2022-2023
HALF-YEAR REPORT

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1. | Persons responsible

1.1 Declaration by the person responsible for the half-year report

I hereby declare that, to the best of my knowledge, the condensed interim consolidated financial statements for the six months ended September 30, 2022 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and of all the companies included in the scope of consolidation, and that the interim management report included hereafter presents a true and fair view of the significant events during the first six months of the fiscal year, their impact on the financial statements and the main transactions between related parties, as well as a description of the main risks and uncertainties for the remaining six months of the fiscal year.

November 23, 2022
Pierre Barnabé
Chief Executive Officer

1.2 Statutory Auditors

Principal Auditors

KPMG SA, represented by Laurent Genin and Rémi Vinit-Durand

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

Date of first appointment: July 25, 2016

Date of expiration of term of office: Shareholders' General Meeting called to approve the financial statements for the year ending March 31, 2028

Ernst & Young Audit, represented by Jacques Pierres and Benjamin Malherbe

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

Date of first appointment: July 25, 2016

Date of expiration of term of office: Shareholders' General Meeting called to approve the financial statements for the year ending March 31, 2028

2. | Risk factors

The main risks and uncertainties facing our Group during the remaining six months of fiscal year 2022-2023 are those described in Chapter 2 *Risk factors* on pages 48 to 59 of Soitec's 2021-2022 Universal Registration Document filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on June 20, 2022 under number D.22-0523. We have reviewed these risks and have found no evidence of any new risks.

3. | Review of the financial position and results of our Group

The interim management report should be read in conjunction with the condensed interim consolidated financial statements for the six months ended September 30, 2022, and our Company's 2021-2022 Universal Registration Document filed with the AMF on June 20, 2022 under number D.22-0523.

3.1 Group business and results

3.1.1 Background

Against a complex macroeconomic background, our Group recorded a solid financial performance and maintained strong investment momentum in first-half 2022-2023, demonstrating the resilience of its business model.

The combined effects of Russia's invasion of Ukraine and the resurgence of the pandemic, particularly in China, weighed on financial markets and the global economy and exacerbated the inflationary pressures that have emerged during the post-Covid recovery period.

During first-half 2022-2023, the prices of certain commodities and of energy increased significantly, becoming more volatile. Amid potentially persistent inflationary pressures, Western central banks have been forced to accelerate monetary policy normalization and bring an end to the low interest rate environment. Inflation has reached record levels, particularly in Europe and the United States. Thanks to the energy supply agreements negotiated by our Group, the impact of the price increases seen on the international markets has remained limited. We do not have any sales activities in Russia or Ukraine. Our raw materials and gas purchases from these two countries remain limited and do not expose us to any short-term risk. At September 30, 2022, we have not identified any impact on our revenue.

However, the future consequences of geopolitical conflicts, in particular those related to the situation in Ukraine, as well as the increase in inflation, could have a greater impact than currently anticipated, depending on how the situation evolves.

In first-half 2022-2023, our revenue grew by 18% at constant scope and exchange rates, driven by growth in all our end markets.

Investments continued apace during the period:

- in our industrial capacity in Singapore for 300 mm Silicon-on-Insulator (SOI) wafers and associated refresh (materials recycling) capacity to meet growing demand from our customers from all our end markets, as well as in France for the construction of our Bernin 4 plant that will mainly be used for the production of innovative silicon carbide (SiC) products;
- in research and development, both for our SOI products and for the development of new materials (in particular SiC), which is key to the diversification of our products.

3.1.2 Business and income statement

As expected, first-half 2022-2023 saw strong growth compared to the prior-year period, accompanied by steady profitability with an EBITDA margin of 35.5% and an EBIT margin of 23.4%.

(in € millions)	6 months ended Sept. 30, 2022	6 months ended Sept. 30, 2021
Revenue	**471**	**373**
Gross profit	168	131
as % of revenue	*35.6%*	*35.2%*
Current operating income	**110**	**75**
as % of revenue	*23.4%*	*20.2%*
Other operating income and expenses	0	9
Operating income (EBIT)	**110**	**85**
as % of revenue	*23.4%*	*22.7%*
Electronics EBITDA [(1)]	167	137
as % of revenue	35.5%	36.8%
Net profit/(loss) from discontinued operations [(2)]	0	(0)
Net profit – Group share	**95**	**74**
as % of revenue	20.2%	19.9%
Basic earnings per share (in euros)	**2.72**	**2.23**

[(1)] EBITDA represents operating income (EBIT) before depreciation, amortization, impairment of non-current assets, non-cash items related to share-based payments, provisions for impairment of current assets and for contingencies and expenses, and disposal gains and losses.
EBITDA is a non-IFRS performance measure of our Group's capacity to generate cash from its operating activities. EBITDA is not defined within the scope of IFRS and should not be considered as an alternative to any other financial indicator.
[(2)] Restatement of the solar businesses in application of IFRS 5.

3.1.2.1 Revenue

(in € millions)	6 months ended Sept. 30, 2022	6 months ended Sept. 30, 2021	% change as reported	% change at constant scope and exchange rates
Mobile communications	341	277	+23%	14%
Automotive & Industrial	57	33	+72%	+59%
Smart devices*	73	63	+17%	+10%
Revenue	***471***	***373***	***26%***	***18%***

** Including revenue relating to Dolphin Design.*

Since first-quarter 2022-2023, our Group has reported revenue by end market (Mobile communications, Automotive & Industrial, and Smart devices) instead of breaking it down by wafer size [1].

Over the period, our Group was able to progressively make up for lost production from shutdowns in first-quarter 2022-2023 caused by a power outage and then several days of strike action in June, representing around 10 days in total over the first three months of the fiscal year.

Consolidated revenue amounted to €471 million in first-half 2022-2023, up 26% compared to €373 million in first-half 2021-2022, reflecting the combination of 18% growth at constant scope and exchange rates and a positive currency effect of 9%.

Our Group enjoyed further strong growth in Mobile communications, our main end market which continues to be supported by the deployment of 5G, translating into higher sales of RF-SOI wafers dedicated to radiofrequency applications. The growth was led by capacity increases at our Singapore plant dedicated to 300 mm SOI products.

In Automotive & Industrial, we recorded a solid year-on-year performance, with revenue up €24 million thanks to sustained market demand that drove an increase in sales of Power-SOI substrates.

Our Group also achieved a sharp rise in revenue from Smart devices (up 10% at constant scope and exchange rates), with higher sales of Photonics-SOI wafers and FD-SOI wafers for Internet of Things (IoT) and Edge Computing applications.

[1] *Soitec has kept unchanged its two operating segments under IFRS 8 – Operating Segments, i.e., production and marketing of substrates and components for the semiconductor industry (Electronics) on the one hand and discontinued operations (Other Business) on the other hand.*

Revenue by geographic area breaks down as follows:

	6 months ended Sept. 30, 2022	6 months ended Sept. 30, 2021
United States	16%	16%
Europe	17%	26%
Asia	67%	58%

Mobile communications

Growth in Mobile communications continues to be supported by the adoption of 5G smartphones and WiFi6, as well as the deployment of 5G infrastructure. 5G standards require much higher semiconductor content in smartphones, which is directly reflected in higher demand for our products.

Mobile communications up 23% up €63m

In first-half 2022-2023, Mobile communications revenue reached €341 million, up 14% at constant scope and exchange rates compared to first-half 2021-2022.

Sales of RF-SOI products for radiofrequency chips continue to be boosted by the increase in RF content in every 5G smartphone and by higher penetration of high-end phones. In first-half 2022-2023, our Group enjoyed further growth in RF-SOI 200 mm and sharp growth in RF-SOI 300 mm, enabled by the ongoing ramp-up in production at its Singapore facility.

FD-SOI wafer sales continued to demonstrate their added value both on mmWaves and Sub 6 GHz.

In addition, several of our customers have confirmed the added value of Piezoelectric-on-Insulator (POI) products dedicated to RF filters. POI products are going through the adoption phase, a process that will continue in the coming quarters.

Automotive & Industrial

The automotive electronics segment is part of the fastest growing market in the semiconductor industry. The main growth drivers for Automotive & Industrial are electrification (infotainment), the development of autonomous driving, the increase in functional safety, and the shift to greener vehicles.

Automotive & Industrial
up 72%
up €24m

In the first six months of fiscal year 2022-2023, Automotive & Industrial revenue totaled €57 million, up 59% at constant scope and exchange rates compared to the prior-year period.

Growth was mainly led by sales of FD-SOI substrates dedicated to automotive applications. Sales of Power-SOI wafers also recorded a significant increase.

Smart devices

The driving force behind the smart object industry is the need to tailor the object to its user, its function and its suitability for its environment. That explains the evolution of smart objects, initially equipped with simple sensors and connectivity functionalities, toward – now and in the future – extremely complex, hyper-connected systems with embedded intelligence, such as robots.

The demand from the smart devices market is driven by the need for more complex sensors, higher connectivity functionalities and embedded intelligence, leading to more powerful and efficient edge artificial intelligence chips.

Smart devices
up 17%
up €10m

In first-half 2022-2023, Smart devices revenue came to €73 million, up 10% at constant scope and exchange rates compared to first-half 2021-2022.

Sales of both Imager-SOI substrates, which allow for improved imager performance in 3D Imaging Applications, and Photonics-SOI wafers for data transceivers recorded strong growth compared to the same year-ago period.

Growth in sales of FD-SOI substrates was also very strong, confirming structural demand for Internet of Things (IoT) and Edge Computing applications across consumer and industrial sectors.

3.1.2.2 Gross profit

Gross profit improved slightly year on year to €168 million in first-half 2022-2023, up 0.4 percentage points from 35.2% of revenue in first-half 2021-2022 to 35.6%. As announced, gross margin benefited from business growth and the related operating leverage but was impacted by an unfavorable inflation effect (including, as expected, on our raw material procurement contracts as part of our long-term supply agreements), a less favorable mix effect than in the previous half-year, and a negative currency effect.

3.1.2.3 Sales and marketing expenses

Sales and marketing expenses totaled €8 million in first-half 2022-2023, versus €7 million in the same period of fiscal year 2021-2022. The increase reflects our Group's continued restructuring of its salesforce in preparation for future growth.

Sales and marketing expenses represented 1.7% of revenue in the six months to September 30, 2022, versus 1.8% in the six months to September 30, 2021.

3.1.2.4 R&D

We continued to invest heavily in R&D over the period, both for the development of new generations of SOI products and for products based on new substrates (POI and SiC).

Net R&D costs increased from €28 million (7.4% of revenue) in first-half 2021-2022 to €29 million (6.1% of revenue) in first-half 2022-2023. The €1 million increase was mainly due to:

- a €7 million increase in gross costs before capitalization (up 13%) due to hiring, external costs, and higher depreciation and amortization than in the first half of the prior fiscal year (effect of prior-year investments);
- partly offset by an increase in capitalized development costs (up €8 million versus first-half 2021-2022), linked in particular to capitalizing certain costs related to the development of our silicon carbide (SiC) products;
  and fewer subsidies (reduction in research tax credits).

3.1.2.5 General and administrative expenses

General and administrative expenses came to €21 million in the first six months of fiscal year 2022-2023, versus €22 million in the prior-year period. The €1 million decrease was mainly due to one-off items and a reduction in share-based payments as a result of our Company's lower share price, offset by higher personnel costs in conjunction with additional hires in first-half 2022-2023 and the previous period and compensation increases.

General and administrative expenses represented 4% of our revenue in first-half 2022-2023, versus 6% in the same year-ago period.

3.1.2.6 Current operating income

Current operating income totaled €110 million (23% of revenue) in first-half 2022-2023, compared to €75 million (20% of revenue) in first-half 2021-2022.

3.1.2.7 EBITDA

EBITDA for the six-month period ended September 30, 2022 benefited from a notable volume effect that generated significant operating leverage. Combined with cost control, our Group was therefore able to continue investing in R&D while maintaining high profitability despite high inflation (including in raw material prices, as expected) and an unfavorable currency effect.

EBITDA from continuing operations (Electronics) amounted to €167 million in the six months to September 30, 2022 (35.5% of revenue), versus €137 million in the six months to September 30, 2021 (36.8% of revenue).

3.1.2.8 Operating income

Operating income came to €110 million (23% of revenue) in first-half 2022-2023, compared to €85 million (23% of revenue) in first-half 2021-2022.

In first-half 2021-2022, other operating income totaled €10 million. This non-recurring income chiefly included the reversal of the impairment loss recognized in the year ended March 31, 2016 on our Singapore industrial site for €9 million.

3.1.2.9 Net financial expense

In first-half 2022-2023, our Group posted a net financial expense of €2 million, compared to a net expense of €5 million in first-half 2021-2022.

Net financial expense mainly includes:

- €4 million in financial expenses incurred in connection with our OCEANE 2025 convertible bond issue (versus €6 million in connection with the OCEANE 2023 and 2025 convertible bonds in first-half 2021-2022). The decrease mainly reflects the conversion of our 2023 OCEANE bonds finalized on October 8, 2021, which generated financial expense for first-half 2021-2022 only;
- €2 million in interest on borrowings and bank current accounts, up slightly due to the issuance of new financing in second-half 2021-2022;
- a €4 million net foreign exchange gain (versus a €3 million foreign exchange gain in first-half 2021-2022) as a result of the appreciation of the US dollar against the euro over the period.

3.1.2.10 Net profit/(loss) from discontinued operations

In the first half of fiscal year 2022-2023, the net profit from discontinued operations was chiefly attributable to positive currency effects recognized in financial income.

The net loss from discontinued operations in first-half 2021-2022 was mainly linked to a foreign exchange loss following the receipt of the funds due in respect of the settlement of the shares sold in our former South African subsidiary for ZAR 125 million. These funds were received in full by our Group on May 7, 2021.

3.1.2.11 Net profit

Our Group recorded a net profit of €95 million in the six months to September 30, 2022 (20% of revenue), compared to a net profit of €74 million in the prior-year period (20% of revenue).

Basic earnings per share rose sharply to €2.72 (versus €2.23 in first-half 2021-2022). Diluted earnings per share were €2.65 (versus €2.14 in first-half 2021-2022).

3.2 Statement of financial position

(in € millions)	Sept. 30, 2022	March 31, 2022
Non-current assets	875	770
Current assets	555	489
Cash and cash equivalents	743	728
TOTAL ASSETS	**2,173**	**1,986**
Total equity	1,181	1,044
Financial debt	630	586
Provisions and other non-current liabilities	84	79
Operating payables	277	278
TOTAL EQUITY AND LIABILITIES	**2,173**	**1,986**

3.2.1 Non-current assets

Non-current assets increased by €105 million at end-September 2022 versus end-March 2022 mainly due to capital expenditure during the period.

In line with the prior period and as planned, capital expenditure was chiefly devoted to:

- expanding production capacity for 300 mm wafers at our Singapore plant, for €54 million;

- fixtures and fittings for clean rooms and additional equipment at our Bernin 3 plant, for €13 million;
- renewing equipment and facilities used for the production of 200 mm and 300 mm wafers at our Bernin 1 and 2 plants, for €9 million;
- preparation for the production of innovative silicon carbide (SiC) semiconductor substrates, for €3 million;
- R&D investments, for €18 million (including €15 million in capitalized development costs);

Non-current assets include a positive €42 million in currency effects.

These effects were partly offset by depreciation and amortization over the period for €50 million.

3.2.2 Current assets and liabilities

(in € millions)	Sept. 30, 2022	March 31, 2022	Change	Non-operating cash flows, changes in non-current operating assets and liabilities and reclassification between current assets and liabilities	Non-cash movements: Currency translation adjustments and foreign exchange gains/(losses)	Non-cash movements: Other	Change in working capital
Inventories	192	143	50	-	(3)	(8)	39
Trade receivables	279	280	(2)	(3)	(24)	-	(28)
Other current assets	80	62	18	(1)	(2)	-	15
Current financial assets	4	4	(0)	-	-	-	(0)
Current assets (1)	**555**	**489**	**66**	**(4)**	**(28)**	**(8)**	**26**
Trade payables	117	101	16	4	(16)	-	4
Other current liabilities	160	177	(17)	16	(2)	-	(3)
Operating payables (2)	**277**	**278**	**(1)**	**20**	**(18)**	**-**	**1**
CURRENT ASSETS NET OF OPERATING PAYABLES (1) - (2)	**278**	**210**	**67**	**(23)**	**(10)**	**(8)**	**25**

Further disclosures on changes in cash flows are provided in section 3.3 *Cash and financing.*

Current assets increased by €66 million compared to March 31, 2022 to €555 million at September 30, 2022, reflecting:

- a €50 million increase in inventories, mainly linked to seasonal fluctuation in our business and currency effects;
- an increase in other current assets for €18 million, primarily due to an increase in tax receivables in Singapore for €15 million.

Current operating liabilities remained stable, reflecting:

- a €16 million increase in trade payables in line with business growth;
- offset by a €17 million decrease in other current liabilities due to lower payables to fixed asset suppliers and a reduction in tax and social security payables attributable to the seasonality effect and the payment of social security contributions on share allocation plans.

3.2.3 Financial debt

Financial debt increased from €586 million at end-March 2022 to €630 million at end-September 2022. The €44 million increase was due to:

- the remeasurement of our derivative financial instruments for €48 million related to the change in the derivatives' fair value;
- interest expense on our OCEANE 2025 convertible bonds representing €4 million;
- partially offset by the repayment of our bank loans in Singapore in the amount of €9 million.

3.2.4 Net cash position

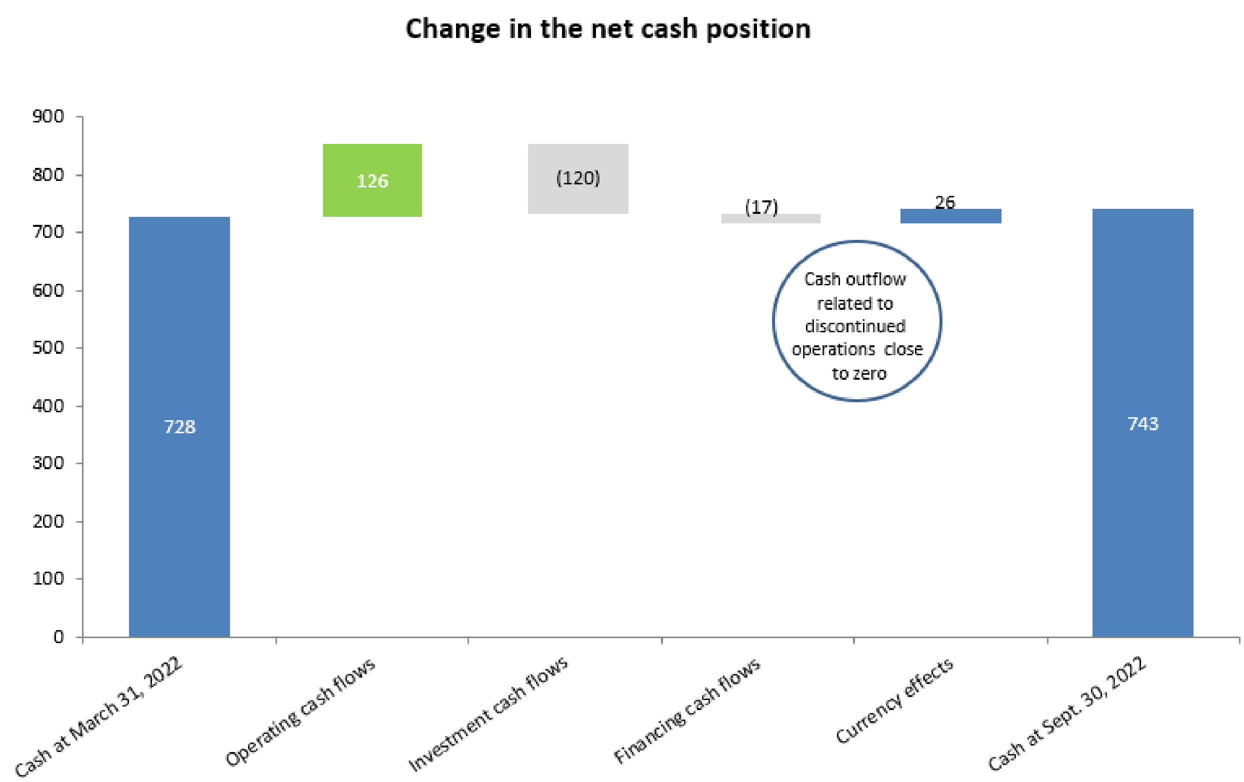
(in € thousands)	Sept. 30, 2022	March 31, 2022	Change
Cash and cash equivalents	742,669	727,822	14,847
Financial debt	629,965	585,699	44,266
Net cash position	**112,704**	**142,123**	**(29,419)**
Fair value of derivatives	(73,060)	(24,630)	(48,430)
Net cash position excluding derivatives	**185,764**	**166,753**	**19,011**

The net cash position (cash and cash equivalents less financial debt) was a positive €113 million at September 30, 2022, compared to a positive €142 million at March 31, 2022.

The decrease in the net cash position was mainly due to the remeasurement of our derivatives for €48 million. Excluding the change in the fair value of derivatives related to hedging, the net cash position shows an increase of €19 million.

3.3 Cash and financing

Cash generation during first-half 2022-2023 (in € millions):



Net cash used in investing activities in the amount of €120 million as shown above corresponds to the presentation in the consolidated IFRS statement of cash flows and is net of finance leases for the period in the amount of €6 million. Net cash used in investing activities including investments financed through leases amounts to €126 million.

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Net cash generated by operating activities amounted to €126 million in first-half 2022-2023 (€59 million in first-half 2021-2022). The increase reflects gross operating cash flows of €167 million (up from €138 million in the first half of the prior fiscal year), a €26 million increase in working capital (versus an €82 million increase in same year-ago period), and tax payments for €15 million (compared to tax refunds for €3 million in the first six months of fiscal year 2021-2022).

The increase in working capital mainly reflects (i) a €39 million change in inventories in connection with expected growth in the second half of the fiscal year, (ii) a €28 million decrease in trade receivables, (iii) an €18 million increase in other operating receivables and payables linked to an increase in tax receivables in Singapore, a decrease in tax and social security payables due mainly to seasonality and the payment of social security contributions on share allocation plans.

Net cash used in investing activities totaled €120 million in the six months to September 30, 2022, versus €101 million in the first half of the prior fiscal year, and mainly comprises capital expenditure for the period, as described in note 3.2.1 "Non-current assets".

**Strong increase in investing cash flows:
€120m in first-half 2022-2023, versus €101m in first-half 2021-2022**

Net cash used in financing activities came to €17 million in first-half 2022-2023, compared to €11 million in the same year-ago period, and consists mainly of repayments made during the period (bank loans taken out by our Singapore-based subsidiary, leases, and the loan granted by the Banque des Territoires as part of the Nano 2022 program).

Sources of financing

Our Group's primary objective is to have the necessary and sufficient financial resources to fund the growth of its business. In this respect, it systematically reinvests its earnings to promote an industrial growth strategy focused on strong product innovation.

Driven by net profit, our Group continued to strengthen its equity, which stood at €1,181 million at September 30, 2022 versus €1,044 million at March 31, 2022.

At September 30, 2022, our Group had a satisfactory liquidity position, comprising:

- available cash of €743 million;
- a net cash position of €113 million (€186 million excluding derivatives related to hedging);

- remaining drawdowns of €74 million (to fund capital expenditure, as and when) on the 12-year €200 million loan granted by Banque des Territoires (Caisse des Dépôts group) in March 2020 (€126 million drawn down at September 30, 2022, no additional drawdowns during the reporting period);
- bank credit lines worth €95 million with eight banks (not drawn down at end-September 2022), repayable at maturity, no later than June 2025.

None of the above loans or credit lines are subject to any covenants.

3.4 Information on trends

As announced in June 2022 and confirmed at the publishing of our second-quarter revenue on October 26, 2022, we expect full fiscal-year 2022-2023 revenue to grow by around 20% at constant scope and exchange rates compared to fiscal year 2021-2022.

We also confirm that we expect the Electronics EBITDA margin for fiscal year 2022-2023 to be around 36%.

Electronics capital expenditure should reach around €260 million in fiscal year 2022-2023, mainly reflecting capacity investments to support the ramp-up of the 300 mm plant in Singapore, investment in equipment for the production of new silicon carbide (SiC) substrates, and investment in innovation (including capitalized development costs).

4. | Condensed interim consolidated financial statements at September 30, 2022

4.1. Consolidated income statement

(in € thousands)	Notes	6 months ended Sept. 30, 2022	6 months ended Sept. 30, 2021
Revenue	4.6.6.17.	**470,581**	**373,095**
Cost of sales		(303,008)	(241,654)
Gross profit		**167,572**	**131,441**
Sales and marketing expenses		(7,958)	(6,706)
R&D costs	4.6.6.19.	(28,915)	(27,669)
General and administrative expenses		(20,486)	(21,763)
Current operating income		**110,214**	**75,303**
Other operating income	4.6.6.21.	180	10,047
Other operating expenses	4.6.6.21.	(57)	(627)
Operating income		**110,337**	**84,723**
Financial income		4,253	3,335
Financial expense		(6,591)	(8,003)
Net financial expense		**(2,338)**	**(4,668)**
Profit before tax		**107,999**	**80,055**
Income tax	4.6.6.22.	(13,200)	(5,558)
Net profit from continuing operations		**94,799**	**74,497**
Net profit/(loss) from discontinued operations	4.6.6.24.	251	(335)
Consolidated net profit		**95,050**	**74,162**
Net profit – Group share		**95,050**	**74,162**
Basic earnings per share *(in euros)*	4.6.6.23.	2.72	2.23
Diluted earnings per share *(in euros)*	4.6.6.23.	2.65	2.14

Basic earnings per share amounted to €2.72, including earnings per share of €2.71 relating to continuing operations and of €0.01 per share attributable to discontinued operations.
Diluted earnings per share came out at €2.65, including earnings per share of €2.64 relating to continuing operations and of €0.01 per share attributable to discontinued operations.

The weighted average number of shares used to calculate basic earnings per share was 35,001,682 (33,311,866 shares in first-half 2021-2022).

The weighted average number of shares used to calculate diluted earnings per share was 36,951,749 (33,680,990 shares in first-half 2021-2022).

4.2. Statement of other comprehensive income

(in € thousands)	Notes	6 months ended Sept. 30, 2022	6 months ended Sept. 30, 2021
Consolidated net profit		**95,050**	**74,162**
Items that may be reclassified to the income statement		**34,227**	**(2,701)**
of which: foreign exchange gains/(losses) on translation of foreign operations		65,180	3,061
of which: changes in the fair value of hedging instruments		(42,080)	(8,049)
of which: tax on items recognized in other comprehensive income		11,127	2,287
Items that may not be reclassified to the income statement		**1,063**	**-**
of which: actuarial gains/(losses) on defined benefit plans		1,433	-
of which: tax impact		(370)	-
Income and expenses recognized in other comprehensive income		**35,290**	**(2,701)**
Total comprehensive income for the period		**130,340**	**71,461**
Group share		*130,340*	*71,461*

4.3. Consolidated statement of financial position

Assets *(in € thousands)*	Notes	Sept. 30, 2022	March 31, 2022
NON-CURRENT ASSETS			
Intangible assets	4.6.6.1.	115,328	108,037
Property, plant and equipment	4.6.6.2.	648,144	562,314
Non-current financial assets	4.6.6.3.	16,978	16,865
Other non-current assets	4.6.6.4.	21,857	18,531
Deferred tax assets		73,061	64,243
Total non-current assets		**875,368**	**769,990**
CURRENT ASSETS			
Inventories	4.6.6.5.	192,381	142,517
Trade receivables	4.6.6.6.	278,668	280,235
Other current assets	4.6.6.7.	79,957	61,597
Current financial assets	4.6.6.8.	3,982	4,207
Cash and cash equivalents	4.6.6.9.	742,669	727,822
Total current assets		**1,297,657**	**1,216,378**
TOTAL ASSETS		**2,173,025**	**1,986,368**

Equity and liabilities *(in € thousands)*	Notes	Sept. 30, 2022	March 31, 2022
EQUITY			
Share capital	4.6.6.10.	71,081	70,301
Share premium	4.6.6.10.	228,832	229,612
Reserves and retained earnings	4.6.6.10.	849,014	746,770
Other reserves	4.6.6.10.	32,541	(2,749)
Equity – Group share		1,181,468	1,043,934
Total equity	**4.6.6.10.**	**1,181,468**	**1,043,934**
NON-CURRENT LIABILITIES			
Long-term financial debt	4.6.6.12.	530,018	518,104
Provisions and other non-current liabilities	4.6.6.13.	84,315	78,597
Total non-current liabilities		**614,333**	**596,701**
CURRENT LIABILITIES			
Short-term financial debt	4.6.6.12.	99,947	67,595
Trade payables		117,135	100,993
Provisions and other current liabilities	4.6.6.14. & 4.6.6.15.	160,142	177,145
Total current liabilities		**377,224**	**345,733**
TOTAL EQUITY AND LIABILITIES		**2,173,025**	**1,986,368**

4.4. Consolidated statement of changes in equity

(in € thousands)	Share capital	Share premium	Treasury shares	Reserves and retained earnings	Other reserves	Equity – Group share	Total equity
March 31, 2021	**66,730**	**83,183**	**(369)**	**534,534**	**(7,382)**	**676,696**	**676,696**
Items that may be reclassified to the income statement	**-**	**-**	**-**	**-**	**(2,701)**	**(2,701)**	**(2,701)**
of which: foreign exchange gains/(losses) on translation of foreign operations	-	-	-	-	3,061	3,061	3,061
of which: changes in the fair value of hedging instruments	-	-	-	-	(8,049)	(8,049)	(8,049)
of which: tax on items recognized in other comprehensive income	-	-	-	-	2,287	2,287	2,287
Items that may not be reclassified to the income statement	**-**	**-**	**-**	**-**	**-**	**-**	**-**
of which: actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-
of which: tax impact	-	-	-	-	-	-	-
Total income and expenses in the period recognized in other comprehensive income	-	-	-	-	**(2,701)**	**(2,701)**	**(2,701)**
Net profit from continuing operations	-	-	-	74,497	-	74,497	74,497
Net loss from discontinued operations	-	-	-	(335)	-	(335)	(335)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	**74,162**	**(2,701)**	**71,461**	**71,461**
Vesting of shares [1]	673	(673)	-	-	-	-	-
Conversion of OCEANE 2023 convertible bonds	242	12,399	-	(702)	-	11,939	11,939
Share-based payments and tax impact	-	-	-	4,026	-	4,026	4,026
Change in liabilities relating to put options granted to non-controlling interests	-	-	-	2,259	-	2,259	2,259
Other	-	-	-	(4)	-	(4)	(4)
SEPT. 30, 2021	**67,646**	**94,909**	**(369)**	**614,275**	**(10,083)**	**766,377**	**766,377**

[1] *Including €560 thousand following the issue of 279,821 ordinary shares further to the vesting of free shares under the free share plan for all on July 27, 2021, and €113 thousand following the issue of 56,712 new PS 2 shares further to the vesting of 56,712 free preferred shares under the Topaz 2019 plan on August 2, 2021.*

(in € thousands)	Share capital	Share premium	Treasury shares	Reserves and retained earnings	Other reserves	Equity – Group share	Total equity
March 31, 2022	**70,301**	**229,612**	**(369)**	**747,139**	**(2,749)**	**1,043,934**	**1,043,934**
Items that may be reclassified to the income statement	-	-	-	-	**34,227**	**34,227**	**34,227**
of which: foreign exchange gains/(losses) on translation of foreign operations [(2)]	-	-	-	-	65,180	65,180	65,180
of which: changes in the fair value of hedging instruments	-	-	-	-	(42,080)	(42,080)	(42,080)
of which: tax on items recognized in other comprehensive income	-	-	-	-	11,127	11,127	11,127
Items that may not be reclassified to the income statement	-	-	-	-	**1,063**	**1,063**	**1,063**
of which: actuarial gains/(losses) on defined benefit plans	-	-	-	-	1,433	1,433	1,433
of which: tax impact	-	-	-	-	(370)	(370)	(370)
Total income and expenses in the period recognized in other comprehensive income	-	-	-	-	**35,290**	**35,290**	**35,290**
Net profit from continuing operations	-	-	-	94,799	-	94,799	94,799
Net profit from discontinued operations	-	-	-	251	-	251	251
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	**95,050**	**35,290**	**130,340**	**130,340**
Vesting of shares [(3)]	780	(780)	-	-	-	-	-
Share-based payments and tax impact	-	-	-	7,194	-	7,194	7,194
SEPT. 30, 2022	**71,081**	**228,832**	**(369)**	**849,383**	**32,541**	**1,181,468**	**1,181,468**

[(2)] Including €37,751 thousand relating to the translation of foreign entities with functional currencies other than the euro, and €27,429 thousand relating to translation adjustments on the investment in our Singapore subsidiary.

[(3)] See note 4.6.6.10 "Equity" for information on the vesting of shares.

4.5. Consolidated statement of cash flows

(in € thousands)	Notes	6 months ended Sept. 30, 2022	6 months ended Sept. 30, 2021
Net profit from continuing operations		94,799	74,497
Net profit/(loss) from discontinued operations	4.6.6.24.	251	(335)
Consolidated net profit		**95,050**	**74,162**
Adjustments for:			
Depreciation and amortization expense	4.6.6.20.	49,876	36,728
Impairment/(reversals of impairment) of non-current assets		-	(10,016)
Provisions (expense for the period/(reversals)), net		5,195	(302)
Provisions (expense for the period/(reversals)) for retirement benefit obligations, net		706	730
(Gains)/losses on disposals of assets		46	65
Income tax		13,200	5,558
Net financial expense		2,338	4,668
Share-based payments		8,825	11,323
Other non-cash items		(7,767)	14,206
Non-cash items relating to discontinued operations		(403)	145
Changes in:			
Inventories		(39,301)	(36,952)
Trade receivables		28,087	(19,477)
Other receivables		(15,272)	(18,670)
Trade payables		3,863	6,636
Other liabilities		(3,096)	(13,264)
Changes in working capital and income tax paid relating to discontinued operations		(13)	26
Income tax paid		(15,021)	2,919
Net cash generated by operating activities		**126,313**	**58,485**
Of which continuing operations		*126,478*	*58,649*
Purchases of intangible assets		(20,073)	(13,092)
Purchases of property, plant and equipment		(97,105)	(85,423)
Proceeds from disposals of intangible assets and property, plant and equipment		95	471
Acquisitions of subsidiaries, net of cash acquired		-	(1,437)
(Acquisitions) and disposals of financial assets		(2,604)	(1,866)
Interest received		60	97
Investment/divestment flows related to discontinued operations		1	1
Net cash used in investing activities		**(119,626)**	**(101,249)**
Of which continuing operations		*(119,627)*	*(101,250)*

Change in interest in subsidiaries without change of control	-	200
Financing received from non-controlling interests	400	-
Loans and drawdowns on credit lines	10,389	3,491
Repayments of borrowings (including leases)	(25,620)	(13,080)
Interest paid	(2,548)	(1,570)
Financing flows related to discontinued operations	(5)	(1,544)
Net cash used in financing activities	**(17,384)**	**(12,503)**
Of which continuing operations	*(17,379)*	*(10,959)*
Effects of exchange rate fluctuations	25,544	829
Change in net cash	**14,847**	**(54,438)**
Of which continuing operations	*15,016*	*(52,731)*
Cash and cash equivalents at beginning of the period	727,822	644,376
Cash and cash equivalents at end of the period	742,669	589,938

4.6. Notes to the condensed interim consolidated financial statements at September 30, 2022

4.6.1. Overview of our Company and our Group's business activity

Soitec SA is a *société anonyme* (French joint-stock corporation) listed on Euronext Paris (Compartment B). Soitec SA and its subsidiaries are hereinafter referred to as "our Group". Soitec SA is hereinafter referred to as "our Company" or "Soitec".

Our Group operates in two business segments:

- **Electronics**: our Group's historical activity in the semiconductor sector, producing and marketing substrates and components for the semiconductor industry;
- **Other Business**: operations that have largely been discontinued by our Group, mainly comprising the Solar Energy sector, whose outstanding activities were sold in fiscal year 2019-2020. Our Group no longer has any operations in this business segment and its accounts hold only provisions for activities sold or discontinued as well as costs of discontinuing the operations.

4.6.2. Accounting policies

Basis of preparation

The interim consolidated financial statements were prepared under the responsibility of our Board of Directors on November 23, 2022.

Pursuant to Regulation (EC) 1606/2002 of July 19, 2002, the interim consolidated financial statements are prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union and the International Accounting Standards Board (IASB).

The interim consolidated financial statements do not contain all the information and notes presented in the annual financial statements. Accordingly, they should be read in conjunction with our Group's consolidated financial statements at March 31, 2022.

Our Group's consolidated financial statements for the year ended March 31, 2022 are available on request from our Company's head office, located at Parc Technologique des Fontaines, Bernin (38190), or on our website at www.soitec.com.

Significant accounting policies

The accounting policies and measurement rules used by our Group in the condensed interim consolidated financial statements at September 30, 2022 are the same as those used to prepare our Group's consolidated financial statements at March 31, 2022, except as regards:

- income tax, which is recognized 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, 2022;

- IAS 21 – The Effects of Changes in Foreign Exchange Rates

  As a result of the decision to not demand repayment of the loan made to Soitec Singapore, in order to enable our subsidiary to finance its future investments, the said loan, for which settlement is neither planned nor likely to occur in the foreseeable future, is, in substance, a part of our Company's net investment in a foreign operation. Since April 1, 2022, the investment in our Singapore subsidiary therefore qualifies as a net investment in a foreign operation, and the foreign exchange differences arising on this monetary item are presented in other comprehensive income.

The standards, amendments and interpretations used to prepare the consolidated financial statements at September 30, 2022 are those published in the Official Journal of the European Union before September 30, 2022, and mandatory on that date. The reference framework is available from the European Commission's website.

Our Group has applied all applicable standards, amendments and interpretations, published by the IASB and adopted by the European Union, as well as the final IFRS IC agenda decisions, mandatory for reporting periods beginning on or after April 1, 2022:

- IFRS IC decision – Configuration or Customization Costs in a Cloud Computing Arrangement (IAS 38)

In its decision, the IFRS IC specifies the cases in which the costs of configuring or customizing software in a Software as a Service (SaaS) arrangement can be recognized as intangible assets. Only costs for services that result in the creation of additional code controlled by the customer may be capitalized. Other services should be recognized as expenses for the period or as prepaid expenses. The accounting method used by our Group of recognizing the configuration or customization costs of software in an SaaS arrangement in expenses complies with the accounting provisions set out by the IFRS IC in its decision.

- Amendments to IAS 16 – Proceeds before Intended Use

The amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.

- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendment specifies the incremental costs of fulfilling a contract to be included when assessing whether a contract is onerous, namely direct labor and material costs, as well as an allocation of other costs that relate directly to fulfilling the contract, for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

These new standards, amendments and interpretations did not have a material impact on our Group's financial statements.

<u>Standards, amendments and interpretations that may be early adopted for reporting periods beginning on or after April 1, 2022</u>

The new standards, amendments and interpretations applicable to reporting periods beginning on or after April 1, 2022 that were not early adopted by our Group at September 30, 2022 concern:

- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- IFRS 17 – Insurance Contracts;
- Amendments to IAS 1 – Presentation of Financial Statements;
- Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

These new standards, amendments and interpretations are not expected to have a material impact on our Group's consolidated 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 assumptions, estimates and assessments that affect the amounts reported for assets and liabilities, as well as the disclosures provided in certain notes at the reporting date and the amounts reported for income and expenses. In particular, they apply to:

- impairment of non-current assets;
- capitalization of development costs;
- the accounting value of the cost of free share allocation plans;
- impairment of inventories;
- the recognition of tax loss carryforwards;
- the amount of provisions for contingencies and expenses;
- provisions for employee benefits.

These assumptions, estimates and assessments are prepared on the basis of available information or situations prevailing at the reporting date of the interim consolidated financial statements at September 30, 2022. In the event of changes in the underlying assumptions or in the prevailing economic conditions, in particular in relation to the Russian military offensive against Ukraine, geopolitical situations and inflation, the amounts presented in our Group's future financial statements could differ materially from the current estimates.

4.6.3. Highlights of the period

Pierre Barnabé succeeds Paul Boudre as CEO

At the Shareholders' General Meeting of July 26, 2022, Pierre Barnabé was appointed as a director for a four-year term. As planned, he succeeded Paul Boudre as Chief Executive Officer.

Appointment of new directors

The Board of Directors decided to take advantage of the expiration of eight terms of office to restructure its composition and propose to the Shareholders' General Meeting of July 26, 2022 the appointment of a majority of independent directors to the Board and its Committees.

The Shareholders' General Meeting of July 26, 2022 decided, on the proposal of the Board of Directors, to appoint:

- as non-independent directors: Pierre Barnabé, BPI France represented by Samuel Dalens, CEA Investissements represented by François Jacq, and Kai Sekku;
- as independent directors: Fonds Stratégique de Participations ("FSP") represented by Laurence Delpy, Christophe Gegout, Maude Portigliatti and Delphine Segura.

The new directors' profiles are presented in section 4.1.1.1 of the 2021-2022 Universal Registration Document. The composition of the Board of Directors complies with the recommendations of the AFEP-MEDEF Code.

Decision to extend the Pasir Ris facility to produce 300 mm SOI wafers, and expand refresh and epitaxy capacities

On June 8, 2022, Soitec announced the extension of its Pasir Ris facility in Singapore, with the objective of adding new capacity of 1 million wafers per year. Our Group expects the construction of the extension to start in second-half 2022-2023, and the fab to enter into operation by the end of fiscal year 2024-2025.

Combining Bernin 2, Pasir Ris 1 and Pasir Ris 2, Soitec's total 300 mm SOI production capacity will ultimately reach 2.7 million wafers per year. The extension of Pasir Ris is also due to include additional refresh and epitaxy capacities.

STMicroelectronics and GlobalFoundries to advance FD-SOI ecosystem with new 300 mm manufacturing facility in France

On July 11, 2022, STMicroelectronics and GlobalFoundries announced the creation of a new, jointly-operated 300 mm semiconductor manufacturing facility adjacent to ST's existing site in Crolles, France. This new facility will support several technologies, in particular FD-SOI-based technologies, and will cover multiple variants. This includes GF's market leading FDX technology and ST's comprehensive technology roadmap down to 18 nm, which are expected to remain in high demand for Automotive, IoT, and Mobile applications for the next few decades. The facility is targeted to reach full capacity by 2026, with up to 620,000 wafers produced per year at full build-out.

"Agate 2025" free share allocation plan for all

On July 26, 2022, pursuant to the authorizations granted by the Shareholders' General Meeting of July 28, 2021, our Board of Directors set up a free ordinary share allocation plan for all employees of our Group. A total of 86,551 ordinary shares were allocated under the plan, subject to a presence condition (presence in the Group until August 1, 2025) and performance conditions based on the achievement of objectives relating to revenue, EBITDA, sustainability and the Total Shareholder Return (TSR) of our Company's ordinary shares compared to the STOXX Europe 600 Technology index.

The shares allocated represented approximately 0.2% of our Company's share capital at July 26, 2022.

"Onyx 2025" free share allocation plan

On July 26, 2022, pursuant to the authorizations granted by the Shareholders' General Meeting of July 28, 2021, our Board of Directors set up a free ordinary share allocation plan for certain employees of our Group. A total of 98,613 ordinary shares were allocated under the plan, subject to a presence condition (presence in the Group until August 1, 2025) and performance conditions based on the achievement of objectives relating to revenue, EBITDA, sustainability and the Total Shareholder Return (TSR) of our Company's ordinary shares compared to the STOXX Europe 600 Technology index.

The shares allocated represented approximately 0.3% of our Company's share capital at July 26, 2022.

"Topaz" co-investment plan

The Extraordinary Shareholders' General Meeting of July 26, 2019 authorized the Board of Directors to allocate free preferred shares ("PS 2") and created a new category of preferred shares convertible into ordinary shares ("PS 2") based on the achievement of objectives relating to EBITDA, revenue and the Total Shareholder Return (TSR) of our Company's ordinary shares compared to the STOXX Europe 600 Technology index. The free PS 2 vested in tranches (40% on December 18, 2020, 30% on August 1, 2021 and 30% on August 1, 2022).

Following the vesting of the third tranche, 56,629 PS 2 were issued on August 1, 2022. As a reminder, 75,861 PS 2 were issued on December 18, 2020, following the vesting of the initial tranche, and 56,712 PS 2 were issued on August 2, 2021, following the vesting of the second tranche. The plan is now therefore terminated.

During the period, 56,629 PS 2 with a par value of €2.00 each were created by capitalizing share premiums of €113 thousand within the share capital.

Conversion of preferred shares ("PS 2") into ordinary shares

On August 2, 2022, following the end of the Topaz co-investment plan, 287,182 preferred shares ("PS 2") were converted into 590,911 new shares: net capital increase of €607 thousand by deduction from the share premium, representing a capital increase of €607 thousand.

4.6.4. Change in scope

The scope of consolidation is identical to that presented in our 2021-2022 Universal Registration Document filed with the AMF on June 20, 2022 under number D.22-0523.

As a reminder, on December 29, 2021, our Group finalized the acquisition of a 100% stake in NOVASiC, an advanced technology company specialized in polishing and refreshing wafers, for an amount of €6,800 thousand. The acquisition will support the development of SmartSiC.

Provisional goodwill of €5,937 thousand was recognized in respect of the NOVASiC acquisition, before definitive allocation of the purchase price to the identifiable assets acquired and liabilities assumed. In accordance with IFRS 3 – Business Combinations, our Group has one year from the acquisition date to identify and determine the final fair value measurement of the identifiable assets acquired and liabilities assumed. The work is in progress and will be completed in second-half 2022-2023.

4.6.5. Segment information

As discussed in *Overview of our Company and our Group's business activity*, our Group operates in two business segments:

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

<u>Information on the calculation of EBITDA</u>

The EBITDA figure reported in the segment analysis represents operating income (EBIT) before depreciation, amortization, impairment of non-current assets, non-cash items relating to share-based payments, provisions for impairment of current assets and for contingencies and expenses, and disposal gains and losses.

EBITDA is not a financial indicator defined by IFRS and may not be comparable to EBITDA as reported by other groups. It represents additional information and should not be considered as a substitute for operating income or net cash generated by operating activities.

Breakdown of the consolidated income statement

(in € thousands)	6 months ended Sept. 30, 2022			6 months ended Sept. 30, 2021		
	Electronics	Other Business	Total	Electronics	Other Business	Total
Revenue	**470,581**	**-**	**470,581**	**373,095**	**-**	**373,095**
Gross profit	**167,572**	**-**	**167,572**	**131,441**	**-**	**131,441**
Gross R&D operating costs	*(43,050)*	-	(43,050)	*(44,085)*	-	*(44,085)*
Sales of prototypes and other income	*1,801*	-	1,801	*871*	-	*871*
Subsidies and repayable advances	*12,334*	-	12,334	*5,811*	-	*5,811*
Net R&D costs	(28,915)	-	(28,915)	(27,669)	-	(27,669)
Sales and marketing expenses	(7,958)	-	(7,958)	(6,706)	-	(6,706)
General and administrative expenses	(20,486)	-	(20,486)	(21,763)	-	(21,763)
Current operating income	**110,214**	**-**	**110,214**	**75,303**	**-**	**75,303**
Other operating income	*180*	-	*180*	*10,047*	-	*10,047*
Other operating expenses	*(57)*	-	*(57)*	*(627)*	-	*(627)*
Operating income (EBIT)	**110,337**	**-**	**110,337**	**84,723**	**-**	**84,723**
Neutralization of reconciliation items						
Depreciation and amortization expense	49,876	-	49,876	36,728	-	36,728
Impairment and accelerated depreciation/amortization of non-current assets	-	-	-	(10,016)	-	(10,016)
Share-based payments	8,825	-	8,825	11,323	-	11,323
Provisions, net	5,195	-	5,195	(302)	-	(302)
Provisions for retirement benefit obligations	706	-	706	730	-	730
Gains and losses on disposals of assets	46	-	46	65	-	65
Other non-cash items	(7,767)	-	(7,767)	14,206	-	14,206
EBITDA from discontinued operations	**-**	(152)	(152)	-	(190)	(190)
EBITDA	**167,218**	**(152)**	**167,066**	**137,457**	**(190)**	**137,267**

Breakdown of the consolidated statement of financial position

(in € thousands)	Sept. 30, 2022			March 31, 2022		
	Electronics	Other Business	Total	Electronics	Other Business	Total
Intangible assets, net	115,328	-	115,328	108,037	-	108,037
Of which goodwill	*26,702*	-	*26,702*	*26,702*	-	*26,702*
Property, plant and equipment, net	648,144	-	648,144	562,314	-	562,314
Non-current financial assets	16,978	-	16,978	16,865	-	16,865
Other non-current assets	21,857	-	21,857	18,531	-	18,531
Non-current assets (1)	**802,307**	**-**	**802,307**	**705,747**	**-**	**705,747**
Inventories	192,381	-	192,381	142,517	-	142,517
Trade receivables	278,668	-	278,668	280,235	-	280,235
Other current assets	79,746	211	79,957	61,370	227	61,597
Current financial assets	3,982	-	3,982	4,207	-	4,207
Current assets (2)	**554,777**	**211**	**554,988**	**488,329**	**227**	**488,556**
Trade payables	(116,977)	(158)	(117,135)	(100,841)	(152)	(100,993)
Other current and non-current liabilities	(238,769)	(5,688)	(244,457)	(249,859)	(5,883)	(255,742)
Current and non-current liabilities (3)	**(355,746)**	**(5,846)**	**(361,592)**	**(350,700)**	**(6,035)**	**(356,735)**
CAPITAL EMPLOYED (1) + (2) + (3)	**1,001,338**	**(5,635)**	**995,703**	**843,376**	**(5,808)**	**837,568**

4.6.6. Notes to the consolidated statement of financial position and the consolidated income statement

4.6.6.1. Intangible assets

During first-half 2022-2023, changes in the net value of each asset category can be analyzed as follows:

(in € thousands)	Goodwill	Capitalized development projects	Software	Other intangible assets	Total
MARCH 31, 2022	**26,702**	**50,393**	**17,574**	**13,368**	**108,037**
Acquisitions	-	15,454	2,699	36	18,189
Translation adjustments	-	-	350	2	352
Amortization (expense for the period)	-	(5,070)	(5,097)	(1,083)	(11,250)
SEPT. 30, 2022	**26,702**	**60,777**	**15,526**	**12,323**	**115,328**

In the first six months of fiscal year 2022-2023, acquisitions of intangible assets amounting to €18,189 thousand mainly concerned:

- capitalization of development costs for €15,454 thousand, mainly including, since April 1, 2022, development costs for silicon carbide (SiC) substrates. The capitalized costs comprise €13,060 thousand attributable to intangible assets not yet commissioned and €2,394 thousand corresponding to capitalized development projects;
- IT investments for €2,699 thousand.

4.6.6.2. Property, plant and equipment

During first-half 2022-2023, changes in the net value of each asset category can be analyzed as follows:

	Buildings	Equipment and tooling	Other	Total
MARCH 31, 2022	**120,106**	**428,519**	**13,689**	**562,314**
Acquisitions	16,252	58,128	2,560	76,940
Leases	232	5,865	-	6,097
Translation adjustments	6,438	34,767	269	41,474
Depreciation (expense for the period)	(7,828)	(29,187)	(1,610)	(38,625)
Disposals, retirements and other	(774)	726	(8)	(56)
SEPT. 30, 2022	**134,426**	**498,818**	**14,900**	**648,144**

In the first six months of fiscal year 2022-2023, our Group acquired property, plant and equipment in the amount of €76,940 thousand (€107,953 thousand In the first six months of fiscal year 2021-2022).

Investments mostly pertained to equipment for the Singapore plant, and clean rooms and additional equipment at our Bernin 3 plant.

4.6.6.3. Non-current financial assets

Non-current financial assets break down as follows:

(in € thousands)	Sept. 30, 2022	March 31, 2022
Financial assets – Investments	15,813	12,845
Loans	10	1,051
Deposits and guarantees	103	104
Derivative financial instruments (positive fair value)	1,152	3,128
Other financial assets	-	83
Gross value	**17,078**	**17,211**
Impairment of financial assets – Investments	(100)	(256)
Impairment of loans	-	(90)
Impairment, total	**(100)**	**(346)**
NON-CURRENT FINANCIAL ASSETS, NET	**16,978**	**16,865**

During first-half 2022-2023, our Group invested in Cambridge Electronics INC for an amount of €1,974 thousand, representing a 6.6% interest in the company. In the absence of control or significant influence, the investment is not consolidated within our Group.

Derivative financial instruments with a positive fair value correspond mainly to our currency hedges (forward sales of dollars), and to our interest rate derivatives (only caps) hedging future interest payments on our floating-rate borrowings.

4.6.6.4. Other non-current assets

Other non-current assets break down as follows:

(in € thousands)	Sept. 30, 2022	March 31, 2022
Tax receivables	9,881	13,762
Prepayments on orders of non-current assets	10,073	3,259
Deposits and guarantees	1,903	1,510
Gross value	**21,857**	**18,531**
Impairment	-	-
OTHER NON-CURRENT ASSETS, NET	**21,857**	**18,531**

At September 30, 2022, non-current tax receivables representing €9,881 thousand correspond exclusively to research tax credits (€12,757 thousand at March 31, 2022), mainly attributable to Dolphin Design SAS.

At March 31, 2022, non-current tax receivables also included €1,005 thousand in collaborative research tax credits (CICo) (mechanism in effect from January 1, 2022).

The total value of research and collaborative research tax credits (CICo) receivable (current and non-current portions) amounted to €24,210 thousand at September 30, 2022 (€29,903 thousand at March 31, 2022).

4.6.6.5. Inventories

Inventories break down as follows:

(in € thousands)	Sept. 30, 2022	March 31, 2022
Raw materials	147,512	110,913
Work-in-progress	32,144	28,410
Finished products and goods	32,669	17,766
Gross value	**212,325**	**157,089**
Allowances	(19,944)	(14,572)
INVENTORIES, NET	**192,381**	**142,517**

4.6.6.6. Trade receivables

At September 30, 2022, the aged analysis of trade receivables is as follows:

(in € thousands)	Total trade receivables	Not yet due	Less than 30 days past due	30-60 days past due	60-90 days past due	More than 90 days past due
Gross value	279,457	262,487	12,828	1,049	1,089	2,004
Allowances	(789)	-	-	-	-	(789)
Net value at Sept. 30, 2022	**278,668**	**262,487**	**12,828**	**1,049**	**1,089**	**1,215**
Gross value	281,018	263,728	11,355	2,776	1,849	1,310
Allowances	(783)	-	-	-	-	(783)
Net value at March 31, 2022	**280,235**	**263,728**	**11,355**	**2,776**	**1,849**	**527**

4.6.6.7. Other current assets

Other current assets break down as follows:

(in € thousands)	Sept. 30, 2022	March 31, 2022
Tax and social security receivables	48,887	29,709
Receivables on disposals of assets	250	337
Prepaid expenses	5,783	3,268
Subsidies receivable	19,909	20,443
Prepayments on orders of current assets	3,342	5,657
Deposits and guarantees	331	220
Other	1,455	1,964
Gross value	**79,957**	**61,597**
Allowances	-	-
OTHER CURRENT ASSETS, NET	**79,957**	**61,597**

At September 30, 2022, tax and social security receivables mainly include tax receivables in the amount of €32,989 thousand (€13,209 thousand at March 31, 2022), as well as research tax credits for €12,262 thousand (€16,145 thousand at March 31, 2022) and collaborative research tax credits (CICo) for €2,067 thousand.

Subsidies receivable primarily concern the Nano 2022 program for Soitec SA and Soitec Lab for €8,955 thousand (€8,137 thousand at March 31, 2022), as well as programs financed by the Singapore Economic Development Board for €3,092 thousand (€5,613 thousand at March 31, 2022).

4.6.6.8. Current financial assets

Current financial assets in the amount of €3,982 thousand at September 30, 2022 mainly relate to the subscription to convertible bonds in an investment over which our Group exercises neither control nor significant influence, as well as to the current portion of our derivative financial instruments.

At March 31, 2022, current financial assets amounted to €4,207 thousand and corresponded primarily to the current portion of our derivative financial instruments with a positive fair value (foreign exchange derivatives) for €2,444 thousand, as well as to a bond subscription for €1,264 thousand.

4.6.6.9. Cash and cash equivalents

Cash and cash equivalents break down as follows:

(in € thousands)	Sept. 30, 2022	March 31, 2022
Cash	472,546	457,591
Cash equivalents	270,123	270,232
Cash and cash equivalents	**742,669**	**727,822**

Cash includes cash held in interest-bearing accounts, and cash equivalents correspond to sight deposits.

Cash at bank is principally denominated in euros (71% of the total) and US dollars (27% of the total).

4.6.6.10. Equity

Changes in share capital

At September 30, 2022, our Company's share capital comprised ordinary shares and preferred shares, both with a par value of €2.00 per share.

(number of shares)	Sept. 30, 2022	March 31, 2022
Ordinary shares	35,517,593	34,897,013
Preferred shares	23,014	253,567
Number of shares comprising the share capital	**35,540,607**	**35,150,580**

Movements in the share capital during first-half 2022-2023 were as follows (see note 4.6.3 "Highlights of the period" for more detail):

- August 1, 2022: issue of 56,629 free preferred shares ("PS 2") further to the vesting of the third tranche of free PS 2 allocated on August 1, 2022 as part of the "Topaz" co-investment plans: capital increase of €113 thousand by deduction from issue premiums;
- August 1, 2022: issue of 17,062 free ordinary shares further to the vesting of the free shares allocated on August 1, 2022 as part of the free share allocation plan approved by the Board of Directors on December 18, 2019: capital increase of €34 thousand by deduction from the share premium;
- August 1, 2022: issue of 12,607 free ordinary shares further to the vesting of the free shares allocated on August 1, 2022 as part of the free share allocation plan approved by the Board of Directors on March 25, 2020: capital increase of €25 thousand by deduction from the share premium;

- August 2, 2022: conversion of 287,182 free preferred shares ("PS 2") into 590,911 new shares: net capital increase of €607 thousand by deduction from the share premium, representing a capital increase of €607 thousand.

Appropriation of net profit for the fiscal year ended March 31, 2022

The Shareholders' General Meeting of July 26, 2022 decided to appropriate the Company's profit for the fiscal year ended March 31, 2022, amounting to €147,000,804.14, as follows: €357,131.40 to "Legal reserve" and the balance of €146,643,672.74 to "Retained earnings".

No dividends have been distributed in respect of the past three fiscal years.

4.6.6.11. Share-based payment

Expenses incurred on share-based compensation are presented in note 4.6.6.18 "Personnel costs".

Free share allocation plan for all

On July 26, 2022, pursuant to the authorizations granted by the Shareholders' General Meeting of July 28, 2021, our Board of Directors set up a free ordinary share allocation plan for all employees of our Group. The plan includes all employees of our Company and its subsidiaries and is designed to involve them in our Group's growth. Under the plan, subject to continued presence in the Group, length of service and performance conditions, a total of 86,551 ordinary shares were allocated, representing approximately 0.2% of our Company's share capital at the date of allocation.

The plan is subject to a presence condition (presence in the Group until August 1, 2025) and performance conditions based on the achievement of objectives relating to revenue and EBITDA over each of the three years of the plan, sustainability and the Total Shareholder Return (TSR) of our Company's ordinary shares compared to the STOXX Europe 600 Technology index.

Free share allocation plan for certain employees and for management

On July 26, 2022, pursuant to the authorizations granted by the Shareholders' General Meeting of July 28, 2021, our Board of Directors set up a free ordinary share allocation plan for certain employees of our Group. A total of 98,613 ordinary shares were granted, representing 0.3% of our Company's share capital at the date of allocation.

The plan is subject to a presence condition (presence in the Group until August 1, 2025) and performance conditions based on the achievement of objectives relating to revenue and EBITDA over each of the three years of the plan, sustainability and the Total Shareholder Return (TSR) of our Company's ordinary shares compared to the STOXX Europe 600 Technology index.

Co-investment plan

The Extraordinary Shareholders' General Meeting of July 26, 2019 authorized the Board of Directors to allocate free preferred shares ("PS 2") and created a new category of preferred shares convertible into ordinary shares ("PS 2") based on the achievement of objectives relating to EBITDA, revenue and the Total Shareholder Return (TSR) of our Company's ordinary shares compared to the STOXX Europe 600 Technology index.

The free PS 2 vested in tranches (40% on December 18, 2020, 30% on August 1, 2021 and 30% on August 1, 2022). The plan is therefore terminated.

On November 18, 2020, the Board of Directors reopened the plan with identical performance conditions and amended tranches. The free PS 2 vest in tranches (60% on January 1, 2022 and 40% on November 30, 2022).

At its meeting of July 26, 2022, the Board of Directors noted that the internal performance conditions for the two plans had been met at 108% for EBITDA and 83% for revenue, and that the market performance condition had been met at 100% for Total Shareholder Return (TSR).

4.6.6.12. Borrowings and financial debt

The maturities of borrowings and financial debt at September 30, 2022 are as follows:

(in € thousands)	Sept. 30, 2022				
	Less than 1 year	1 to 5 years	More than 5 years	Total	March 31, 2022
LEASES (IFRS 16)					
Equipment leases	13,389	27,744	4,541	45,674	46,301
Other leases	2,108	4,852	4,304	11,264	12,307
LOANS					
Bonds: OCEANE 2025 convertible bonds	-	301,173	-	301,173	297,353
Bank loans	23,929	91,239	62,939	178,107	186,964
OTHER BORROWINGS AND FINANCIAL DEBT					
Repayable advances	2,511	2,649	585	5,745	5,995
Derivative financial instruments (negative fair value)	51,477	21,583	-	73,060	24,630
Drawn committed credit lines	2,804	7,378	-	10,182	7,811
Put options	-	1,031	-	1,031	1,028
Other financial liabilities	3,729	-	-	3,729	3,310
TOTAL BORROWINGS AND DEBT	**99,947**	**457,649**	**72,369**	**629,965**	**585,699**

Leases

Our Group signed four new equipment finance leases (financing of production equipment for our Bernin plant) for €5,865 million in first-half 2022-2023.

OCEANE 2025 convertible bonds

On October 1, 2020, our Company issued bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE convertible bonds) maturing on October 1, 2025, for an amount of €325 million. Issue costs amounted to €3,942 thousand.

After initially measuring the debt component at €289,713 thousand, an amount of €35,287 thousand (gross, before deduction of issue costs) was recognized in equity in fiscal year 2020-2021. The amount recognized in the income statement for the six-month period ended September 30, 2022 in respect of interest expenses relating to discounting the debt and amortizing issue costs amounted to €3,820 thousand.

Long-term €200 million loan with Banque des Territoires

On March 27, 2020, our Group was granted a loan from Banque des Territoires (Caisse des Dépôts group) under the *Programme d'investissements d'avenir* (PIA), as part of the Nano 2022 program. Drawdowns from this credit line will be staggered over the next few years to support both the financing of R&D programs and investments in infrastructure projects that will be industrialized for the first time in France. The loan is for a maximum amount of €200 million and is subject to investment conditions. It is repayable in equal installments until the twelfth anniversary of its inception (2032) after an initial two-year capital amortization grace period. It bears interest at a rate equal to the yield on fixed-rate French treasury bonds (OAT) plus a spread of 1.43%.

During the six-month period ended September 30, 2022, our Group did not draw down any further amounts.

<u>Bank loans</u>

In November 2020 and January 2022, our Group arranged two five-year syndicate loans maturing in 2025 and 2026 with four Asia-based banks to fund new equipment for our Singapore site, for an amount of €75 million. The loans bear interest at 3-month Euribor plus an average spread of 1.93% and 1.61%, respectively. Both loans are subject to hedges (interest rate cap) and guaranteed by the equipment financed. The outstanding balance at September 30, 2022 amounted to €51,659 thousand.

<u>Bank credit lines</u>

At September 30, 2022, our Group had bank credit lines worth €95 million with eight banks, which are repayable at maturity no later than 2025. They bear a commitment fee of 0.20% or a non-utilization fee of 0.05%, and a utilization fee ranging from Euribor +0.50% to +0.85%, depending on the credit line, and are not subject to any covenants.

At September 30, 2022, our subsidiary Dolphin Design had €10,182 thousand of drawdown credit lines, €7,377 thousand of which concerned the pre-financing of research tax credits. In first-half 2022-2023, €2,764 thousand of the 2021 research tax credit was pre-financed through credit lines.

Repayable advances

The liabilities corresponding to the repayable advances collected under the Nanosmart, Guépard and Allegro subsidy programs were recognized based on the best estimate of the repayments derived from the business plans (revenue generated by the new products developed under these subsidy programs) after discounting cash flows.

Put options

Dolphin Design

A put option was granted to MBDA, a minority shareholder in Dolphin Design. Under the put option, MBDA could require Soitec to purchase its 40% interest in Dolphin Design between November 1, 2022 and December 31, 2022, with an option for Soitec to acquire an initial 20% tranche between October 2020 and November 2020.

In November 2020, our Group exercised the option to acquire 20% of Dolphin Design SAS at a pre-determined price of €2,000 thousand.

On October 27, 2022, our Group exercised its option to acquire 20% of the shares held by MBDA and will own 100% upon closing of the transfer.

Soitec Belgium

At September 30, 2022, Soitec Belgium's co-founding directors held 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.

The fair value of the put options was measured based on best estimates of the achievement of the performance criteria by reference to the business plan over the contractual period.

4.6.6.13. Provisions and other non-current liabilities

(in € thousands)	Sept. 30, 2022	March 31, 2022
Advances from customers	44,677	39,232
Deferred income	20,696	19,565
Deferred tax liabilities	2,959	3,184
Non-current liabilities	**68,332**	**61,981**
Provisions	15,983	16,616
PROVISIONS AND OTHER NON-CURRENT LIABILITIES	**84,315**	**78,597**

At September 30, 2022, provisions and other non-current liabilities mainly include advances from customers under multi-year sales contracts amounting to €44,677 thousand (€39,232 thousand at March 31, 2022).

At September 30, 2022, deferred income mainly comprises:

- sales of prototypes and research tax credits/subsidies relating to capitalized development costs for €3,935 thousand and €9,244 thousand, respectively (versus €4,396 thousand and €9,983 thousand, respectively, at March 31, 2022);
- subsidies to be recognized in income for €3,542 thousand (€3,781 thousand at March 31, 2022);
- royalties to be recognized in revenue.

At September 30, 2022, non-current provisions for contingencies and expenses mainly comprise €11,726 thousand in provisions for retirement benefit obligations (€12,285 thousand at March 31, 2022), as well as provisions for residual risks related to the Solar Energy business for €4,257 thousand (€4,331 thousand at March 31, 2022).

4.6.6.14. Provisions

Changes in provisions break down as follows:

(in € thousands)	March 31, 2022	Additions for the period	Reversals (utilized)	Reversals (surplus)	Translation adjustments	Other comprehe-nsive income	Sept. 30, 2022
CURRENT PROVISIONS							
Litigation	1,566	459	(38)	(34)	-	-	1,953
Restructuring	437	-	(63)	-	25	-	399
Total current	**2,003**	**459**	**(101)**	**(34)**	**25**	**-**	**2,352**
NON-CURRENT PROVISIONS							
Retirement benefit obligations	12,285	874	-	-	-	(1,433)	11,726
Total non-current	**12,285**	**874**	**-**	**-**	**-**	**(1,433)**	**11,726**
Provisions linked to the Solar Energy business*	4,787	-	(163)	-	(13)	-	4,611
Total provisions	**19,075**	**1,333**	**(264)**	**(34)**	**12**	**(1,433)**	**18,689**

* Of which €354 thousand current and €4,257 thousand non-current.

Soitec and its subsidiaries may be subject to certain claims, legal or regulatory proceedings outside the ordinary course of business. The provision recognized is based on a case-by-case assessment of the level of risk and depends in particular on the assessment of the merits of the claims and the defense arguments, it being specified that any events occurring during the course of the proceedings may give rise to a reassessment of the risk. Provisions are set aside for any expenses arising from these proceedings only when such expenses are likely to arise and their amount is quantifiable or can be estimated within a reasonable range. Our Group believes that it has recognized adequate provisions for the risks currently incurred.

4.6.6.15. Provisions and other current liabilities

Provisions and other current liabilities break down as follows:

(in € thousands)	Sept. 30, 2022	March 31, 2022
Prepayments received on customer orders	32,643	35,143
Payable to fixed asset suppliers	45,615	55,571
Tax and social security payables	71,678	74,570
Deferred income	4,611	6,218
Other liabilities	2,889	3,184
Other current liabilities	**157,436**	**174,686**
Provisions	2,706	2,459
PROVISIONS AND OTHER CURRENT LIABILITIES	**160,142**	**177,145**

4.6.6.16. Financial instruments

The purpose of our Group's future cash flow hedges is to neutralize foreign exchange risk on future cash flows or to limit the interest expense on our floating-rate debt.

The main hedges outstanding at end-September 2022 and their impacts on the financial statements are presented below:

(in € thousands)		Risk hedged		
	Total	Foreign exchange risk		Interest rate risk
Hedging instrument	**(70,980)**	**Forward contracts**	**Options**	**Interest rate caps**
Positive fair value of derivatives	2,080	304	-	1,776
Negative fair value of derivatives	(73,060)	(72,483)	(577)	-
Change in cash flow hedge reserve	**(52,045)**	**(52,577)**	**(577)**	**1,109**
Gains/(losses) recognized in other comprehensive income	(42,080)	(43,371)	-	1,291
Reclassification to net financial expense	(759)	-	(577)	(182)
Reclassification to operating income	(9,206)	(9,206)	-	-
Item hedged		**Revenue**	**Capital expenditure (Equipment)**	**Floating-rate interest**

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The main hedges outstanding at end-March 2022 and their impacts on the financial statements are presented below:

(in € thousands)	Risk hedged			
	Total	Foreign exchange risk		Interest rate risk
Hedging instrument	**(19,058)**	**Forward contracts**	**Options**	**Interest rate caps**
Positive fair value of derivatives	5,572	4,177	852	543
Negative fair value of derivatives	(24,630)	(23,760)	(870)	
Change in cash flow hedge reserve	**(16,641)**	**(16,929)**	**(18)**	**307**
Gains/(losses) recognized in other comprehensive income	(9,487)	(9,814)	-	327
Reclassification to net financial expense	1,313	1,351	(18)	(20)
Reclassification to operating income	(8,467)	(8,467)	-	-
Item hedged		**Revenue**	**Capital expenditure (Equipment)**	**Floating-rate interest**

The nominal value of the cash flow hedges outstanding at end-September 2022 are presented below:

(in € thousands)	**Nominal value of hedging instruments by maturity**			
	2022	2023	2024	2025 and beyond
Forward contracts				
USD	100,533	324,169	153,878	-
Options				
JPY	-	19,162	-	-
Interest rate caps				
EUR	255	992	971	2,844

4.6.6.17. Revenue

Consolidated revenue breaks down as follows:

(in € thousands)	6 months ended Sept. 30, 2022	6 months ended Sept. 30, 2021
Mobile communications	340,610	277,403
Automotive & Industrial	56,944	33,129
Smart devices	73,026	62,564
REVENUE	**470,580**	**373,096**

Revenue derives primarily from product sales (silicon wafers) and, to a lesser extent, from licensing and development arrangements. Revenue recognition criteria and conditions are as follows:

- silicon wafer sales are recognized as revenue when control of the goods is transferred 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 its 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 SAS, mainly):
  - sales of intellectual property (virtual component)/off-the-shelf licenses with no or very few modifications. Revenue from these sales is recognized in full when the intellectual property is delivered,
  - sales of more complex intellectual property (virtual component) requiring a significant development effort. Revenue is recognized on a percentage-of-completion basis, calculated by reference to the costs incurred versus the total estimated costs,
  - sales of design services for components principally used in the aerospace and defense industries. Revenue from these contracts is recognized on a percentage-of-completion basis.

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

- the reason for implementing such an arrangement (intention of the parties);
- storage and identification of the products within 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.

4.6.6.18. Personnel costs

(in € thousands)	6 months ended Sept. 30, 2022	6 months ended Sept. 30, 2021
Wages and salaries, including social security costs*	(87,143)	(72,093)
Pension costs	(706)	(730)
Share-based payment expenses**	(9,182)	(16,287)
TOTAL PERSONNEL COSTS	**(97,031)**	**(89,110)**

** Wages and salaries also include incentive and mandatory profit-sharing expenses.*

*** Including social security contributions.*

4.6.6.19. R&D costs

Where the criteria for capitalization under IAS 38 are not met, R&D costs are expensed as incurred.

These costs essentially comprise:

- salaries and social security contributions, including share-based payments;
- operating costs of clean room and R&D equipment;
- materials consumed in finalizing and manufacturing prototypes;
- subcontracting to public research centers and private laboratories, as well as under cooperation agreements;
- costs relating to maintaining and strengthening our Group's intellectual property rights;
- amortization of previously capitalized R&D costs.

Prototype sales relating to capitalized development costs are initially recorded as deferred income and then taken to income as and when the associated development costs are amortized.

Provided the agreements are signed and the administrative authorizations obtained, the amounts received under subsidy agreements are deducted from gross R&D costs when determining the net amount recognized in the income statement.

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

R&D costs break down as follows:

(in € thousands)	6 months ended Sept. 30, 2022	6 months ended Sept. 30, 2021
Gross R&D operating costs before capitalization	**(58,504)**	**(51,670)**
Capitalized development costs	15,454	7,585
Gross R&D operating costs	**(43,050)**	**(44,085)**
Of which cost of amortization of capitalized projects	*(5,070)*	*(3,061)*
Sales of prototypes	1,801	871
R&D subsidies recognized in income	4,386	5,811
Research tax credit	7,948	8,590
Other income	-	1,144
Total income deducted from gross R&D operating costs	**14,135**	**16,416**
Total R&D operating costs, net	**(28,915)**	**(27,669)**

4.6.6.20. Depreciation and amortization expense

(in € thousands)	6 months ended Sept. 30, 2022	6 months ended Sept. 30, 2021
Cost of sales	(37,062)	(27,178)
R&D costs	(11,578)	(8,426)
Sales and marketing expenses	(67)	(22)
Administrative expenses	(1,169)	(1,102)
TOTAL DEPRECIATION AND AMORTIZATION EXPENSE	**(49,876)**	**(36,728)**
Of which relating to leases	6,403	5,356

4.6.6.21. Other operating income and expenses

In first-half 2022-2023, other operating income and expenses are not material.

Other operating expenses recognized during the six-month period ended September 30, 2021 mainly included the reversal of the impairment loss on our Singapore industrial site for €8,842 million.

4.6.6.22. Income tax

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

The income tax expense for the six-month period ended September 30, 2022 in the amount of €13,200 thousand originates mainly from our Company and includes a reversal of €3,222 thousand in deferred tax in connection with the utilization of tax loss carryforwards during first-half 2022-2023.

Deferred tax assets are recognized only when it is probable that taxable profits will be available against which the deferred tax asset can be utilized. The recoverability was measured by reference to the business plans over a three-year time horizon.

4.6.6.23. Earnings per share

(number of shares)	6 months ended Sept. 30, 2022	6 months ended Sept. 30, 2021
Weighted average number of ordinary shares (excluding treasury shares) used to calculate basic earnings per share	35,001,682	33,311,866
Effects of dilution		
Preferred shares	64,649	104,061
OCEANE 2023 convertible bonds	-	1,314,818
OCEANE 2025 convertible bonds	1,864,173	1,864,173
Free shares	21,245	86,071
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (EXCLUDING TREASURY SHARES) ADJUSTED FOR DILUTED EARNINGS PER SHARE	**36,951,749**	**36,680,990**
Earnings per share	2.72	2.23
Diluted earnings per share	2.65	2.14

In addition to the dilutive shares described above, 429,992 equity instruments, potentially dilutive at September 30, 2022, are excluded from the calculation of diluted earnings per share for first-half 2022-2023 as they are conditional on the achievement of performance criteria that had not been attained at the reporting date.

4.6.6.24. Net profit/(loss) from discontinued operations

(in € thousands)	6 months ended Sept. 30, 2022	6 months ended Sept. 30, 2021
Income/(expenses) for the period	(32)	(58)
Current operating income/(loss)	**(32)**	**(58)**
Other operating expenses, net	42	-
Operating income/(loss)	**10**	**(58)**
Net financial income/(expense)	243	(276)
Profit/(loss) before tax	**253**	**(334)**
Income tax	(2)	(1)
Net profit/(loss) from discontinued operations	**251**	**(335)**

In first-half 2022-2023, the net profit from discontinued operations is chiefly attributable to positive remeasurement adjustments for €243 thousand.

The net loss from discontinued operations for first-half 2021-2022 mainly corresponded to a foreign exchange loss of €277 thousand linked to the receipt of the funds related to the sale of the shares in our former South African subsidiary for ZAR 125 million. These funds were received in full by our Group on May 7, 2021.

4.6.7. Related-party disclosures

At September 30, 2022, the members of the Board of Directors were as follows:

- Éric Meurice;
- Pierre Barnabé, who leads our Company as Chief Executive Officer;
- CEA Investissement, represented by François Jacq;
- Bpifrance Participations, represented by Samuel Dalens;
- Fonds Stratégique de Participations ("FSP"), represented by Laurence Delpy;
- Kai Seikku, on the proposal of NSIG;
- Françoise Chombar;
- Christophe Gégout;
- Satoshi Onishi;
- Maude Portigliatti;
- Delphine Segura;
- Shuo Zhang;
- Wissème Allali, employee director;
- Didier Landru, employee director.

The terms of office of eight directors expired following the Shareholders' General Meeting of July 26, 2022. The Board decided to take advantage of the expiration of these eight terms of office to restructure its composition and propose to the Shareholders' General Meeting of July 26, 2022 the appointment of a majority of independent directors to the Board and its Committees, while ensuring that it retains diverse profiles and expertise in the semiconductor sector.

Accordingly, Pierre Barnabé, Fonds Stratégique de Participations ("FSP") represented by Laurence Delpy, CEA Investissements now represented by François Jacq, Delphine Segura and Maude Portigliatti were appointed at the Meeting.

Among the 12 directors, seven are independent directors, namely Fonds Stratégique de Participations ("FSP") represented by Laurence Delpy, Françoise Chombar, Christophe Gégout, Éric Meurice, Maude Portigliatti, Delphine Segura and Shuo Zhang. They have no executive mandate within our 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 judgment, and do not have any specific ties with the latter.

Our Board of Directors also includes two employee directors, Wissème Allali and Didier Landru.

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 profiles presented in Chapter 4 of the Universal Registration Document filed with the AMF on June 20, 2022 under number D.22-0523.

All the information set out in sections 4.1 *Administration and management of the Company* and 6.2 (note 8.3 "Related-party disclosures") of Soitec's 2021-2022 Universal Registration Document, filed with the AMF on June 20, 2022 under number D.22-0523, remains valid.

It concerns existing (or potential) business relationships with the following companies:

- Shin-Etsu Handotaï (purchases of raw materials, license royalties/director concerned: Satoshi Onishi);
- CEA (R&D contracts, hosting agreement, patent royalties, wafer sales/director concerned: CEA Investissement, represented by François Jacq);
- Shanghai Simgui Technology Co. Ltd (license and services agreements, wafer purchases, distribution agreements, production subcontracting/director concerned: Kai Seikku);
- Bpifrance and Bpifrance Financement (subsidized programs, research tax credit receivables financing/directors concerned: Bpifrance Participations, represented by Samuel Dalens, on the proposal of Bpifrance Participations).

The information describes the related-party agreements already approved by the Shareholders' General Meeting, which were entered into or remained in effect in fiscal year 2021-2022 and are still in effect today.

4.6.8. Subsequent events

Acquisition of the remaining 20% of Dolphin Design

On October 27, 2022, Soitec exercised its call option to increase its stake in Dolphin Design SAS to 100%, acquiring an additional 20% of the capital from its partner MBDA. Soitec will own 100% of the share capital of Dolphin Design SAS upon closing of the transfer. Since Dolphin Design SAS is already fully consolidated at 100% in Group consolidated accounts due to the existence of this option, this acquisition will have no impact on our Group's consolidated financial statements.

5. Statutory Auditors’ review report on the interim 2022-2023 financial information

Soitec SA

Registered address: Parc Technologique des Fontaines – Chemin des Franques – 38190 Bernin – France
Share capital: €71,081,214.

Statutory Auditors’ review report on the half-yearly financial information

Period from April 1, 2022 to September 30, 2022

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

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 SA, for the period from April 1, 2022 to September 30, 2022,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. 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.

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 consistency with the condensed half-yearly consolidated financial statements.

Paris-La Défense and Lyon, November 23, 2022

French original signed by

KPMG SA		ERNST & YOUNG Audit	
Department of KPMG SA			
Laurent Genin *Partner*	Rémi Vinit Dunand *Partner*	Benjamin Malherbe *Partner*	Jacques Pierres *Partner*