



# **BOARD OF DIRECTORS' REPORT**

## **TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING**

**OF 23 MARCH 2018**



**Soitec** – French joint-stock corporation with a share capital of 62,759,129.50 Euros  
Headquarters' address: Parc Technologique des Fontaines - Chemin des Franques - 38190 Bernin - France  
Registration number: 384 711 909 RCS Grenoble

## Ladies, Gentlemen, Dear Shareholders,

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During its meeting held on January 30, 2018, the Company's Board of Directors has decided to convene an Ordinary and Extraordinary Shareholders' General Meeting on:

**Friday 23 March 2018, at 11.00 a.m., Paris time**

**at the Company's headquarters' offices located:  
Parc Technologique des Fontaines - Chemin des Franques - 38190 Bernin - France**

in order to submit to your vote the six draft resolutions making up the below agenda.

It is specified that in case of lack of the required quorum, the Ordinary and Extraordinary Shareholders' General Meeting will be convened on Wednesday 11 April 2018 at 11.00 a.m., Paris time, at the Company's headquarters' offices located Parc Technologique des Fontaines - Chemin des Franques - 38190 Bernin - France.

### AGENDA

#### Within the competence of the Ordinary Shareholders' General Meeting

- First resolution: Allocation of the negative carry-forward account to the accounting item "Share issue, merger, contribution premiums"
- Second resolution: Ratification of the co-option of Mr. Thierry Sommelet as Director
- Third resolution: Ratification of the co-option of Mr. Nabeel Gareeb as Director
- Fourth resolution: Approval of the fixed, variable and exceptional parts making up the total compensation and benefits of any kind paid or granted to Ms. Victoire de Margerie, former Chairwoman of the Board of Directors, for the current fiscal year ending March 31, 2018

#### Within the competence of the Extraordinary Shareholders' General Meeting

- Fifth resolution: Authorization to be granted to the Board of Directors for the purpose of proceeding with the allocation of free shares
- Sixth resolution: Powers for formalities

The purpose of this report is to present the draft resolutions on which you are called to vote. It aims to explain the important items of the drafts resolutions, in accordance with the effective laws and regulations and with the best governance practices recommended in Paris. It doesn't pretend to be exhaustive. As a consequence, it is essential for you to carefully and fully read the draft resolutions wording before exercising your voting rights.

We also invite you to read our auditors' comments and observations, as mentioned in their report.

The Board of Directors unanimously recommends a positive vote on all the draft resolutions that will be submitted to you, and we hope that you will agree with our different proposals explained in this report and that you will adopt the corresponding resolutions.

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## I. Ordinary session of the Shareholders' General Meeting

Resolutions submitted to your vote in the ordinary session of the General Meeting cover the allocation of the negative carry-forward account to the accounting item "Share issue, merger, contribution premiums" (resolution 1), the ratification of the co-opted appointments of two Directors (resolutions 2 et 3), and the approval of all the compensation items of Ms. Victoire de Margerie, former Chairwoman of the Board of Directors, for the current fiscal year ending March 31, 2018 (*ex-post* « say on pay ») (resolution 4).

### 1. First resolution: Allocation of the negative carry-forward account to the accounting item "Share issue, merger, contribution premiums"

Shareholders are proposed to decide to clear the accumulated past losses as shown in the "Carry-forward" account by way of allocation on the accounting item "Share issue, merger, contribution premiums".

It is specified that after the appropriation of the profit of fiscal year ended March 31, 2017 as decided by the Joint Ordinary and Extraordinary Shareholders' General Meeting held on July 26, 2017, the "Carry-forward" account amounts to (865,102,270.86) Euros. The accounting item "Share issue, merger, contribution premiums" amounts to 926,285,268.95 Euros, before allocation.

Due to the allocation of the entire negative « Carry-forward » account on the accounting item "Share issue, merger, contribution premiums", the latter would be reduced by 865,102,270.86 Euros and would then amount to a positive balance of 61,182,998.09 Euros.

The "Carry-forward" account would be fully cleared, as well as the accumulated past losses.

Take the decision to proceed with such allocation before the end of the current fiscal year would allow the Company to record this transaction within its 2017-2018 financial statements. As a consequence, from this fiscal year, the "Equity" section shown in the "Liabilities" part of the Company's balance sheet would be sounder due to the full clearance of the accumulated past losses.

This transaction would improve the Company's balance sheet presentation, and should give the Company easier access to some specific financing sources.

## **2. Second resolution: Ratification of the co-option of Mr. Thierry Sommelet as Director**

Shareholders are asked to ratify the co-option of Mr. Thierry Sommelet as Director decided by the Board of Directors during its meeting held on November 29, 2017, to replace the company Bpifrance Investissement, having resigned, and for the remaining duration of the latter's term of office, i.e. until the close of the shareholders' general meeting that will be convened in 2019 to cast a vote on the financial statements of the fiscal year ending March 31, 2019.

Mr. Thierry Sommelet keeps on providing his experience and expertise to the Audit and Risks Committee and to the Strategic Committee. Indeed, he has personally been appointed as a member of these Committees since his co-option as Director, and has succeeded Bpifrance Investissement that he previously represented within these two Committees.

Mr. Thierry Sommelet is a French national of 48 years old, holding the position of Director and Head of Technology, Media, Telecom in the Mid & Large Cap Executive Committee of Bpifrance. He also is a member of Board of Directors or Supervisory Boards of several Technology, Media and Telecom companies, including listed companies in France or in the United States.

As announced in the Company's half-year results publication of November 29, 2017, further to Ms. Victoire de Margerie resignation's from her duties as Director and Chairwoman of the Board of Directors, Mr. Thierry Sommelet was elected as Chairman of the Board of Directors for a transition period expected to expire at the close of the shareholders' general meeting that will be convened in 2018 in order to cast a vote on the financial statements of the current fiscal year ending March 31, 2018.

Over the ten past years, Mr. Thierry Sommelet made several investments in French tech companies at *Fonds Stratégique d'Investissement* and further at Bpifrance Investissement when it was created in 2013.

He has been Bpifrance's permanent representative within the Company's Board of Directors since 2015.

## **3. Third resolution: Ratification of the co-option of Mr. Nabeel Gareeb as Director**

Shareholders are asked to ratify the co-option of Mr. Nabeel Gareeb as Director decided by the Board of Directors during its meeting held on November 29, 2017, to replace Mr. Xi Wang, having resigned, and for the remaining duration of the latter's term of office, i.e. until the close of the shareholders' general meeting that will be convened in 2019 to cast a vote on the financial statements of the fiscal year ending March 31, 2019.

Mr. Nabeel Gareeb has also been appointed as a member of the Strategic Committee, succeeding Mr. Xi Wang.

An American national of 53 years old, Mr. Nabeel Gareeb is member of the CEO office of National Silicon Industry Group (NSIG), one of the Company's strategic investors through its affiliate NSIG Sunrise S.à.r.l.. He took this position in last July 2017, in order to establish a materials eco-system to support the growth of the semiconductor industry in China.

Mr. Nabeel Gareeb is ex-CEO and ex-COO of NYSE listed public companies such as MEMC Electronic Materials Inc. and International Rectifier, and has led various private investments activities over the ten past years.

#### **4. Fourth resolution: Approval of the fixed, variable and exceptional parts making up the total compensation and benefits of any kind paid or granted to Ms. Victoire de Margerie, former Chairwoman of the Board of Directors, for the current fiscal year ending March 31, 2018**

In accordance with the provisions of Article L. 225-100 of the French Commercial Code resulting from law no. 2016-1691 of December 9, 2016 also known as Sapin II Act, in listed companies, when the shareholders' general meeting has rules on principles and criteria under the conditions set forth by Article L. 225-37-2 of the French Commercial Code, the shareholders' general meeting then have to vote on the fixed, variable and exceptional parts making up the total compensation and benefits of any kind paid or granted to the corporate officers (ex-post "*say on pay*").

According to Article R. 225-29-1 of the French Commercial Code, the following compensation items are submitted to the shareholders' vote:

- Directors' fees;
- fixed annual compensation;
- variable annual compensation;
- variable multi-annual compensation;
- stock-options allocations;
- free shares allocations;
- exceptional compensations;
- compensations, indemnities or benefits owed or that may be owed in relation to taking up duties;
- commitments mentioned in the first and sixth paragraphs of Article L. 225-42-1;
- compensation items and benefits of any kind owed or that may be owed to any of the persons mentioned in the first paragraph of Article L. 225-37-2, in relation to agreements entered into, directly or through a third party, due to his/her duties, with the company in which the duties are held, with any company controlled by the latter, in the meaning of Article L. 233-16, with any company which controls it, in the meaning of the same Article, or with any company under the same control situation in the meaning of the same Article;
- any other compensation item due in relation to his/her duties;
- benefits of any kind.

By the vote of the 4th resolution, shareholders are proposed to cast a favorable vote on the fixed, variable and exceptional parts making up the total compensation and benefits of any kind paid or granted to Ms. Victoire de Margerie, former Chairwoman of the Board of Directors, for the current fiscal year ending March 31, 2018.

In accordance with Article L. 225-37-2 of the French Commercial Code, principles and criteria for the determination, distribution and allocation of the fixed, variable and exceptional parts making up the total compensation and benefits of any kind attributable to Ms. Victoire de Margerie for fiscal year 2017-2018 (*ex-ante* "say on pay"), subject to her appointment as Director and Chairwoman of the Board of Directors, have been submitted for approval to the shareholders' general meeting held on July 26, 2017. They were prior adopted by the Board of Directors during its meeting held on June 14, 2017, upon recommendation of the Compensation and Appointments Committee further to its meetings held on June 10 and 14, 2017.

This resolution was adopted by the shareholders and as a consequence, the compensation policy of Ms. Victoire de Margerie for fiscal year 2017-2018 was approved. Also described in Chapter 15.1.3.3 of the 2016-2017 Company's Registration Document, it was made up of:

- a 50,000 Euros gross annual compensation made up of Directors' fees, to be calculated on a pro-rate basis depending on the date on which her office will take effect during the fiscal year;
- a payment of Directors' fees for her attendance to the Board of Directors' meetings and, as the case may be, for her attendance to the Committees' meetings as Committee member and/or Committee Chairwoman, under the same conditions as the Company's Directors other than Mr. Paul Boudre.

It is reminded that Ms. Victoire de Margerie was elected as Chairwoman of the Board of Directors on July 26, 2017 further to her appointment as Director by the Shareholders' General Meeting held the same day; and that on November 29, 2017, the Board of Directors has acknowledged her resignation from both her duties as Director and Chairwoman of the Board of Directors, effective as of the day before, i.e. as of November 28, 2017.

Further to her departure, Ms. Victoire de Margerie has received a gross compensation made up of Directors' fees amounting to 17,260 Euros (gross) for her duties as Chairwoman of the Board of Directors, as well as additional Directors' fees amounting to 13,118 Euros (gross) for her participation to the Board of Directors' meetings and to the meetings of the Strategic Committee and of the Compensation and Appointments Committee.

As a conclusion, the total gross amount of all the compensation items paid by the Company to Ms. Victoire de Margerie for fiscal year 2017-2018 amounts to 30,378 Euros.

The shareholders are invited to approve Ms. Victoire de Margerie's abovementioned compensation.

## II. Extraordinary session of the Shareholders' General Meeting

Resolution no. 5 aims to replace the authorization given to the Board of Directors to set up free shares allocation plans within the global limit of 5% of the share capital. By proposing these resolution, and in order to abide by legal and regulatory requirements, the Board wishes to specify its scope.

The last resolution (no. 6) concerns the granting of powers required to carry out all formalities.

### 5. Fifth resolution: Authorization to be granted to the Board of Directors for the purpose of proceeding with the allocation of free shares

Stock companies (*sociétés par actions*) are entitled to award free shares, being existing shares or shares to be issued, to their corporate officers and employees, under the conditions provided for by Articles L. 225-197-1 et seq. of the French Commercial Code.

During the Joint Ordinary and Extraordinary General Meeting held on July 26, 2017, the shareholders have authorized the Board of Directors, for a twenty-four (24) months period, to proceed with the allocation of new or existing free Company's shares, to Company's employees and corporate officers meeting the requirements set forth by Article L. 225-97-1 II of the French Commercial Code, or shares of associated companies within the meaning of Article L. 225-197-2 of the French Commercial Code; being specified that the total number of shares freely granted shall not exceed 5% of the share capital as recorded on the allocation decision date (including 20% for corporate officers). As of the date of this report, this authorization has never been used.

Further to the entry into force of the Finances law for 2018 (law no. 2017-1837 of December 30, 2017), the rate of the employer's social contribution that is applicable to the free shares plans has been reduced by 10 points, decreasing from 30% to 20%. This new 20% rate is applicable to shares freely granted pursuant to an authorization given by an extraordinary shareholders' general meeting after the publication of the said Finances law for 2018, i.e. after December 31, 2017.

In order to allow the Company to take profit of this new regime, we propose you to cancel the authorization given to the Board of Directors during the Joint Ordinary and Extraordinary Shareholders' General Meeting held on July 26, 2017 (as abovementioned) and to replace it by a new authorization of same nature.

As a consequence, we therefore ask you to authorize the Board of Directors to allocate new or existing free Company's shares, to Company's employees and corporate officers meeting the requirements set forth by Article L. 225-97-1 II of the French Commercial Code, or shares of associated companies within the meaning of Article L. 225-197-2 of the French Commercial Code; being specified that the total number of shares freely granted shall not exceed 5% of the share capital as determined on the allocation decision date (including 20% for corporate officers).

We propose you to decide that the allocation of the shares to the beneficiaries shall only be definitive after the expiry of a vesting period of which the duration will be set by the Board of Directors, being understood that the minimum duration shall be the one set by Article L. 225-197-1 of the French Commercial Code.

We also ask you to decide that the Board of Directors will have the possibility to set a condition of presence of the beneficiaries in the Group and may also set a shares holding period.

It is specified that the definitive allocation of the shares and the possibility to freely transfer them would however be acquired by a beneficiary if said beneficiary starts to suffer from one of the disabilities referred to in Article L. 225-197-1 of the French Commercial Code.

For Company's corporate officers, the definitive award of the shares shall be linked to the achievement of performance conditions which the Board of Directors will determine upon proposal of the Compensation Committee. Moreover, the Company's corporate officers would have the obligation to hold in registered account part of the free shares definitively granted at the end of the vesting period. Such holding obligation shall last until the termination of their officers' duties. The quantum of shares to which the holding obligation shall apply would be set up by the Board of Directors, upon proposition of the Compensation Committee.

Pursuant to this delegation, the Board of Directors would also be authorized to adjust, as the case may be, during the vesting period, the number of shares related to potential transactions involving the Company's capital, in order to protect the rights of the holders thereof.

This authorization, which may be used on one or more occasions, would be given for a period of twenty-four (24) months from the date of your resolution.

This authorization would be given with a right to sub-delegate as provided by law.

If the Board of Directors were to use this authorization that would be conferred to it, it would report on the use so made at the next Ordinary Shareholders' General Meeting, in accordance with the law and the applicable regulation.

## **6. Sixth resolution: Power for formalities**

Lastly, Shareholders will be asked to grant all powers to the bearer of an original, copy, or excerpt of the minutes of the General Meeting for the purpose of carrying out all formalities required by the applicable laws and/or regulations.

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## **The Board of Directors**