposal from NSIG;
- Laurence Delpy;
- Christophe Gegout;
- Satoshi Onishi;
- Françoise Chombar;
- Shuo Zhang.

Of the 12 Directors, five are independent directors, namely, Eric Meurice, Laurence Delpy, Françoise Chombar, Shuo Zhang and Christophe Gegout. They have no executive mandate within the Company or Group, do not have a relationship of any nature whatsoever with our Company, our Group or our Executive Management that might compromise their respective freedom of opinion, and none of them has any specific ties with the latter.

The semiconductor market is known for its limited number of participants, meaning that our Group maintains or is likely to maintain business relationships with Shin-Etsu Handotaï, Shanghai Simgui Technology Co. Ltd ("Simgui"), and the French Atomic Energy and Alternative Energy Commission (*Commissariat à l'énergie atomique et aux énergies alternatives* – CEA). Some of our directors hold or have held positions within these companies, as described in the individual summaries presented in Chapter 4 of the Universal Registration Document filed with the French Financial Markets Authority (AMF) on September 2, 2020, under number D. 20-0782.

The information set out in Sections 4.1.6 (Administrative and management bodies and executive management conflicts of interests), 8.4.1 (Related-party transactions) and 6.2.1 (Note 5.3 Related-party disclosures) of Soitec's 2019-2020 Universal Registration Document filed with the French Financial Markets Authority (AMF) on September 2, 2020, under number D. 20-0782 is all still valid.

It concerns existing business relations (or relations which could exist) with the companies:

- Shin-Etsu Handotaï (purchases of raw materials, license royalties/director concerned: Satoshi Onishi);
- CEA (R&D contracts, patent royalties/directors concerned: CEA Investissement, represented by Guillemette Picard);
- Shanghai Simgui Technology Co. Ltd (license and services agreement, wafer purchases, distribution agreement, production sub-contracting/director concerned: Jeffrey Wang).

The information describes the related-party agreements and commitments already approved by the Shareholders' General Meeting that were still in effect in fiscal 2019-2020 and are still applicable today.

4.6.8. Subsequent events

- **Issue of a €325 million convertible bond**

On October 1, our Group concluded the placement of an issue of bonds convertible into and/or exchangeable for new or existing ordinary shares (OCEANEs) with a maturity date of October 1, 2025, through the placement with qualified investors of a nominal amount of €325 million.

This issue will provide additional flexibility in operational and strategic terms and enable the financing of potential growth opportunities.

The bonds were issued at their nominal value and will bear no interest. The nominal value per bond was set at €174.34, which resulted in a premium of 45.0% over the reference price of the share on the Euronext regulated market in Paris.

Unless they have been converted, exchanged, redeemed, or repurchased and cancelled, the bonds will be redeemed at their nominal value on October 1, 2025. Our Group will also have the option to deliver new and/or existing ordinary shares in lieu of a cash settlement in accordance with the Share Redemption Option.

The bonds may be redeemed in advance at the option of our Group, subject to certain conditions.

- **Free share allocation plans**

Acknowledging the efforts made by everyone to reach the company's targets and continue supporting customers in recent months in spite of the constraints generated by the health crisis, the Board of Directors has decided during its meeting on November the 18th to exceptionally allocate a free share plan to all employees. This free share allocation plan represents a maximum dilution of 0.43% of the outstanding share capital. It is based on performance criteria related to revenues, EBITDA and Total Shareholder Return (TSR) targets set for fiscal year 2022-2023.

This plan should be put in perspective with an allocation of free shares granted to 22 executives that was decided during the same Board meeting, this allocation being subject to the same performance criteria. The latter represents a maximum dilution of 0.18% of the outstanding share capital, including 0.04% for the company's CEO.

- **Acquisition of a further 20% stake in Dolphin Design**

On November 5th, 2020, our Group acquired from its partner MBDA a further 20% equity stake in Dolphin Design, increasing its holding to 80%. MBDA still owns 20%. As a reminder, Dolphin Design was already fully consolidated in Soitec's accounts given this put option.

5. | Statutory Auditors' Review Report on the 2020-2021 Half-yearly Financial Information

Soitec S.A.

Registered office: Parc Technologique des Fontaines – Chemin des Franques – 38190 Bernin (France)
Share capital: €66,557,802

Statutory Auditors' Review Report on the 2020-2021 Half-yearly Financial Information

Period from April 1 to September 30, 2020

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting 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 S.A., for the period from April 1st to September 30th, 2020,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of the Board of Directors on November 18th, 2020, on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the 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.

2. 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 prepared on November 18th, 2020.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris La Défense and Lyon, November 19th, 2020

The Statutory Auditors
French original signed by

KPMG Audit		Ernst & Young et Audit
Jacques Pierre	Stéphane Devin	Nicolas Sabran