2018 - 2019
HALF-YEAR REPORT

soitec

CONTENTS

soitec

1 | PERSONS RESPONSIBLE

1.1. PERSON RESPONSIBLE FOR THE HALF-YEAR REPORT

Paul Boudre, Chief Executive Officer

1.2. STATEMENT FROM THE PERSON RESPONSIBLE FOR THE HALF-YEAR REPORT

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

November 28, 2018
Paul Boudre
Chief Executive Officer

2 | STATUTORY AUDITORS

Principal Auditors

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

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

Date of first appointment: July 25, 2016

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

Ernst & Young Audit represented by Nicolas Sabran

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

Date of first appointment: July 25, 2016

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

Alternate Auditors

Salustro Reydel (alternate for KPMG S.A.)

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

Date of first appointment: July 25, 2016

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

Auditex (alternate for Ernst & Young Audit)

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

Date of first appointment: July 25, 2016

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

3 | RISK FACTORS

The main risks and uncertainties facing the Group during the remaining six months of fiscal 2018-2019 are those described in Chapter 4 "Risk Factors" found on pages 11-23 of the Soitec 2017-2018 Registration Document filed with the French Financial Markets Authority (AMF) on July 18, 2018 under number D. 18-0586. We have conducted a review of these risks and found no new risk.

4 | REVIEW OF FINANCIAL POSITION AND RESULTS

The half-year business report that follows must be read in conjunction with the condensed interim consolidated financial statements for the period ended September 30, 2018 and the Company's Registration Document for fiscal 2017-2018 filed with the French Financial Markets Authority on July 18, 2018 under number D.18-0586.

In the first half of fiscal year 2018-2019, the Group operated in two business segments:

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

The Solar Energy sector handled the production and marketing of concentrator photovoltaic modules; the design and construction of turnkey solar power plant projects; and the operation of photovoltaic installations. It notably includes the financing activities related to the Touwsrivier solar power plant in South Africa (an equity-accounted company held at 20% and a loan provided to one of the plant's shareholders), which are classified as assets available for sale and it includes some ongoing maintenance activities, primarily in Europe and the United States.

4.1. POSITION AND BUSINESS OF THE GROUP

First half 2018 was marked by the continued restructuring of balance sheet, especially the issue of OCEANE 2023 convertible bonds for 150 million euros, the repayment of credit lines for 29.8 million euros and the acquisition of assets related to the planned start-up of activities in Singapore.

Strong sales growth of 30.7% was recorded, accompanied by excellent operating profitability in the Electronics business.

As of September 30, 2018, the Group's consolidated shareholders' equity totaled 328.4 million euros (versus 278.6 million euros at March 31, 2018) and net debt was 18.9 million euros (versus net cash of 41.7 million euros at March 31, 2018). Available cash was 174.6 million euros, compared with 120 million euros at March 31, 2018.

Total activity rose steadily over the first half of the fiscal year, with revenue of 186.9 million euros versus 143 million euros during the first six months of the preceding year. This growth was due to the sharp increase in volumes of 300-mm wafer sales to 35.7 million euros, i.e. a rise of 79.6% compared to the first half of 2017-2018. Sales of 200-mm wafers increased by 8.1 million euros, or 8.6%, compared with the first half of 2017-2018.

The increase in revenue had a favorable impact on gross margins, which were up 19.8 million euros from the first half of 2017-2018. Current operating income amounted to 41.6 million euros, a rise of 19.1 million euros compared with the current operating income of 22.5 million euros recorded in the first half of the previous fiscal year.

Research and development expenditure was down by 1.2 million euros thanks to sales of prototypes. It fell from 9.5 million euros in the first half of fiscal year 2017-2018 to 8.3 million euros in the first half of fiscal year 2018-2019, representing 4.4% of revenue.

General and administrative expenses were up 1.2 million euros, an increase driven primarily by a payroll expense related to management's long-term incentive plan and free share plans for employees. Sales and marketing costs increased by 0.7 million euros.

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

4.2. ELECTRONICS SEGMENT

The Electronics segment generated revenue of 186.9 million euros in the first half of the year, an increase of 31% over the same period in the previous year (143.0 million euros).

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

- Geographic distribution of revenue of the Electronics segment

	H1 2018-2019	H1 2017-2018	H1 2016-2017
United States	20%	25%	20 %
Europe	41%	41%	49 %
Asia	39%	34%	32 %

- Distribution of revenue of the Electronics segment by customer

	H1 2018-2019	H1 2017-2018	H1 2016-2017
Top five customers	54%	59%	64 %
Customers No. 6 to 10	29%	23%	25 %
Other customers	17%	17%	11 %

- Distribution of Electronics segment revenue by product family

	H1 2018-2019	H1 2017-2018	H1 2016-2017
300 mm SOI	43%	31%	20 %
Small diameters	55%	66%	78 %
Other	2%	3%	2 %

(In thousands of euros)	For the 6-month period ended September 30, 2018	For the 6-month period ended September 30, 2017
300-mm SOI	80,595	44,867
Small diameters	102,038	93,922
Other	4,262	4,186
Total	**186,896**	**142,975**

In comparison with the first half of the previous fiscal year, sales of small diameter wafers (200 mm) rose by 8.6% to 102 million euros versus 93.9 million euros at September 30, 2017. These wafers are primarily intended for radiofrequency (RF) and power electronics applications for the mobility and automobile markets. This growth was made possible because of both the performance of the Bernin 200 mm SOI wafer production unit, which operated at full capacity, and the additional volumes outsourced by Soitec to its subcontractor partner Simgui.

Sales of 300-mm SOI wafers grew 79.6% to 80.6 million euros, compared to 44.9 million euros at September 30, 2017. This growth mainly reflects an increase in sales of 300-mm fully-depleted silicon-on-insulator wafers (FD-SOI) to major foundries within our strategic customer base and an increase in 300-mm wafer sales destined for radiofrequency applications (RF).

The distribution of sales between the 300-mm and 200-mm wafers is better balanced, with 43% of the revenue generated by sales of 300-mm wafers versus 31% at September 30, 2017.

Other income, mainly licensing income, remained stable at 4.3 million euros (4.2 million euros at September 30, 2017).

4.3. OTHER ACTIVITIES SEGMENT

Revenues and costs related to the Solar Energy sector recorded in the first half of fiscal 2018-2019 are presented on a separate line in the income statement as profit/(loss) from discontinued operations. This profit/(loss) mainly comprises an operating loss of 1 million euros and a financial loss of 2.2 million euros, including a foreign exchange loss related to the fluctuation of the ZAR.

4.4. GROSS MARGIN

Gross margin represents the difference between the revenue and the cost of sales. Cost of sales includes the cost of resources used in the production of goods sold (raw materials, consumables, employee-related costs, depreciation and amortization, energy and fluids).

Gross margin improved, rising from 46.3 million euros (32.4% of revenue) in the first half of 2017-2018 to 66.1 million euros (35.4% of revenue) in the first half of 2018-2019.

4.5. RESEARCH AND DEVELOPMENT

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

Research and development costs essentially consist of the following:

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

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

A portion of the subsidies used to finance R&D activities may be granted in the form of redeemable advances. In accordance with IAS 38 and IAS 20, if the Group believes that the technical and commercial progress of the projects makes the probability of success too low, the corresponding development costs are not capitalized but are booked directly through income and the corresponding repayable advances are recognized as a deduction from these costs, regardless of the notifications from the financial organizations which can intervene only later when milestones are reached that put an end to the programs or open the period to repayment of the advances.

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

Soitec SA benefits from research tax credits (CIR). These credite are presented in the income statement as a deduction from research and development costs, in accordance with IAS 20. Research tax credits recorded in the financial statements in the first half of fiscal 2018-2019 totaled 8.4 million euros.

Net R&D expenses amounted to 8.3 million euros (4.4% of revenue) versus 9.5 million euros (6.7% of revenue) in the first half of fiscal 2017-2018. This drop of 1.2 million euros reflects Increases in sales of prototypes (+2 million euros), CIR and subsidies (+0.9 million euros) as well as gross research and development operating costs (+1.7 million euros). These expenditures reflect the continually reaffirmed strategy to develop Soitec with a unique positioning through its new product generations.

4.6. OPERATING EXPENSES

4.6.1. Sales and marketing expenses

Sales and marketing expenses amounted to 4.2 million euros over the first half-year, versus 3.5 million euros over the same period in 2017-2018.

4.6.2. General and administrative expenses

General and administrative expenses rose 12% to total 12 million euros over the first half of 2018-2019, versus 10.7 million euros over the first half of 2017-2018. This year-on-year increase of 1.2 million euros primarily reflects a payroll expense related to management's long-term incentive plan and free share plans for employees.

4.7. CURRENT OPERATING INCOME/(LOSS)

Current operating income was up 85% to 41.6 million euros (22% of revenue), compared with 22.5 million euros (15.7% of revenue) in the first half of fiscal 2017-2018.

4.8. OPERATING INCOME/(LOSS)

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

Over the first half of 2018-2019, the Group did not recognize other significant operating income or expenses (these were also non-significant in the first half of 2017-2018). Operating income was 41.6 million euros (22% of revenue), compared with 22.5 million euros in the first half of 2017-2018.

4.9. FINANCIAL INCOME/(EXPENSE)

Over the first half of the 2018-2019 fiscal year, the Group posted a net financial expense of 0.4 million euros versus net income of 4.5 million euros over the first half of 2017-2018.

This net expense was due to the following:

- -1.1 million euros in financial expenses on the OCEANE 2023 convertible bonds (versus an expense of -0.4 million euros recognized over the first half of 2017-2018 on the OCEANE 2018 convertible bonds);
- -0.1 million euros in interest expenses on lease contracts (versus an expense of -0.4 million euros over the first half of 2017-2018);
- +0.4 million euros in other financial income and expenses (versus +0.2 million euros over the first half of 2017-2018, on a comparable basis. The reversal of provisions of +4.6 million euros relating to the recovery of a guarantee deposit on the bond for the South African Touwsrivier solar power plant over the first half of 2017-2018 was non-recurring);
- Foreign exchange gains amounted to 0.4 million euros (versus a gain of 0.5 million euros recorded in the first half of fiscal 2017-2018).

4.10. NET PROFIT/ (LOSS) FROM DISCONTINUED OPERATIONS

The net profit/(loss) from discontinued operations amounted to a loss of 3.3 million euros compared with a loss of 1.2 million euros for the first six months of 2017-2018.

At September 30, 2018, the operating profit/(loss) from discontinued operations amounted to a loss of 1 million euros, including mainly current operating expenses and divestment expenses on solar activities. Financial income/(expense) from discontinued operations mainly comprised unrealized foreign exchange losses related to the depreciation of the ZAR (-2.3 million euros) and other financial income (0.1 million euros).

4.11. PROFIT / (LOSS) AND TAXES

The Group recognized a net profit of 32.6 million euros over the first half of 2018-2019 compared with a net profit of 23.2 million euros over the first half of fiscal 2017-2018.

Profit before tax from continuing operations was 41.2 million euros (versus 27 million euros at September 30, 2017) and income tax was 5.2 million euros for the current fiscal year versus an income tax expense of 2.6 million euros for the first half of 2017-2018.

Basic earnings per share was 1.03 euros (up from 0.76 euros over the first half of fiscal 2017-2018). Diluted earnings per share was 0.984 euros (versus 0.74 euros over the first half of fiscal 2017-2018).

4.12. BALANCE SHEET

4.12.1. Non-current assets

No impairment loss was identified at closing at September 30, 2018.

The value of intangible assets and property, plant and equipment increased by 89 million euros. This change is primarily the result of:

- asset purchases during the period: +75.3 million euros;
- finance leases: +7.1 million euros;
- goodwill arising from the business combination between Dolphin Integration and Dolphin Design: +7.9 million euros;
- first time consolidation of Dolphin Design into the Group (acquisition of Dolphin Integration assets): +2.3 million euros;
- first-time application of IFRS 16 - Leases: +4.9 million euros,
- a foreign exchange variation of +2.9 million euros,
- depreciation and amortization: -10.6 million euros.

Non-current financial assets were stable with an increase in investments in non-consolidated companies of 1.5 million euros offset by a reduction in the valuation of financial instruments (derivative assets).

The 4.3 million euros increase in other non-current assets mainly reflects the increase in the non-current share of tax receivables.

4.12.2. Working capital requirement

The change in the working capital requirement (BFR) includes the change in inventories, trade receivables, trade payables, advances and installments paid or received, subsidies (receivables and payables) and redeemable advances, pre-paid income and expenses, tax and social security receivables and payables, tax receivables and payables related to corporate income tax and other operating receivables and payables.

In the first half of 2018-2019, the change in working capital requirements was -52.4 million euros versus -29.3 million euros for the first half of the previous year. This change is explained by inventories (-19.6 million euros), customer receivables and related accounts (-28.4 million euros), other receivables (-5.4 million euros) and other liabilities (-5.9 million euros), partially offset by favorable changes in trade payables (5.7 million euros) and working capital requirement for discontinued activities (1.1 million euros).

4.12.3. Financial liabilities

Financial liabilities increased from 78.3 million euros at the end of March 2018 to 193.5 million euros at the end of September 2018.

This 115.2 million euros increase is mainly due to the issue of new OCEANE 2023 convertible bonds (+128.3 million euros), the valuation of the liability (7.7 million euros) related to the put option granted to MBDA on the 40% of shares of Dolphin Design, net finance leases (5.5 million euros), leases restated under IFRS 16 (4.4 million euros) and the valuation of foreign exchange hedging instruments – derivative liabilities (5.1 million euros), partially offset by the repayment of credit lines (-29.8 million euros) and factoring (-6.9 million euros).

4.12.4. Net debt

Net debt (financial liabilities less cash) amounted to 18.9 million euros at September 30, 2018, versus net cash of 41.7 million euros at March 31, 2018.

4.13. CASH POSITION AND FINANCING

Net cash generated by operating activities was positive in the amount of 7.7 million euros for the first half of 2018-2019, including 8.1 million euros in positive cash flows from continuing operations and -0.4 million euros in negative flows for discontinued operations.

For continuing operations, this change reflects a positive auto-financing capacity of 61.4 million euros, which could respond to the significant use of WCR over the period (-53.5 million euros) due in large part to the increase in inventories (-19.6 million euros) and trade receivables and related accounts (-28.4 million euros).

Cash flows from investing activities totaled -64.9 million euros at September 30, 2018 versus -1.9 million euros at September 30, 2017. Cash flows from continuing operations amounted to -64.9 million euros at September 30, 2018 and mainly comprised the acquisition of fixed assets at the Bernin and Singapore sites for -66.1 million euros.

Cash flows from financing activities were 109.2 million euros in the first half of 2018-2019 (versus negative flows of -9.1 million euros at the same period in the previous fiscal year). This amount breaks down primarily into funds received from the issue of new OCEANE 2023 convertible bonds, net of issuing fees (147.6 million euros) less loan repayments (-38.5 million euros).

In total, the Group's cash rose by 54.6 million euros during the first half of 2018-2019 to reach 174.6 million euros.

4.14. OBJECTIVES OF THE CASH MANAGEMENT POLICY

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

5 | INFORMATION ON TRENDS

The Soitec Group posted a solid performance in the first half of fiscal 2018-2019. Growth continued to be supported by an increase in sales of FD-SOI and RF-SOI 300-mm wafers. This is a further indication of the increasing adoption of its FD-SOI technology by end customers. At the same time, the Group continues to reap the benefits of its RF-SOI technology and more specifically, the upswing in 300-mm RF-SOI wafers, as confirmed by recent announcements made by several foundries. The Group benefited from a solid operating performance at its various production sites, leading it to upgrade its EBITDA margin forecast for the full- year period.

6 | FINANCIAL INFORMATION

6.1. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2018

6.1.1. Consolidated income statement

(In thousands of euros)	Notes	For the 6-month period ended September 30, 2018	For the 6-month period ended September 30, 2017 (*)
Sales		**186,896**	**142,975**
Cost of sales		(120,827)	(96,671)
Gross profit		**66,069**	**46,305**
Sales and marketing expenses		(4,236)	(3,492)
Research and development costs	7.5.2	(8,282)	(9,533)
General and administrative expenses		(11,980)	(10,737)
Current operating income		**41,570**	**22,543**
Other operating expenses	7.5.4	(9)	(82)
Operating income		**41,562**	**22,461**
Financial income		1,237	6,024
Financial expenses		(1,643)	(1,482)
Financial (income)/expense		(406)	**4,542**
Profit/ (loss) before tax		**41,156**	**27,003**
Income tax	7.5.5	(5,237)	(2,637)
Net profit/(loss) from continuing operations		**35,919**	**24,366**
Net profit/(loss) from discontinued operations	**7.5.6**	**(3,344)**	**(1,195)**
CONSOLIDATED NET PROFIT/(LOSS) FOR THE PERIOD		**32,575**	**23,171**
NET PROFIT/(LOSS) (GROUP SHARE)		**32,575**	**23,171**
Basic earnings/(loss) per share (in euros)		1.03	0.76
Diluted earnings/(loss) per share (in euros)		0.98	0.74

(*) The Group applied IFRS 15, IFRS 9 and IFRS 16 for the first time from April 1, 2018. Comparative data are not restated on account of the transition method chosen (modified retrospective approach).

Basic earnings per share totaled 1.03 euros, divided between continuing operations (1.135 euros) and discontinued operations (-0.106 euros).

Diluted earnings per share totaled 0.984 euros, divided between continuing operations (1.085 euros) and discontinued operations (-0.1 euros).

6.1.2. Comprehensive Income

(In thousands of euros)	Notes	For the 6-month period ended September 30, 2018	For the 6-month period ended September 30, 2017(*)
Consolidated net profit/(loss) for the period	6.1.1	**32,575**	**23,171**
Items of comprehensive income that may be reclassified to the income statement:			
- of which foreign exchange differences on translation of foreign entities	6.1.4	2,916	(4,823)
- of which change in the fair value of hedging instruments	6.1.4	(12,570)	12,158
- Tax on items recognized in other comprehensive income		4,190	(4,182)
Items of comprehensive income that may not be reclassified to the income statement:			
Income and expenses recognized in other comprehensive income	-	**(5,464)**	**3,153**
COMPREHENSIVE INCOME FOR THE PERIOD	6.1.4	**27,111**	**26,324**
Total comprehensive income (Group share)	6.1.4	*27,111*	*26,324*

(*) The Group applied IFRS 15, IFRS 9 and IFRS 16 for the first time from April 1, 2018. Comparative data are not restated on account of the transition method chosen (modified retrospective approach).

6.1.3 Consolidated statement of financial position

Assets (in thousands of euros)	Notes	September 30, 2018	March 31, 2018 (*)
Non-current assets			
Intangible assets	7.4.1	27,159	8,179
Property, plant and equipment	7.4.2	204,346	134,343
Non-current financial assets	7.4.3	9,088	9,114
Other non-current assets	7.4.4	49,191	44,914
Deferred tax assets		17,634	18,998
Total non-current assets	-	**307,418**	**215,548**
Current assets			
Inventories	7.4.5	59,152	39,952
Trade receivables	7.4.6	90,796	56,823
Other current assets	-	12,141	10,672

Current financial assets	-	2,861	12,787
Cash and cash equivalents	7.4.7	174,559	119,957
Total current assets	-	**339,509**	**240,192**
Assets held for sale and related to discontinued operations	7.4.8	18,051	23,964
TOTAL ASSETS	**-**	**664,978**	**479,704**

Equity and liabilities (in thousands of euros)	Notes	September 30, 2018	March 31, 2018 (*)
Equity			
Share capital	6.1.4	62,762	62,762
Share premium	6.1.4	61,200	61,200
Treasury shares	6.1.4	(432)	(432)
Retained earnings (accumulated losses)	6.1.4	203,597	148,721
Other reserves	6.1.4	1,243	6,325
Equity (Group share)	6.1.4	328,370	278,576
Total equity	**6.1.4**	**328,370**	**278,576**
Non-current liabilities			
Long-term financial debt	7.4.11	174,862	59,649
Provisions and other non-current liabilities	7.4.12	15,026	11,449
Total non-current liabilities		**189,888**	**71,098**
Current liabilities			
Short-term financial debt	7.4.11	18,637	18,610
Trade payables		48,835	42,427
Provisions and other current liabilities		69,961	56,806
Total current liabilities	-	**137,433**	**117,843**
Liabilities related to discontinued operations	7.4.8	9,287	12,187
TOTAL EQUITY AND LIABILITIES		**664,978**	**479,704**

(*) The Group applied IFRS 15, IFRS 9 and IFRS 16 for the first time from April 1, 2018. Comparative data are not restated on account of the transition method chosen (modified retrospective approach).

6.1.4. Statements of changes in equity:

(In thousands of euros)	Number of ordinary shares	Number of preference shares (*)	Capital	Share premium	Treasury shares	Reserves and retained earnings	Other reserves	**Equity (Group share)**	**Total equity**
March 31, 2017 (**)	**30,311,510**		**60,623**	**887,516**	**(475)**	**(806,050)**	**7,501**	**149,115**	**149,115**
Items of comprehensive income that may be reclassified to the income statement:									
- of which: foreign exchange differences on translation of foreign entities							(4,823)	(4,823)	(4,823)
- of which: changes in the fair value of hedging Instruments							12,158	12,158	12,158
- of which: tax on items recognized in other comprehensive income							(4,182)	(4,182)	(4,182)
Items of comprehensive income that may not be reclassified to the income statement:									
Total income and expenses in the fiscal year recognized in other comprehensive income							**3,153**	**3,153**	**3,153**
Net income/(loss) from continuing operations						24,366		24,366	24,366
Net income/(loss) from discontinued operations						(1,195)		(1,195)	(1,195)
Comprehensive income for the period						23,171	3,153	**26,324**	**26,324**
Exercise of stock options and/or definitive allocation of free shares		236,157	24			(24)			
Impact of conversion of OCEANE	1,056,057		2,112	39,171		(1396)		39,887	39,887
Capital increase costs				(385)				(385)	(385)
Treasury share transactions					43		(24)	19	19
Share-based payments						1,845		1,845	1,845
Reclassifications						583	(583)	0	0
Other						(23)		(23)	(23)
September 30, 2017 (**)	**31,367,567**	**236,157**	**62,759**	**926,302**	**(432)**	**(781,893)**	**10,047**	**216,782**	**216,782**

(*) Following the expiration on July 26, 2017 of the one-year vesting period affecting 18 beneficiaries of the free preference share allocation plan, which was approved by the Ordinary and Extraordinary Shareholders' Meeting of April 11, 2016 (on first notice) and April 29, 2016 (on second notice), the implementation of which by the Board of Directors began on July 26, 2016, 236,157 preference shares, each with a par value of 0.10 euros, were issued at par, resulting in an increase of 23,615.70 euros in the Company's share capital.

(**) The Group applied IFRS 15, IFRS 9 and IFRS 16 for the first time from April 1, 2018. Comparative data are not restated on account of the transition method chosen (modified retrospective approach).

(In thousands of euros)	Number of ordinary shares	Number of preference shares	Capital	Share premium	Treasury shares	Reserves and retained earnings	Other reserves	**Equity (Group share)**	**Total equity**
March 31, 2018	**31,367,567**	**269,365**	**62,762**	**61,200**	**(432)**	**148,721**	**6,325**	**278,576**	**278,576**
IFRS 15 – first-time adoption							375	375	375
Opening adjusted	**31,367,567**	**269,365**	**62,762**	**61,200**	**(432)**	**148,721**	**6700**	**278,951**	**278,951**
Items of comprehensive income that may be reclassified to the income statement:									
- of which: foreign exchange differences on translation of foreign entities							2,916	2,916	2,916
- of which: changes in the fair value of hedging Instruments							(12,570)	(12,570)	(12,570)
- of which: deferred tax on items recognized in other comprehensive income							4,190	4,190	4,190
Items of comprehensive income that may not be reclassified to the income statement:									
Total income and expenses in the fiscal year recognized in other comprehensive income							**(5,464)**	**(5,464)**	**(5,464)**
Net income/(loss) from continuing operations						35,919		35,919	35,919
Net income/(loss) from discontinued operations						(3,344)		(3,344)	(3,344)
Comprehensive income for the period						**32,575**	**(5,464)**	**27,111**	**27,111**
Exercise of stock options and/or definitive allocation of free shares									
Impact of IFRS restatements OCEANE 2023 convertible bonds (net of issue expenses and deferred tax liabilities (*)						13,581		13,581	13,581
Share-based payments						8,517	-	8,517	8,517
Reclassifications									
Other						203	7	210	210
September 30, 2018	**31,367,567**	**269,365**	**62,762**	**61,200**	**(432)**	**203,597**	**1,243**	**328,370**	**328,370**

(*) On June 28, 2018, the Group issued a 5-year convertible bond. In accordance with IAS 32, an amount of 20,372 thousand euros (before allocation of deferred tax liabilities) was recognized directly in equity.

6.1.5. Statement of cash flows

(In thousands of euros)	Notes	For the 6-month period ended September 30, 2018	For the 6-month period ended September 30, 2017 (*)
Net profit/(loss) from continuing operations	6.1.1	35,919	24,366
Net profit/(loss) from discontinued operations	6.1.1-7.5.6	(3,344)	(1,195)
CONSOLIDATED NET PROFIT/(LOSS) FOR THE PERIOD	6.1.1	**32,575**	**23,171**
Adjustments for:			
Depreciation and amortization expenses	7.5.3	10,611	9,345
Provisions, net	-	(98)	852
Provisions for retirement benefit obligations	-	449	423
Income on asset disposals	-	(20)	(8)
Income tax	7.5.5	5,237	2,637
Financial (income)/expense	-	406	(4,542)
Share-based payments	7.4.10	8,517	1,845
Redeemable advances with no impact on cash		151	272
Impact in equity of first-time application of IFRS 15		374	
Non-cash items relating to discontinued operations		1,852	(920)
Changes in:			
Inventories		(19,580)	(717)
Trade receivables and related accounts		(28,362)	(1,029)
Other receivables		(5,396)	(2,591)
Trade payables and related accounts		5,727	(13,150)
Other liabilities		(5,861)	(11,764)
Change in working capital requirement on discontinued operations		1,107	(41)
Net cash generated by/(used in) operating activities		**7,688**	**3,783**
Of which continuing operations		8,073	*5,937*
Purchases of intangible assets		(9,758)	(756)
Purchases of property, plant and equipment		(56,340)	(9,543)
Proceeds from sales of intangible assets and property, plant and equipment		870	9
Acquisition of subsidiary, net of cash acquired		1,800	
Acquisition and disposal of financial assets		(1,486)	8,029
Investment/divestment flows related to discontinued operations		19	388
Net cash generated by/(used in) investing activities		**(64,896)**	**(1,873)**
Of which continuing operations		(64,914)	*(2,261)*

Proceeds from shareholders: capital increases and exercise of stock options		-	43
Debt Issuance (net of issuing fees)		147,597	
Repayment of borrowings (including finance leases)		(38,542)	(9,602)
Interest received		355	538
Interest paid		(307)	(1,256)
Financing flows related to discontinued operations		108	1,209
Net cash generated by/ (used in) financing activities		**109,211**	**(9,068)**
Of which continuing operations		109,103	*(10,277)*
Effects of exchange rate fluctuations		2,598	(3,024)
CHANGE IN NET CASH POSITION		**54,601**	**(10,183)**
Of which continuing operations		54,859	*(9,625)*
Cash at beginning of the period		119,957	109,286
Cash at end of the period		174,558	99,103

(*) The Group applied IFRS 15, IFRS 9 and IFRS 16 for the first time from April 1, 2018. Comparative data are not required to be restated on account of the transition method chosen (modified retrospective approach).

7 | NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2018

7.1. OVERVIEW OF THE COMPANY AND BUSINESS

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

The Group operates in two business segments:

- Electronics: the Group's historical business that produces and markets substrates and components used in the semiconductor industry. The wafers produced are either 300 mm wafers or wafers of smaller sizes (mainly 200 mm).
- Other Activities: operations that have largely been discontinued by the Group, including mainly the Solar Energy sector. It notably includes the financing activities related to the Touwsrivier solar power plant in South Africa (a 20% equity-accounted investment and a loan provided to one of the plant's shareholders), which are classified as assets available for sale.

7.2. ACCOUNTING POLICIES

7.2.1. Basis of preparation of the financial statements

- **Basis of preparation**

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

The consolidated half-year financial statements do not contain all the information and notes as presented in the annual financial statements. As a result, they should be read in conjunction with the Group's consolidated financial statements as of March 31, 2018.

The Group's consolidated financial statements for the period ended March 31, 2018 are available on request at the Company's headquarters at Parc Technologique des Fontaines in Bernin (38190), or on the website www.soitec.com.

- **Significant accounting policies**

The accounting policies and bases for measurement used by the Group in the preparation of the condensed interim consolidated financial statements for the period ended September 30, 2018 are the same as those used to prepare the Group's consolidated financial statements for the year ended March 31, 2018, with the exception of the recognition of income tax, the amount of which is provisioned in the interim financial statements on the basis on the best estimate of the annual tax rate expected to apply to the entire fiscal year and changes in accounting policies related to the first-time application of IFRS 15 "Revenue from Contracts with Customers", IFRS 9 "Financial Instruments" and IFRS 16 "Leases" (early adopted as of 2018-2019 fiscal year). These changes in accounting policies should also concern the Group's consolidated financial statements for the fiscal year ending March 31, 2019.

The standards, amendments and interpretations used to prepare the consolidated financial statements for the period ended September 30, 2018 are those published in the Official Journal of the European Union (OJ) before September 30, 2018 and mandatory on that date.

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

The Group has applied the following standards, amendments and interpretations, published by the IASB and adopted by the European Union, and mandatory for reporting periods beginning on or after April 1, 2018:

- IFRS 9 "Financial Instruments":

  Hedging instruments: the impact is limited.

  Non-consolidated investments: the standard provides the option to recognize the impact of these investments in profit or loss (method currently adopted by the Group) or in other comprehensive income. In the first half of fiscal 2018-2019, these investments were neither depreciated nor sold.

- IFRS 15 "Revenue from Contracts with Customers": the impact in equity of the first-time application of IFRS 15 was 0.4 million euros. Over the period, the impact on revenue and other income amounted to 23.6 million euros.

- Other new standards with mandatory application beginning on or after April 1, 2018 and which did not have any significant impact on the Group's financial statements:
  - Annual improvements to IFRS - 2014-2016 Cycle;
  - Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions";
  - IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration".
- IFRS 16 "Leases": The Group has chosen to early adopt, as of April 1, 2018 (transition date), the new standard IFRS 16 "Leases" which is mandatory for fiscal years beginning on or after January 1, 2019. The impact on the balance sheet of the first-time application is 4.9 million euros (increase in property, plant and equipment and financial liabilities), whereas the impact on the income statement is not significant.

- **IFRS 16 - Leases**

The new standard on lease contracts puts the focus on control of the leased asset. IFRS 16 replaces existing standards on leases, notably IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

Under IFRS 16, Soitec must recognize assets (corresponding to the right-of-use of the underlying assets) and lease liabilities corresponding to its obligations to pay rent, for all its lease contracts.

The value of the asset (right-of-use) and the lease liability is initially measured at the present value of future rental payments, as well as estimated payments at the end of the contract.
The lease term is defined contract by contract and corresponds to the firm period of the commitment, taking into account any optional periods if the exercise of such option is reasonably certain.

The right-of-use asset is depreciated over the remaining period of the lease.

Soitec applies the following exemptions provided for by the standard: 1) leases with a remaining term of 12 months or less, and 2) leases for which the underlying asset is of low value when new (less than USD 5,000). These rents are recognized directly as expenses.

In addition, the following simplification measures were applied on transition:
- leases with a residual term of less than 12 months as of April 1, 2018 do not give rise to the recognition of an asset and a liability;
- discount rates applied at the transition date are based on the Group's marginal borrowing rate at the transition date plus a spread to take into account the economic context specific to each country.

Leases entered into by Soitec and included in the scope of application of this standard are mainly:
- property leases ;
- vehicle and other equipment leases.

Soitec has chosen to apply the modified retrospective approach provided for by the standard, which consists in recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to opening balance of equity by considering that the right-of-use asset is equal to the amount of the lease liability, adjusted with the amount of any rental prepayments.
The lease contracts restated under IFRS 16 have a total value of 4,894 thousand euros in the balance sheet and a very limited net impact in the half-year income statement. However, the type of expenses related to these leases has changed, since the application of IFRS 16 has replaced the recognition of operating rental charges on a straight-line basis with a depreciation expense for "right-of-use" assets

amounting to 505 thousand euros and an interest expense related to the lease liabilities amounting to 38 thousand euros at September 30, 2018.

The expenses relating to leases that have not been restated, excluding very short term leases (one month or less), recognized in the income statement at September 30, 2018 was not significant (55 thousand euros).

The disclosures as stipulated by the standard are presented in Notes 7.4.2, 7.4.11 and 7.5.3.

- **Significant accounting judgments and estimates**

As part of the normal process of preparing consolidated financial statements, the determination of certain items requires Group Management to make estimates and assumptions that affect the amounts reported for assets and liabilities, as well as the disclosures provided in certain notes as of the reporting date and the amounts reported for income and expenses. These estimates and assumptions relate specifically to the depreciation of non-current assets, the valuation of the cost of the free preferred share plan, inventory depreciation, the recognition of tax loss carryforwards, the amount of provisions for contingencies and charges or provisions for employee and commercial obligations. These assumptions, estimates or assessment are prepared on the basis of available information or situations prevailing on the reporting date for the condensed interim financial statements for the period ended September 30, 2018. Depending on changes in the assumptions used or economic conditions that differ from those existing as of that date, the amounts presented in the Group's future financial statements could differ significantly from the current estimates, particularly with respect to the costs of closing or selling the business activities in the Solar Energy segment. Regarding the assets held for sale, the expected selling prices are not inferior to their net book value.

7.2.2. Significant events of the period

- **Issuance of OCEANE 2023 convertible bonds**

On June 28, 2018, the Group issued bonds convertible into new or existing shares (OCEANEs) with a maturity date of June 28, 2023, in the total amount of 150 million euros.

Under IAS 32, when an instrument contains both a financial liability and an equity component, it is a compound instrument. The liability and equity components of the instrument must be split and recorded separately.

After measuring the debt component at 129,293 thousand euros, an amount of 20,707 thousand euros (gross amount before deduction of issuing fees) was recognized in equity. Over the period, interest expenses related to the discounting of the debt amounted to 993 thousand euros, and amortization of debt Issuance costs to 99 thousand euros.
This initial classification of a convertible instrument into liability and equity components is not normally revised after initial recognition, even if the probability that the conversion option will be exercised changes over time.

Issuance costs for the OCEANE 2023 convertible bonds amounting to 2,426 thousand euros were split between the two components pro rata to their respective values. For the debt component, these costs were included in the calculation of the effective interest rate.

- **New milestones reached in the ecosystem for the ramp-up of the 300-mm RF-SOI technology**

On June 27, 2018, TowerJazz announced the ramp-up of its RF-SOI 65 nm process at its 300-mm wafer production site in Japan. This announcement was accompanied by the signature of an agreement with Soitec securing the supply of tens of thousands of 300-mm RF-SOI wafers.

On September 25, 2018, GlobalFoundries announced the qualification and start of production of its mobile-optimized 8SW 300-mm RF-SOI technology platform. GlobalFoundries indicated that several clients were currently engaged for this 300-mm RF-SOI process, designed to accommodate LTE and Sub-6 GHz standards for front-end module applications, including 5G Internet of Things, mobile devices and wireless communications. According to GlobalFoundries, the 8SW platform delivers significant performance, integration and size advantages, with power consumption reduced by up to 70% and chip size 20% smaller than the previous generation.

- **Acquisition of Dolphin Intégration**

In August 2018, the Company and MBDA Group created the company Dolphin Design, 60%-owned by Soitec SA and 40% by MBDA. This new entity enabled certain assets and liabilities of Dolphin Intégration (a company in receivership since July 2018) to be taken over as part of a business combination, for a total amount of 200 thousand euros. As at September 30, 2018, Dolphin Design was consolidated by the full method. Goodwill was recorded in the amount of 1,975 thousand euros.

In addition, the shareholder agreement granted a put option to MBDA. Under the terms of this agreement, MBDA, holding 40% of Dolphin Design, may exercise its put option between November 1 and December 31, 2022 for the total of its holding. This liability amounts to 7,669 thousand euros according to the formula set out in the shareholder agreement. After deduction of the value of non-controlling interests at the time of the acquisition, an additional goodwill of 5,910 thousand euros was recognized, as the Group applied the method of anticipated acquisition.

Accordingly, total goodwill amounted to 7,885 thousand euros at September 30, 2018.

In accordance with revised IFRS 3, the Group carried out a preliminary measurement of the fair value of assets acquired and liabilities assumed at the acquisition date. This allocation may be adjusted during a 12-month period from the acquisition date.

7.2.3. Consolidation principles

All the companies which the Group controls are consolidated.

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

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

As of September 30, 2018, the consolidated financial statements integrate the accounts of the Company and the subsidiaries listed below:

Entity	Date of consolidation	Percentage interest	Country	Functional currency
Soitec USA LLC	1997	100.00%	United States	US Dollar
Soitec Japan Inc.	June 2004	100.00%	Japan	Japanese Yen
Soitec Microelectronics Singapore Pte Ltd	June 2006	100.00%	Singapore	US Dollar
Soitec Korea	July 2011	100.00%	South Korea	US Dollar
Soitec Corporate Services	July 2012	100.00%	France	Euro
Soitec Trading Shanghai	November 2013	100.00%	China	Yuan
Frec|n|sys SAS	October 2017	100.00%	France	Euro
Dolphin Design SAS	August 2018	100.00%	France	Euro
Entities of the Solar Energy segment:				
Soitec Solar GmbH	December 2009	100.00%	Germany	Euro
Soitec USA Holding Inc. *	December 2009	100.00%	United States	US Dollar
Soitec Solar Industries LLC	December 2009	100.00%	United States	US Dollar
Soitec Solar Development LLC	September 2010	100.00%	United States	US Dollar
Soitec Solar France SAS	October 2011	100.00%	France	Euro
Soitec Solar Chile S.p.A.	July 2013	100.00%	Chile	Chilean peso
Soitec Solar RSA Ltd	April 2011	100.00%	South Africa	Rand
CPV Power Plant No.1 Ltd (Touwsrivier)	October 2009	20.00%	South Africa	Rand
CPV Power Plant No. 1 Bond SPV Ltd	September 2012	20.00%	South Africa	Rand
Concentrix Holding SAS	March 2018	100.00%	France	Euro
Project entities in the solar segment:**				
CPV Power Plant n°2 (Pty) Ltd	September 2010	100.00%	South Africa	Rand

* Formerly Soitec Solar Inc.

** In the context of its Solar Energy business, the Group established special purpose entities to hold the permits, administrative authorizations, costs and income related to solar power plant projects. In general, the intention was to sell these legal entities to investors once the projects were sufficiently advanced.

The following entities were removed from the scope of consolidation during the period:

Entity	Change in scope
CPV Power Plant n° 1 Equity SPV Ltd.	Loss of control after dilution followed by full divestment
Black Mountain CPV Power Plant (Pty) n° 3	Liquidated company
Schmidtsdrift CPV Power Plant (Pty) n° 4	Liquidated company

These withdrawals had insignificant impact on net profit/(loss) for fiscal 2018-2019 (a gain of 4 thousand euros).

7.3. SEGMENT REPORTING

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

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

Information on the calculation of EBITDA:

EBITDA presented in the segment analysis table represents operating income (EBIT) before depreciation, amortization, impairment, non-monetary items related to share-based payments, and changes in provisions on current assets and provisions for risks and contingencies, and excluding any profit or loss from asset disposals. The Impact in equity of the first-time application of IFRS 15 is included in EBITDA. This alternative indicator of performance is a non-IFRS quantitative measure used by the Group to determine the company’s ability to generate cash from its operating activities. EBITDA is not defined by an IFRS standard and should not be considered an alternative to any other financial indicator.

Key segment information is presented below:

Breakdown of the consolidated income statement:

	For the 6-month period ended September 30, 2018			For the 6-month period ended September 30, 2017		
(In thousands of euros)	Electronics	Other activities	Total	Electronics	Other activities	Total
Sales	186,896		186,896	142,975		142,975
Gross profit	**66,069**		**66,069**	**46,305**		**46,305**
Gross research and development costs	(24,017)		(24,017)	(22,337)		(22,337)
Sales of prototypes and other income	5,638		5,638	3,656		3,656
Grants and redeemable advances	10,097		10,097	9,148		9,148
Net research and development costs	**(8,282)**		**(8,282)**	**(9,533)**		**(9,533)**
Sales and marketing expenses	**(4,236)**		**(4,236)**	**(3,492)**		**(3,492)**
General and administrative expenses	**(11,980)**		**(11,980)**	**(10,738)**		**(10,738)**

Current operating income	**41,570**		**41,570**	**22,543**		**22,543**
Other operating expenses	(8)		(8)	(82)		(82)
Other operating income and expenses	**(8)**		**(8)**	**(82)**		**(82)**
EBIT	**41,562**		**41,562**	**22,461**		**22,461**
Amortization and depreciation	*10,611*		*10,611*	*9,345*		*9,345*
Share-based payments	*8,517*		*8,517*	*1,845*		*1,845*
Provisions, net	*(98)*		*(98)*	*852*		*853*
Provisions for retirement benefit obligations	*449*		*449*	*423*		*423*
Income on asset disposal	*(20)*		*(20)*	*(8)*		*(8)*
IFRS 15 first-time adoption	374		374			
EBITDA from discontinued operations		(1,493)	(1,493)		(2,115)	(2,115)
EBITDA	**61,395**	**(1,493)**	**59,902**	**34,918**	**(2,115)**	**32,803**

Breakdown of the balance sheet:

	September 30, 2018			March 31, 2018		
(In thousands of euros)	Electronics	Other activities	Total	Electronics	Other activities	Total
Intangible assets, net	27,159		27,159	8,179		8,179
of which goodwill	*9,287*		*9,287*	*1,402*		*1,402*
Property, plant and equipment, net	204,346		204,346	134,343		134,343
Non-current financial assets	9,088		9,088	9,114		9,114
Other non-current assets	49,191		49,191	44,914		44,914
Non-current assets (1)	**289,784**		**289,784**	**196,550**		**196,550**
Inventories	59,152		59,152	39,952		39,952
Trade receivables	90,796		90,796	56,823		56,823
Current financial assets	2,861		2,861	12,787		12,787
Other current assets	12,141		12,141	10,672		10,672
Current assets (2)	**164,950**		**164,950**	**120,234**		**120,234**
Trade payables	48,835		48,835	42,427		42,427
Other current and non-current liabilities	84,987		84,987	68,255		68,255
Current and non-current liabilities (3)	**133,822**		**133,822**	**110,682**		**110,682**
Assets held for sale and related to discontinued		18,051	18,051		23,964	23,964
Liabilities held for sale and related to		9,287	9,287		12,187	12,187
Net assets held for sale and related to discontinued operations (4 = a - b)		**8,764**	**8,764**		**11,777**	**11,777**
Capital employed (1) + (2) - (3) + (4)	**320,912**	**8,764**	**329,676**	**206,102**	**11,777**	**217,879**

Breakdown of revenue

Revenue by segment can be analyzed as follows:

(In thousands of euros)	For the 6-month period ended September 30, 2018 *	For the 6-month period ended September 30, 2017 *
300-mm SOI	80,595	44,867
Small diameters	102,038	93,922
Other	4,262	4,186
Total Electronics	**186,896**	**142,975**
Total revenue	**186,896**	**142,975**

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

7.4. NOTES TO THE BALANCE SHEET

As no indicators of impairment were identified, the Group did not update the impairment tests at the half-year closing on September 30, 2018.

7.4.1 Intangible assets

During the first half of fiscal year 2018-2019, the details of changes in net values by asset category were as follows:

In thousands of euros)	Good will	Capitalized development projects	Concessions, patents and other rights	Software	Intangible assets in progress	Total
March 31, 2018	**1,402**		**17**	**1,559**	**5,199**	**8,179**
Assets put into service			25	1,615	(1,640)	0
Acquisitions					9,758	9,758
Change in scope	7,885		2,017			9,902
Currency translation adjustments					51	51
Amortization (expense for the period)			(144)	(586)	-	(730)
SEPTEMBER 30, 2018	**9,287**		**1,915**	**2,589**	**13,368**	**27,159**

Dolphin Design goodwill

The acquisition price for the Dolphin Integration assets and liabilities was 200 thousand euros, and the put option granted on 40% of the Dolphin Design securities was valuated at 7,669 thousand euros, bringing the total acquisition price to 7,869 thousand euros. The total value of assets acquired and liabilities assumed was -16 thousand euros. Provisional goodwill amounted to 7,885 thousand euros.

(In thousands of euros)	
Counterparty transferred	7,869
Less fair value of identifiable net assets	(16)
Provisional goodwill	**7,885**

In thousands of euros	Fair value recognized
Property, plant and equipment	309
Intangible assets	2,016
Trade and other payables	(4,100)
40% of securities held by MBDA	1,759
Total identifiable net assets acquired	**(16)**

In accordance with revised IFRS 3, the Group carried out a preliminary measurement of the fair value of assets acquired and liabilities assumed at the acquisition date. This allocation may be adjusted during a 12-month period from the acquisition date.

7.4.2 Property, plant and equipment

During the first half of fiscal year 2018-2019, the details of changes in net values by asset category were as follows:

(In thousands of euros)	**Buildings**	**Equipment and tooling**	**Other**	**Property, plant and equipment in progress**	**Total**
March 31, 2018	**69,749**	**41,164**	**613**	**22,819**	**134,343**
Assets put into service	1,148	10,182	1,024	(12,354)	-
Acquisitions	-	-	-	65,585	65,585
Finance leases	-	-	-	7,071	7,071
Lease assets – IFRS 16 restatement	4,481	-	413		4,894
Reclassification between asset categories	(697)	697	-	-	-
Change in scope	-	-	309	-	309
Currency translation adjustments	1,778	3	-	1,094	2,875
Amortization (expense for the period)	(4,109)	(5,501)	(271)	-	(9,881)
Disposals or retirements	-	(160)	-	(690)	(850)
September 30, 2018	**72,350**	**46,385**	**2,088**	**83,525**	**204,346**

Leases – IFRS 16

Leases restated under IFRS 16 are recorded in the balance sheet as follows:

(In thousands of euros)	Carrying amount of rights-of-use as at the transition date (April 1, 2018)	Increase in rights-of-use	Depreciation of rights-of-use	Carrying amount of rights-of-use as at September 30, 2018
Leases restated under IFRS 16, by category:				
Buildings	4,481	-	(434)	4,047
Other fixed assets	413	-	(71)	342
Total leases restated under IFRS 16	**4,894**	**-**	**(505)**	**4,389**

7.4.3. Non-current financial assets

Non-current financial assets break down as follows:

(In thousands of euros)	September 30, 2018	March 31, 2018
Financial assets - Investments	9,985	8,498
Loans	181	180
Deposits and guarantees	3	3
Derivative financial instruments	-	1,512
Gross value	**10,169**	**10,193**
Financial assets - Investments	(900)	(900)
Loans	(181)	(180)
Provision for impairment	**(1,080)**	**(1,080)**
Non-current financial assets, net	**9,088**	**9,114**

7.4.4. Other non-current assets

Other non-current assets break down as follows:

(In thousands of euros)	**September 30, 2018**	**March 31, 2018**
Tax receivables	47,646	42,557
Prepayments on orders of non-current assets	1,204	2,023
Deposits and guarantees	341	334
Gross value	**49,191**	**44,915**
Other non-current assets, net	**49,191**	**44,914**

The tax receivable of 47.6 million euros at September 30, 2018 represents:

- the non-current portion of the research tax credit for the calendar years 2015, 2016 and 2017 and the first three quarters of 2018, in the amount of 43.6 million euros (39.1 million euros at March 31, 2018);

- the non-current portion of the competitiveness and employment tax credit for the calendar years 2015, 2016 and 2017 and the first three quarters of 2018, in the amount of 4 million euros (3.5 million euros at March 31, 2018).

The total amount of the research tax credit receivable (current and non-current portions) was 43.9 million euros at September 30, 2018 (39.4 million euros at March 31, 2018).

7.4.5 Inventories

Inventories can be analyzed as follows:

(In thousands of euros)	**September 30, 2018**	**March 31, 2018**
Raw materials	30,204	25,292
Production in progress	14,259	11,595
Finished products and goods	20,934	9,278
Gross value	**65,398**	**46,165**
Provisions for depreciation	(6,246)	(6,212)
Inventories, net	**59,152**	**39,952**

7.4.6. Trade receivables

As of September 30, 2018, the age analysis of receivables was as follows:

(In thousands of euros)	**Total trade receivables**	**Not due**	**Less than 30 days past due**	**30 to 60 days past due**	**60 to 90 days past due**	**More than 90 days past due**
Gross value	91,354	81,300	7,626	1,350	319	759
Provision for impairment	(558)	-	-	-	-	(558)
Net value at September 30, 2018	**90,796**	**81,300**	**7,626**	**1,350**	**319**	**201**
Gross value	57,380	53,317	1,924	1,317	148	674
Provision for impairment	(557)	(10)				(547)
Net value at March 31, 2018	**56,823**	**53,307**	**1,924**	**1,317**	**148**	**127**

7.4.7. Cash and cash equivalents

Cash and cash equivalents can be analyzed as follows:

(In thousands of euros)	**September 30, 2018**	**March 31, 2018**
Cash	129,558	79,957
Cash equivalents	45,000	40,000
Total cash and cash equivalents	**174,559**	**119,957**

7.4.8. Discontinued operations

Following the decision to withdraw from the Solar Energy sector, the Group shut down all its production and research and development activities in San Diego (US) and Freiburg (Germany) and continued to sell off its remaining assets. The held for sale assets remaining include the financial assets related to the solar power plant in South Africa: the equity-accounted companies CPV Power Plant No. 1 and CPV Bond (20% share), and the financing (principal and interest) provided to one of the shareholders of the Touwsrivier plant, for which the Group believes that the criterion for a highly probable sale within 12 months has been met.

The remaining assets and liabilities are presented below:

	Assets and liabilities held for sale and related to discontinued operations	
(In thousands of euros)	**September 30, 2018**	**March 31, 2018**
Equity-accounted companies	6,614	7,684
Non-current financial assets	11,189	12,584
Other non-current assets	6	6
Non-current assets	**17,809**	**20,274**
Trade receivables	114	143
Other current assets	38	1,363
Current financial assets	90	2,184
Current assets	**242**	**3,690**
Total assets (1)	**18,051**	**23,964**
Non-current liabilities		
Short-term financial liabilities		1,977
Trade payables	211	384
Provisions and other current liabilities	9,076	9,826
Current liabilities	**9,287**	**12,187**
Total liabilities (2)	**9,287**	**12,187**
Net assets (1) – (2)	**8,764**	**11,777**

The assets and liabilities held for sale (related to the Touwsrivier solar power plant in South Africa) at September 30, 2018 represent:

- the shares representing 20% of CPV Power Plant No. 1 (Touwsrivier), and its subsidiary CPV Bond. The investments were measured at fair value (6,614 thousand euros at September 30, 2018 compared with 7,687 thousand euros at March 31, 2018, the change between the two fiscal years being solely attributable to foreign exchange impacts);

- a receivable of 11,189 thousand euros at September 30, 2018 relating to the financing granted to a shareholder of the Touwsrivier power plant (compared with 12,584 thousand euros at March 31, 2018, the change between the two fiscal years being solely attributable to foreign exchange impacts);

- “Provisions and other liabilities” consist primarily of the provisions detailed below. They relate to operations that have been discontinued or sold and the commitments underlying these terminations or sales:

(In thousands of euros)	March 31, 2018	Expense for the period	Reversals (used)	Reversals (unused)	Currency translation adjustment	September 30, 2018
- Employee departure plan	3					3
Cost of cessation of operations and compensation	331					331
Bernin site	**335**					**335**
- Employee departures	74	26				100
Dismantling of solar power plants (excl. US) and compensation	4,469		(39)			4,431
- Costs of cessation of operations	2,047		(146)	(320)		1,580
Freiburg site	**6,590**	**26**	**(185)**	**(320)**		**6,111**
- Employee departures		205			2	207
- Losses Operating losses	1,060	78	(414)		64	788
Dismantling of solar power plants located in the United States and compensation	174	89		(23)	12	252
San Diego site	**1,235**	**371**	**(414)**	**(23)**	**79**	**1,247**
- Costs of cessation of operations	404	70	(27)		(43)	405
South African site	**404**	**70**	**(27)**		**(43)**	**405**
Total	**8,564**	**467**	**(626)**	**(343)**	**36**	**8,098**

7.4.9. Appropriation of income

The Shareholders' General Meeting of July 26, 2018 decided to carry forward the profit as retained earnings and not to distribute a dividend.

7.4.10. Share-based payments

Free preference shares allocation plan

Following the decision to establish a free preference share allocation plan, contingent rights to preference shares were granted to eligible employees and corporate officers. These rights will enable the definitive allocation of preference shares followed by conversion into ordinary shares, subject to continued employment and performance conditions based on reaching a target stock market price and internal performance criteria based on achieving the target EBITDA level for fiscal years 2017-2018 and 2018-2019. At the end of September 2018, 269,365 preference shares were fully vested.

The amount recognized in the income statement for this free preference share allocation plan in respect of the period ended September 30, 2018 was an expense of 3,976 thousand euros, including the social contribution (compared with an expense of 2,519 thousand euros for the period ended September 30, 2017).

Free shares allocation plans for Soitec employees

Plans dated March 28th, 2018

The Board of Directors of March 28, 2018 decided to set up two free ordinary share allocation plans for all Company employees to recognize and reward their efforts in creating value.

Combined with conditions pertaining to presence and length of service and without a condition on performance, these two plans led to the allocation of 187,749 ordinary shares in total to employees for their loyalty and their contribution to the efforts made in recent years. This represents approximately 0.6% of the Company's share capital as at March 28, 2018.

The ordinary shares thus allocated will be effectively and definitively acquired by beneficiaries subject to presence as employees of Soitec on the first working day following March 28, 2020.

The amount recognized in the income statement for these free share allocation plans for employees of Soitec in respect of the period ended September 30, 2018 is an expense of 3,336 thousand euros, including the social contribution.

Plans dated July 26th, 2018

The Board of Directors of July 26, 2018 decided to set up two other free ordinary share allocation plans. They are destinated to all the employees of the Company and its subsidiaries in a bid to involve them in achieving the Group's growth objectives.

Combined with conditions pertaining to presence, length of service and performance, these two plans led to the allocation of 344,981 ordinary shares in total to employees which represent approximately 1.1% of the Company's share capital as at July 26, 2018. These ordinary shares are divided as follows:

- 307,373 ordinary shares allocated to employees of the Company and its French subsidiary frec|n|sys which represent approximately 0.98% of the share capital, and
- 37,608 ordinary shares allocated to foreign subsidiaries of the Company in the U.S.A., Singapore, Japan, South Korea and Taiwan, which represent approximately 0.12% of the share capital.

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

The amount recognized in the income statement for these free share allocation plans for employees of Soitec in respect of the period ended September 30, 2018 is an expense of 1,717 thousand euros, including the social contribution.

7.4.11. Loans and financial liabilities

The due dates for repayment of loans and financial liabilities at September 30, 2018 are as follows:

	September 30, 2018				
(In thousands of euros)	**Less than 1 year**	**1 to 5 years**	**> 5 years**	**Total**	**March 31, 2018**
Leases:					
Finance leases - equipment	2,343	9,478	2,378	14,199	8,728
Finance leases - IFRS 16 restatement	1,003	2,927	476	4,406	
Loans:					
Bond: OCEANE 2018		128,294		128,294	
Bank loan	47	128		175	175
Other loans and financial liabilities:					
Redeemable advances	1,125	7,916		9,041	8,205
Financial services payables	1			1	1
Derivative financial instruments, liabilities	2,977	2,298		5,275	158
Authorized credit line used	11,141	13,298		24,439	60,992
Other financial liabilities		7,669		7,669	
Total loans and financial liabilities	**18,637**	**172,008**	**2,854**	**193,499**	**78,259**

On June 28, 2018, the Group issued a convertible bond (OCEANE 2023) in the amount of 150 million euros. After measuring the debt component, and in accordance with IAS 32, the Group recognized a liability of 127.2 million euros (net of issue costs). The Group recorded interest expenses and amortization of Issue costs for 1.1 million euros in respect of the current fiscal year.

The Dolphin Design shareholder agreement includes a put option granted to MBDA. Under this option, MBDA may require Soitec to purchase the 40% of Dolphin Design securities between November 1 and December 31, 2022. This option constitutes an obligation that was valued at 7,669 thousand euros, presented under financial liabilities.

Leases – IFRS 16

Leases restated under IFRS 16 are recorded under financial liabilities as follows:

(In thousands of euros)	Carrying amount of rental liabilities as at the transition date (April 1, 2018)	Reduction in rental liabilities	Increase in rental liabilities	Carrying amount of rental liabilities at September 30, 2018
Leases restated under IFRS 16, by category:				
Buildings	4,481	(418)	-	4,063
Other fixed assets	413	(70)	-	343
Total leases restated under IFRS 16	**4,894**	**(488)**	**-**	**4,406**

7.4.12. Provisions and other non-current liabilities

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

(In thousands of euros)	**September 30, 2018**	**March 31, 2018**
Deferred income	5,058	2,005
Deposits and guarantees received	62	59
Non-current liabilities	**5,120**	**2,064**
Provisions	9,906	9,385
Provisions and other non-current liabilities	**15,026**	**11,449**

At September 30, 2018, the principal items of deferred income were the following:

- a prepayment on a licensing agreement signed in May 2014 in radio frequency applications and power applications (total 2.2 million euros, divided between a non-current portion of 1.8 million euros and a current portion of 0.4 million euros);
- revenue from the sales of prototypes and the research tax credit relating to development projects, for a total of 3.2 million euros.

Provisions for non-current contingencies and expenses comprise the provision for retirement indemnities in the amount of 9,906 thousand euros.

7.4.13. Provisions

Provisions can be analyzed as follows:

(In thousands of euros)	**March 31, 2018**	**Expenses over the fiscal year**	**Reversals (used)**	**Reversals (unused)**	**September 30, 2018**
Current provisions:					
Litigation	2,083	213	(110)	(303)	1,883
Restructuring	442	-	(283)		159
Total current	**2,525**	**213**	**(393)**	**(303)**	**2,042**
Non-current provisions:					
Retirement benefit	9,385	521			9,906
Total non-current	**9,385**	**521**			**9,906**

7.4.14. Financial Instruments

Classification of financial instruments pursuant to IFRS 13

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

(In thousands of euros)	Notes	**Level 1**	**Level 2**	**Level 3**	**Net value on the balance sheet**
Assets:					
Cash and cash equivalents		174,558			174,558
Derivative financial instruments (positive fair value)			2,779		2,779
Liabilities:					
Derivative financial instruments			(5,276)		(5,276)
Net value at September 30, 2018		**174,558**	**(2,497)**		**172,061**
Assets:					
Cash and cash equivalents		119,957			119,957
Derivative financial instruments (positive fair value)			14,126		14,126
Liabilities:					
Derivative financial instruments			(158)		(158)
Net value at March 31, 2018		**119,957**	**13,968**		**133,925**

There were no transfers between Level 1 and Level 2 for the fair value hierarchy for the assets and liabilities that were measured at fair value between September 30, 2018 and March 31, 2018.

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

The portfolio of currency hedging derivative financial instruments was as follows at September 30, 2018:

Type of contract		**September 30, 2018**		**March 31, 2018**	
(In thousands of euros)	**Currency**	**Market value (net)**	**Hedged position**	**Market value (net)**	**Hedged position**
Hedging of balance sheet items:		**375**		**2,753**	
- of which eligible for hedge accounting (hedging of trade receivables):		367		2,755	
Forward sales	USD to EUR	59	11,139	1,418	10,145
Options	USD to EUR	307	27,643	1,337	11,540
- Of which not eligible for hedge accounting:		8		(2)	
Forward purchases (hedging of trade payables)	JPY to EUR	8	1,410	(2)	1,587
Cash flow hedges:		**(2,871)**		**11,215**	
- of which eligible for hedge accounting:		(1,156)		11,371	
Forward sales	USD to EUR	(2,127)	77,839	5,374	60,872
Options	USD to EUR	971	49,240	5,997	67,188
- Of which not eligible for hedge accounting:		(1,715)		(156)	
Options	USD to EUR	(1,715)	76,883	(156)	78,727
Total hedges		**(2,497)**		**13,968**	

The amounts recognized over the period result, after deferred taxes, in a reduction of 8.4 million euros in other items of comprehensive income, and a fall of 2.6 million euros in net profit.

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

soitec

7.5. NOTES TO THE INCOME STATEMENT

7.5.1 Employee-related costs

Employee-related costs break down as follows:

(In thousands of euros)	**For the 6-month period ended September 30, 2018**	**For the 6-month period ended September 30, 2017**
Personnel-related costs, including social charges	(43,880)	(38,438)
Competitiveness and employment tax credit (CICE)	592	594
Pension costs	(449)	(428)
Share-based payment expenses*	(9,028)	(1,845)
Total employee-related costs	**(52,765)**	**(40,117)**

* Including the social contribution.

The main change from the 6-month period ended September 30, 2017 relates to the cost of the free preference share allocation plan and the free share allocation plans for employees of Soitec: 9,029 thousand euros versus 2,518 thousand euros, including the social contribution.

7.5.2 Research and development costs

Research and development costs can be analyzed as follows:

(In thousands of euros)	**For the 6-month period ended September 30, 2018**	**For the 6-month period ended September 30, 2017**
Gross research and development operating costs	**(24,018)**	**(22,337)**
Sales of prototypes	5,638	3,656
Research and development grants recognized in profit/(loss)	1,742	2,804
Research tax credit	8,355	6,344
Total income deducted from gross operating costs	**15,735**	**12,804**
Total research and development operating costs, net	**(8,282)**	**(9,533)**

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

7.5.3. Amortization and depreciation included in the consolidated income statement

(In thousands of euros)	For the 6-month period ended September 30, 2018	For the 6-month period ended September 30, 2017
Cost of sales	(8,292)	(6,676)
Research and development costs	(1,773)	(2,565)
Sales and marketing expenses	(43)	(3)
Administrative expenses	(503)	(101)
Total depreciation and amortization expenses	**(10,611)**	**(9,345)**

The increase in depreciation and amortization of administrative expenses is mainly linked to the application of IFRS 16.

IFRS 16 - Leases

(In thousands of euros)	Amortization of rights-of-use for the 6-month period ended September 30, 2018	Interest expense on rental liabilities for the 6-month period ended September 30, 2018	Rental expense for the 6-month period ended September 30, 2018
Leases restated under IFRS 16:			
Buildings	(434)	(36)	(454)
Other tangible assets	(71)	(3)	(73)
Total leases restated under IFRS 16	**(505)**	**(38)**	**(526)**
Leases not restated under IFRS 16:			
Variable rental expense not included in rental liabilities			-
Short-term leases (exemption)			(33)
Low value leases (exemption)			(6)
Leases not restated - impact not significant			(16)
Total leases not restated	**-**	**-**	**(55)**
Total			**(581)**

7.5.4. Other operating income and expenses

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

(In thousands of euros)	**For the 6-month period ended September 30, 2018**	**For the 6-month period ended September 30, 2017**
Total other operating income		
Expenses relating to restructuring measures and disputes	(9)	(82)
Other expenses		
Total other operating expenses	**(9)**	**(82)**
Total other operating income and expenses, net	**(9)**	**(82)**

7.5.5. Income tax

The difference between the theoretical income tax calculated using the rate applicable to the Group's entities (in France 33.33%) at September 30, 2018 and the income tax expense reflected in the income statement breaks down as follows:

(In thousands of euros)	**For the 6-month period ended September 30,**	**For the 6-month period ended September 30, 2017**
Theoretical income tax benefit (expense) at the applicable rate	**(14,436)**	**(9,297)**
Use of tax loss carryforwards	6,631	3,555
Deferred taxes not activated	0	3,663
Non-deductible provisions and expenses	(10)	(2,004)
Non-taxable income (tax credits)	2,868	2,389
Other estimation differences in provisions for income taxes	(290)	(943)
Total income tax benefit (liability)	**(5,237)**	**(2,637)**

7.5.6. Net profit/(loss) from discontinued operations

(In thousands of euros)	**For the 6-month period ended September 30, 2018**	**For the 6-month period ended September 30, 2017**
Sales	**61**	**818**
Expenses for the period	(422)	(334)
Current operating income	**(361)**	**484**
Other operating expenses, net	(673)	(783)
Operating income	**(1,034)**	**(299)**
Financial (income)/expense	(2,227)	(840)
Profit (loss) before tax	**(3,261)**	**(1,139)**
Income tax	(83)	(56)
Net profit/(loss) from discontinued operations	**(3,344)**	**(1,195)**

Financial income/(expense) from discontinued operations mainly comprised unrealized foreign exchange losses related to the depreciation of the ZAR (-2.3 million euros). Other financial income represented 0.1 million euros.

7.6. OTHER INFORMATION

7. 6.1. Related party disclosures

At the end of the Ordinary and Extraordinary Shareholders' General Meeting of July 26, 2018, and the meeting of the Board of Directors on the same date, the membership of the Board changed slightly. Eric Meurice was appointed as a new Director of the Company, for a three-year term. He succeeded Douglas Dunn, whose term expired due to his reaching an age limit set out in the Board of Directors' Internal Regulations. Eric Meurice was also elected Senior Independent Director of the Company. Moreover, he was chosen by his peers as a member of the Nomination Committee and the Strategic Committee, and took over the Chairmanship of the latter.

Since July 26, 2018, the Board of Directors has thus been comprised of:

- Thierry Sommelet, whose term as Chairman of the Board of Directors was extended beyond the term initially set, by decision of his peers on June 13, 2018;
- Paul Boudre, who also continues to lead the Company as Chief Executive Officer;
- Eric Meurice, Senior Independent Director;
- Monica Beltrametti;
- Bpifrance Participations, represented by Sophie Paquin;

- CEA Investissement, represented by Guillemette Picard;
- Laurence Delpy;
- Nadine Foulon-Belkacémi;
- Nabeel Gareeb;
- Christophe Gegout;
- Satoshi Onishi;
- Weidong (Leo) Ren.

At its meeting held on June 13, 2018, and on the recommendation of the Nomination Committee, the Board of Directors assessed and reviewed the situation of each director, in particular with regard to the independence criteria outlined in section 8 of the AFEP-MEDEF Code.

Following discussions, the Board of Directors firstly found three of its twelve directors to be independent, namely Monica Beltrametti, Laurence Delpy and Nadine Foulon-Belkacémi. These three directors have no executive mandate within the Company or Group, do not have a relationship of any nature whatsoever with the Company, the Group or the Executive Management that might compromise their respective freedom of opinion, and none of the three has any specific ties with the latter.

Furthermore, the Board of Directors noted that the non-independent Directors fall into this category on account of the business relationships existing between the Company and other companies in which certain Directors hold management positions, due to their representing shareholders holding more than 10% of the capital and voting rights of the Company, or due to the number of years they have served on the Company's Board of Directors.

Regarding Eric Meurice, the Board of Directors considers that the position as Director that he has held since April 2014 in NXP Semiconductors N.V., one of the Company's major customers, means that he should be deemed a non-independent Director.

The information set out in Sections 14.2.2 (Administrative and management bodies and executive management conflicts of interests), 19 (Related party transactions), and 20.3.1.2 (Note 5.3 Related party disclosures) of Soitec's 2017-2018 Registration Document filed with the French Financial Markets Authority (AMF) on June 18, 2018 under number D. 18-0586 is all still valid.

On the one hand, it discusses existing business relations (or those which are liable to exist) with the companies, ShinEtsu Handotai (purchases of raw materials, licensing royalties/director concerned > Satoshi Onishi), Global Foundries (wafer sales/director concerned > Douglas Dunn), CEA (research and development contracts, patent royalties/directors concerned > Christophe Gegout and CEA Investissement, represented by Guillemette Picard), Shanghai Simgui Technology Co. Ltd (licensing and service agreement, wafer purchases, distribution agreement/director concerned > Nabeel Gareeb) and Exagan (clean room services/director concerned > Paul Boudre).

On the other hand, the information describes the related party agreements and commitments already approved by the Shareholders' General Meeting that were still in effect in fiscal 2017-2018 and are still applicable today.

7. 7. SUBSEQUENT EVENTS

Not applicable.

8 | STATUTORY AUDITORS' REPORT ON THE 2018-2019 HALF-YEAR FINANCIAL INFORMATION

Soitec SA
French *Société Anonyme* with a share capital of Euros 62,762,071
Registered address: Parc Technologique des Fontaines - Chemin des Franques - 38190 Bernin (France

Statutory auditors' report on the half year financial information 2018-2019

Period from April 1 to September 30, 2018

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 to September 30, 2018;

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

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

I. Conclusion on financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Not putting into question the conclusion expressed above, we draw your attention to the paragraph «Significant accounting policies» in note «7.2.1. Principles of financial statement preparation» regarding changes in accounting policies related to the first application, as of April 1, 2018, of the new IFRS 15 «Revenue from Contracts with Customers », IFRS 9 «Financial Instruments» and the early adoption of IFRS 16 «Leases».

II. Specific verification

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

Paris-La Défense and Lyon, November 28, 2018

The Statutory Auditors
French original signed by

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

soitec