HALF-YEAR REPORT 2019 - 2020

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 half-year management report included hereafter presents an accurate and fair view of the significant events during the first six months of the year, their impact on the financial statements, the main transactions between related parties, as well as a description of the principal risks and uncertainties for the remaining six months of the year.

November 27, 2019

Paul Boudre

Chief Executive Officer

2 | STATUTORY AUDITORS

Principal Auditors

<u>KPMG S.A. represented by Jacques Pierre and Stéphane Devin</u>

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 our Group during the remaining six months of fiscal 2019-2020 are those described in Chapter 2 "Risk Factors" found on pages 45-51 of the Soitec 2018-2019 Registration Document filed with the French Financial Markets Authority (AMF) on July 4, 2019 under number D. 19-0649. We have conducted a review of these risks and found no new risk.

4 | REVIEW OF FINANCIAL POSITION AND RESULTS

The half-year management report that follows must be read in conjunction with the condensed interim consolidated financial statements for the period ended September 30, 2019 and our Company's Registration Document for fiscal 2018-2019 filed with the French Financial Markets Authority (AMF) on July 4, 2019 under number D.19-0649.

In the first half of fiscal year 2019-2020, our Group operated in two business segments:

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

4.1. GROUP BUSINESS AND RESULTS

The first half-year 2019 continued to see strong growth in business, high profitability, in line with our expectations for the full fiscal year, and continued investment efforts, in France, Singapore and via external growth operations with the acquisition of Epigan in May 2019.

(in € million)	First half-year 2019-2020	First half-year 2018-2019
Revenue	**258.5**	**186.9**
Gross profit	87.4	66.1
as % of revenue	*33.8%*	*35.4%*
Current operating income	51.3	41.6
as % of revenue	*19.9%*	*22.2%*
Other operating income and expenses	1.8	0.0
Operating income (EBIT)	53.2	41.6
as % of revenue	*20.6%*	*22.2%*
EBITDA Electronics (*)	**78**	**61**
as % of revenue	***30.2%***	***32.8%***
Income/(loss) from discontinued operations (**)	0.0	(3.3)
Net profit (Group share)	41.5	32.6
as % of revenue	*16.1%*	*17.4%*
Basic earnings/(loss) per share (in €)	1.30	1.03

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

This indicator is a non-IFRS quantitative measure used to measure our Company's ability to generate cash from its operating activities. EBITDA is not defined by an IFRS standard and should not be considered an alternative to any other financial indicator.

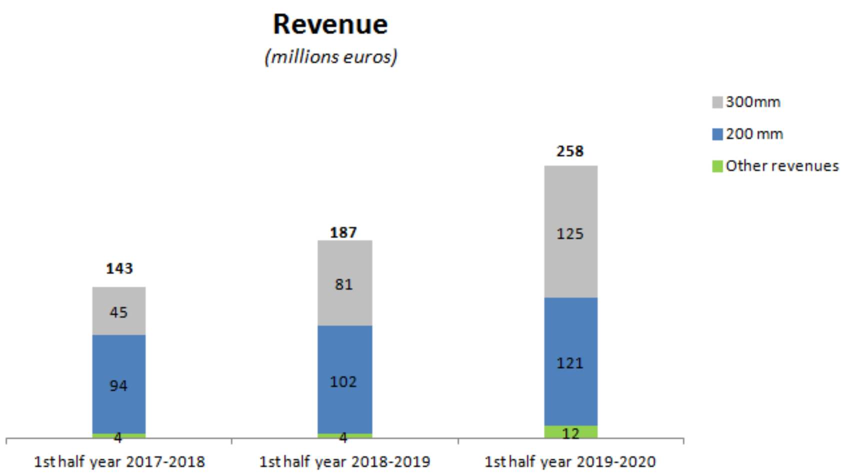
*** Restatement in application of IFRS 5 of operations mainly related to the solar power plant in South Africa.*

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".

4.1.1. REVENUE

Total activity rose steadily over the first half of the fiscal year, with revenue of €258.5 million versus €186.9 million during the first six months of the preceding year, up €71.5 million (including a favorable exchange rate impact of €9.2 million). This 38% increase is mainly due to:

- the sharp increase in volumes of 300 mm wafer sales for €45 million, i.e. a rise of 56% compared to the first half of 2018-2019;
- the increase in sales of 200 mm wafers for €19 million, or +19%, compared with the first half of 2018-2019;
- the growth in other revenue thanks to Dolphin Design.



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

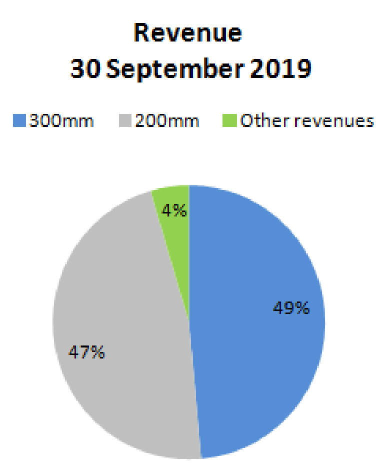
	First half-year 2019-2020	First half-year 2018-2019	First half-year 2017-2018
United States	24%	20%	25%
Europe	24%	37%	41%
Asia	52%	43%	34%

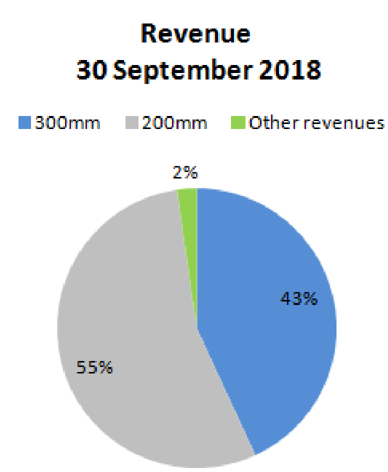
- Distribution of revenue of the Electronics segment by customer

	First half-year 2019-2020	First half-year 2018-2019	First half-year 2017-2018
Top five customers	62%	54%	59%
Customers 6 to 10	24%	29%	23%
Other customers/Royalties	13%	17%	17%

- Distribution of Electronics segment revenue by product family

(in € million)	First half-year 2019-2020	First half-year 2018-2019	First half-year 2017-2018
300mm	125	81	45
200mm	121	102	94
Other revenue	12	4	4
Total	**258**	**187**	**143**





Sales of 300 mm wafers are now predominant: they represent 48% of revenue (47% for 200 mm wafers) compared to 43% at September 30, 2018 (55% for sales of 200 mm wafers).

300 mm wafers

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

Sales of
300 mm wafers
+ 56%
+ €45
million

During the first half-year 2019-2020, sales of 300 mm wafers increased by 50% at constant exchange rates compared to the first half-year 2018-2019. This increase comes from significantly higher volumes as well as from a more favorable product mix, with a strong increase in 300 mm RF-SOI and Photonics-SOI wafers. As a result, the Bernin II plant dedicated to the production of 300-mm wafers operated at full capacity during the second quarter of 2019-2020 compared to an average of 60% during the first half-year 2018-2019.

The strong increase in the sales of 300 mm wafers is due to the rapid growth in the consumption of 300 mm RF-SOI wafers (in addition to the demand for 200 mm wafers) from by several leading fabless and foundry customers that supply still growing 4G market, as well as the deployment of first generation of 5G networks and smartphones. 5G communication standards require a growing number of radio frequency components such as switches, antenna tuners and LNA (Low Noise Amplifiers) for which RF-SOI has become the market standard.

At the same time, the adoption of FD-SOI technology continues to be driven by the high added value that it brings to various applications in the automotive, artificial intelligence, intelligent and connected domestic appliances (IoT smart home), industrial devices and chips used in 5G communications.

Our Group also recorded an increase in sales of its Photonics-SOI wafers for silicon-based optical transceivers, supported by the demand for higher data transmission speed and cost-effective optical transmissions required for the new generations of data centers.

200 mm wafers

During the first half-year 2019-2020, sales of 200 mm wafers increased by 15% at constant exchange rates and perimeter compared to the first half-year 2018-2019.

Sales of
200 mm wafers
+ 19%
+ €19
million

200 mm wafers are made of products for radiofrequency and power applications. Driven by solid growth in sales of RF-SOI wafers and the continued success of Power-SOI wafers, the increase in sales of 200 mm wafers is the result of a combination of higher volumes and a more favorable product mix.

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Compared to the first half-year 2018-2019, the additional volumes of 200 mm wafers sold mainly came from production sub-contracted to Simgui, our Group's Shanghai-based partner, as the Bernin I plant dedicated to 200 mm wafers was already operating at full capacity.

Royalties and other revenue

Thanks to the acquisition of the assets of Dolphin Integration (via Dolphin Design) in August 2018, and, to a lesser extent, to that of EpiGaN in May 2019, revenue from royalties and other revenues stood at €11.7 million for the first half-year 2019-2020 compared to €4.3 million for the first half-year 2018-2019. At constant exchange rates and perimeter this revenue increased by 20% thanks to the development of Dolphin Design's business.

4.1.2. Gross profit

Gross margin improved, rising from €66.1 million (35.4% of revenue) in the first half of 2018-2019 to €87.4 million (33.8% of revenue) in the first half of 2019-2020. Despite the favorable exchange rate impact and the increase in operating leverage resulting from the increased business, profitability was impacted as announced by:

- the increase in costs incurred by the ramp up of our Singapore plant,
- the dilutive effect on margins of the use of Simgui sub-contracting (which increased in order to meet the demand for 200 mm wafers),
- the increase in purchase prices of certain raw materials following the end of some long-term supply agreements,
- and the impact of the increase in depreciation and amortization expenses due to the high level of investment over the last few months.

4.1.3. Sales and marketing expenses

Sales and marketing expenses amounted to €4.9 million over the first half-year, versus €4.2 million over the same period in 2018-2019. They represented 1.9% of revenue at September 30, 2019 compared to 2.3% at September 30, 2018.

4.1.4. R&D net costs

Net R&D expenses amounted to €16 million (6.2% of revenue) versus €8.3 million (4.4% of revenue) in the first half of fiscal 2018-2019. This €7.7 million increase is mainly due to a higher level of gross R&D expenditure (+€6.7 million compared to the first half-year of the 2018-2019 fiscal year), mainly due to the impact of a full half-year of Dolphin Design.

These expenditures reflect the continually reaffirmed strategy to develop Soitec with a unique positioning through its new product generations.

4.1.5. General and administrative expenses

General and administrative expenses increased by 28% to total €15.3 million over the first half of 2019-2020, versus €12 million over the first half of 2018-2019. This €3.3 million increase on-the period is mainly due to the impact of:

- the consolidation of Dolphin Design and Epigan
- and the impact of the increase in employee-related costs (recruitment and other compensation items including share-based payments).

The increase in general and administrative costs remained limited compared to the increase in revenue: these costs represented 5.9% of our revenue compared to 6.4% for the previous period.

4.1.6. Current operating income

Current operating income was up 23% to €51.3 million (19.9% of revenue), compared with €41.6 million (22% of revenue) in the first half of fiscal 2018-2019.

4.1.7. EBITDA

For the six months period ended September 30, 2018, EBITDA amounted to €61 million (32.8% of revenue).

As our Group had announced, the level of EBITDA at September 30, 2019 was impacted by the downturn in gross margin rates as a percentage of revenue (excluding the impact of depreciation and amortization expenses) and the increase in general and administrative costs in value.

The EBITDA for continuing operations (Electronics) amounted to €78 million at September 30, 2019 (30.2% of revenue), fully in line with our expectations.

4.1.8. Operating income

For the first half-year 2019-2020, the other operating income and expenses represent a net income of €1.8 million.

These other operating income and expenses mainly comprise the gain from the sale of the industrial Villejust site (site unused for 4 years).

Operating income was €53.2 million (20.6% of revenue) compared to €41.6 million during the first half-year 2018-2019.

4.1.9. Financial income/(expense)

Over the first half of fiscal 2019-2020, our Group booked a net financial expense of €1.7 million compared to a net income of €0.4 million over the first half of 2018-2019.

This net expense includes mainly the following items:

- €2.2 million in financial expenses on OCEANE 2023 (compared to an expense of €1.1 million recorded during the first half-year 2018-2019 for the OCEANE 2023), due to the "full year" effect;
- Foreign exchange gains amounted to €2.1 million (versus a gain of €0.4 million recorded in the first half of fiscal 2018-2019).

4.1.10. Net profit/(loss) from discontinued operations

Net profit/(loss) after tax from discontinued operations is balanced. It compares to a loss of €3.3 million for the first six months of 2018-2019.

At September 30, 2019, the operating income/(loss) from discontinued operations amounted to income of €0.3 million, mainly including current operating expenses (net of reversals of provisions) and divestment expenses on solar activities. Financial income/ (expense) from discontinued operations mainly comprised unrealized foreign exchange losses related to the impairment of the ZAR (-€0.3 million).

4.1.11. Net profit

The Group recognized a net profit of €41.5 million over the first half of 2019-2020 compared with a net profit of €32.6 million over the first half of fiscal 2018-2019.

Basic earnings per share was 1.3 euros (up from 1.03 euros over the first half of fiscal 2018-2019). Diluted earnings per share was 1.25 euros (versus 0.984 euros over the first half of fiscal 2018-2019).

4.2. CASH AND FINANCIAL POSITION

(in € million)	09/30/2019	03/31/2019
Non-current assets	423	373
Current assets	308	258
Cash	117	175
Assets held for sale	16	17
Total Assets	**864**	**823**
Equity	452	398
Financial debt	219	222
Provisions and other non-current liabilities	30	21
Operating debts	157	175
Liabilities related to assets held for sale	5	6
Total Equity and Liabilities	**864**	**823**

4.2.1. Non-current assets

At the date of closure of the financial statements on September 30, 2019, no new indicators of impairment of non current assets had been identified compared to March 31, 2019.

The value of property, plant and equipment and intangible assets increased by €70.4 million due to investments during the period:

- acquisitions for +€54.6 million:
  - the capitalization of development expenses;
  - IT investments;
  - industrial equipment for the Bernin site (plants dedicated to 200-mm and 300-mm wafers and also Bernin III for POI substrates) and the Singapore site mainly for the installation of 300 mm SOI wafer production lines;
  - equipment used for research and development;
  - fittings and fixtures.
- Goodwill related to the Epigan acquisition for €26 million,
- the consolidation of Epigan assets: +€5.6 million,

The €20.4 million decrease in other non-current assets mainly reflects the decrease in the non-current share of the research tax credit receivables.

4.2.2. Working capital requirement

During the first half-year 2019-2020, the working capital requirement for the Electronics business increased by €41.8 million (increase of €53.5 million for the first half of the previous fiscal year). The change in working capital requirement compared to March 31, 2019 is due to:

- inventories (+€47.2 million), in line with business growth and seasonality,
- other current assets (+€10.8 million) due to the increase in current tax receivables related to the research tax credit as well as the increase in subsidies receivable,
- and other liabilities (-€16.4 million) due to the decrease in tax and social security payables (seasonality effect between March 31 and September 30),
- partially offset by the favorable changes in trade and related payables (€11.7 million) as well as
- the decrease in trade receivables and related accounts (-€20.9 million). The level of trade receivables at March 31, 2019 was high due to the high level of invoicing in March 2019.

The working capital requirement on discontinued operations increased by €0.3 million.

4.2.3. Financial debt

Financial liabilities went from €221.8 million at the end of March 2019 down to €219.3 million at the end of September 2019.

This €2.5 million decrease is mainly due to:

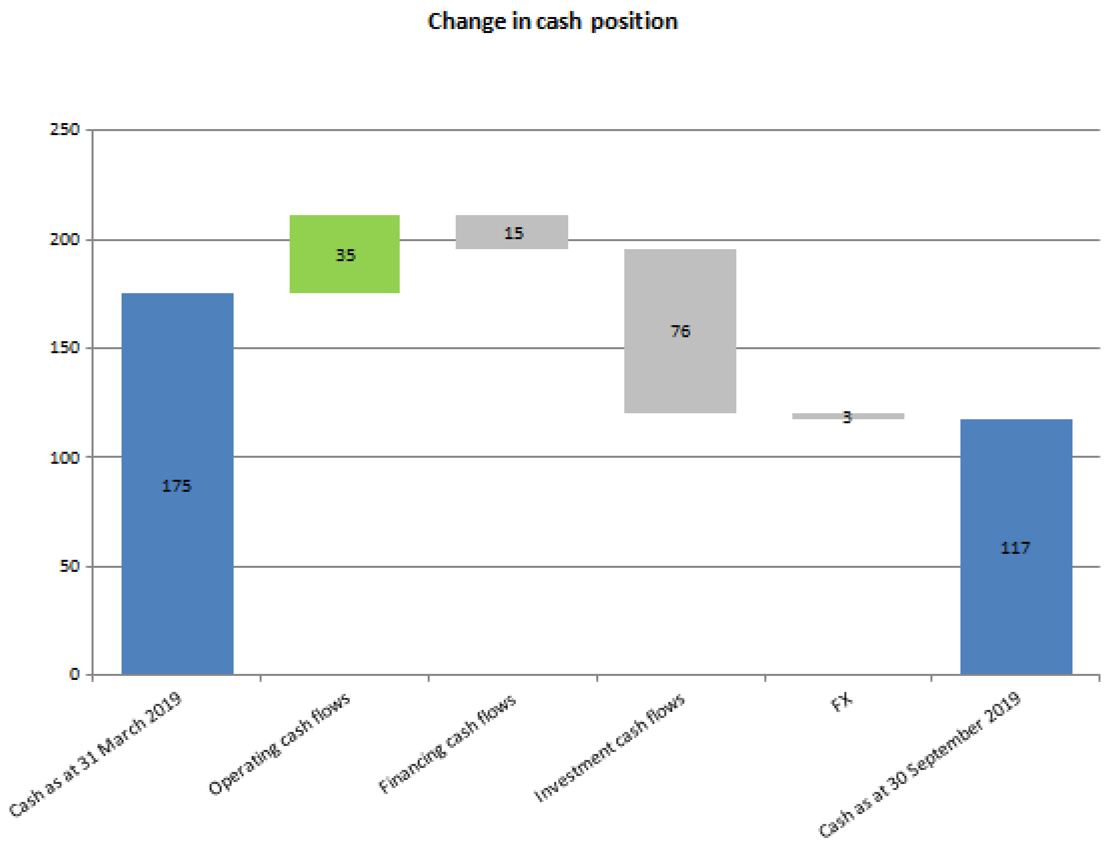
- the repayment of credit lines for €11.2 million (research tax credit pre-financing line) and leases (€4.2 million), partially offset by:
- the liability corresponding to the put option granted for Epigan and valued at €2.9 million;
- leases restated according to IFRS 16 for Epigan for €1 million;
- new leases for €7.1 million;
- the drawdown of a credit line for €1.2 million.

4.2.4. Net debt

Net debt (financial debt less cash) amounted to €102.2 million at September 30, 2019 compared to net debt of €46.5 million at March 31, 2019 due to the use of some of cash over the period to finance investments.

4.3. CASH AND FINANCING

Cash generation over the first half-year 2019-2020 (in € million):



Net cash generated by operating activities came out positive at €35.5 million for the first half of 2019-2020, including €36.3 million in positive cash flows from continuing operations and -€0.8 million in negative cash flows for discontinued operations.

For continuing operations, this change reflects a positive self-financing capacity of €78.1 million, which enabled meeting the significant use of working capital requirements over the period (-€41.8 million) due in large part to the increase in inventories (-€47.2 million) in result of the business growth and seasonality over the fiscal year.

Strong improvement in net cash generated by operating activities: €35.5 million over the first half-year 2019-2020 compared to €7.7 million over the first half-year 2018-2019

Cash flows from investing activities totaled -€75.5 million at September 30, 2019 versus -€64.9 million at September 30, 2018. They concern solely the continuing operations and mainly comprise investments during the period (as described in paragraph 4.2.1.) net of the €1.9 million gain on the sale of the Villejust site.

Cash flows from financing activities amounted to -€15.2 million during the first half-year 2019-2020 (compared to positive flows of €109.2 million for the same period of the previous fiscal year given the cash received after the issue of OCEANE 2023 bonds). They mainly comprise repayment flows (as described in paragraph 4.2.3.).

In total, our Group's cash amounted to €117 million at September 30, 2019 (€175 million at March 31, 2019).

5 | INFORMATION ON TRENDS

Our Group continued to benefit from a solid operating performance at our various production sites, leading us to confirm our guidance for fiscal 2019-2020:

- growth in our revenue at constant perimeter and exchange rates of around 30% for fiscal 2019-2020;
- EBITDA margin for the Electronics business of around 30% based on a euro/dollar exchange rate of 1.13 (sensitivity of EBITDA to a change in 10 centimes to the euro/dollar exchange rate estimated at €23 million).

Given the high production level reached in the last quarter, and the product mix going forward, the Group now anticipates FY'20 capital expenditure to reach around 110 million Euros instead of 130 million Euros previously indicated.

6 | CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2019

6.1. CONSOLIDATED INCOME STATEMENT

(In thousands of euros)	Notes	6-month period ended September 30, 2019	6-month period ended September 30, 2018
Sales	7.5.1	**258,451**	**186,896**
Cost of sales		(171,013)	(120,827)
Gross profit		**87,438**	**66,069**
Sales and marketing expenses		(4, 860)	(4,236)
Research and development costs	7.5.3	(15,961)	(8,282)
General and administrative expenses		(15,308)	(11,980)
Current operating income/(loss)		**51,309**	**41,571**
Other operating income		1,911	-
Other operating expenses	7.5.5	(65)	(8)
Operating income/(loss)		**53,155**	**41,563**
Financial income		2,306	1,237
Financial expense		(3,984)	(1,643)
Financial income/(expense)		**(1,678)**	**(406)**
Profit/(loss) before tax		**51,477**	**41,157**
Income tax	7.5.6	(9,906)	(5,237)
Net profit/(loss) from continuing operations		**41,571**	**35,920**
Net profit/(loss) from discontinued operations	7.5.7	(29)	(3,344)
Consolidated net profit/(loss)		**41,542**	**32,576**
Net profit (loss) (Group share)		**41,542**	**32,576**
Basic earnings/(loss) per share *(in €)*		1.30	1.03
Diluted earnings/(loss) per share *(in €)*		1.25	0.98

Basic earnings per share totaled 1.30 euros, divided between continuing operations (1.30 euros) and discontinued operations (0 euros).

Diluted earnings per share totaled 1.25 euros, divided between continuing operations (1.25 euros) and discontinued operations (0 euros).

6.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of euros)	Notes	6-month period ended September 30, 2019	6-month period ended September 30, 2018
Consolidated net profit/(loss)		**41,542**	**32,576**
Items of comprehensive income that may be reclassified to the income statement		5,335	(5,464)
of which: foreign exchange gains/(losses) on translation of foreign operations		5,335	2,916
of which: changes in the fair value of hedging instruments		-	(12,570)
of which: tax on items recognized in other comprehensive income		-	4,190
Items of comprehensive income that may not be reclassified to the income statement		(426)	-
of which: actuarial gains/(losses) on defined benefit plans		(650)	
of which: changes in the fair value of non-current assets		-	-
of which tax impact		224	-
Income and expenses recognized in other comprehensive income		4,909	(5,464)
Comprehensive income for the period		**46,451**	**27,112**
Group share		*46,451*	*27,112*

6.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets ***(In thousands of euros)***	**Notes**	**Sept 30, 2019**	**March 31, 2019**
Non-current assets			
Intangible assets	7.4.1	75,084	38,479
Tangible fixed assets	7.4.2	287,421	253,593
Non-current financial assets	7.4.3	11,775	11,018
Other non-current assets	7.4.4	23,961	44,351
Deferred tax assets		24,626	25,560
Total non-current assets		**422,867**	**373,001**
Current assets			
Inventories	7.4.5	122,010	72,333
Trade receivables and related accounts	7.4.6	121,078	139,344
Other current assets	7.4.7	64,468	45,601
Current financial assets		208	255
Cash and cash equivalents	7.4.8	117,063	175,308
Total current assets		**424,827**	**432,841**
Assets held for sale	7.4.9	16,286	16,697
Total Assets		**863,980**	**822,539**

Equity and liabilities ***(In thousands of euros)***	**Notes**	**Sept 30, 2019**	**March 31, 2019**
Equity			
Share capital	6.1.4	65,234	62,762
Share premium	6.1.4	61,200	61,200
Reserves and retained earnings	6.1.4	31,8652	269,553
Other reserves	6.1.4	7,240	4,802
Equity (Group share)	6.1.4	452,326	398,317
Total equity	6.1.4	**452,326**	**398,317**
Non-current liabilities			
Long-term financial debt	7.4.12	195,696	199,178
Provisions and other non-current liabilities	7.4.13 7.4.14	30,406	21,431
Total non-current liabilities		**226,102**	**220,609**
Current liabilities			
Short-term financial debt	7.4.12	23,584	22,605
Trade payables and related accounts		75,996	62,239
Provisions and other current liabilities	7.4.15	80,931	112,596
Total current liabilities		**180,511**	**197,440**
Liabilities directly related to assets held for sale	7.4.9	5,041	6 173
Total Equity and Liabilities		**863,980**	**822,539**

6.4. STATEMENTS OF CHANGES IN EQUITY

Changes in equity between March 31, 2018 and September 30, 2018

(In thousands of euros)	Number of ordinary shares	Number of preferred shares	Share 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**
First-time adoption of IFRS 15	-	-	-	-	-	-	375	375	375
Adjusted opening balance	**31,367,567**	**269,365**	**62,762**	**61,200**	**(432)**	**148,721**	**6,700**	**278,951**	**278,951**
Items of comprehensive income that may be reclassified to the income statement	-	-	-	-	-	-	**(5,464)**	**(5,464)**	**(5,464)**
of which: foreign exchange gains/(losses) on translation of foreign operations	-	-	-	-	-	-	2,916	2,916	2,916
of which: changes in the fair value of hedging instruments	-	-	-	-	-	-	(12,570)	(12,570)	(12,570)
of which: 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	-	-	-	-	-	-	**-**	**-**	**-**
of which: changes in the fair value of non-current assets	-	-	-	-	-	-	-	-	-
of which: actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-
of which tax impact	-	-	-	-	-	-	-	-	-
Total income and expenses in the fiscal year recognized in other	-	-	-	-	-	-	**(5,464)**	**(5,464)**	**(5,464)**

comprehensive income									
Income/(loss) for the period from continuing operations	-	-	-	-	-	35,919	-	35,919	35,919
Income/(loss) for the period from discontinued operations	-	-	-	-	-	(3,344)	-	(3,344)	(3,344)
Comprehensive income for the period	-	-	-	-	-	**32,575**	**(5 464)**	**27,111**	**27,111**
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
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**

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

(In thousands of euros)	Number of ordinary shares	Number of preferred shares	Share capital	Share premium	Treasury shares	Reserves and retained earnings	Other reserves	Equity (Group share)	Total equity
March 31, 2019	**31,367,567**	**269,365**	**62,762**	**61,200**	**(432)**	**269,985**	**4,803**	**398,317**	**398,317**
Items of comprehensive income that may be reclassified to the income statement	-	-	-	-	-	-	**5,335**	**5,335**	**5,335**
of which: foreign exchange gains/(losses) on translation of foreign operations	-	-	-	-	-	-	5,335	5,335	5,335
of which: changes in the fair value of hedging instruments	-	-	-	-	-	-	-	-	-
of which: tax on items recognized in other comprehensive income	-	-	-	-	-	-	-	-	-
Items of comprehensive income that may not be reclassified to the income statement	-	-	-	-	-	-	**(426)**	**(426)**	**(426)**
of which: changes in the fair value of	-	-	-	-	-	-	-	-	-

non-current assets									
of which: actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	(650)	(650)	(650)
of which tax impact	-	-	-	-	-	-	224	224	224
Total income and expenses in the fiscal year recognized in other comprehensive income	-	-	-	-	-	-	**4,909**	**4,909**	**4,909**
Income/(loss) for the period from continuing operations	-	-	-	-	-	41 571	-	41,571	41,571
Income/(loss) for the period from discontinued operations	-	-	-	-	-	(29)	-	(29)	(29)
Comprehensive income for the period	-	-	-	-	-	**41,542**	**4,909**	**46,451**	**46,451**
Share-based payments	-	-	-	-	-	7,888	-	7,888	7,888
Capital increase	1,248,019	(236,157)	2,472	-	-		(2,472)	-	-
Other	-	-	-	-	-	(330)	-	(330)	(330)
September 30, 2019	**32,615,586**	**33,208**	**65,234**	**61,200**	**(432)**	**319,085**	**7,240**	**452,326**	**452,326**

6.5. STATEMENT OF CASH FLOWS

(In thousands of euros)	Notes	6-month period ended September 30, 2019	6-month period ended September 30, 2018
Net profit/(loss) from continuing operations	6.1.1	41,571	35,920
Net profit/(loss) from discontinued operations	7.5.7	(29)	(3,344)
Consolidated net profit/(loss)		**41,542**	**32,576**
Adjustments for:			
Depreciation and amortization expenses	7.5.4	19,409	10,611
Provisions, net		(1,427)	(98)
Provisions for retirement benefit obligations		(61)	449
Income on asset disposal		(1,580)	(20)
Income tax	7.5.6	9,906	5,237
Financial income/(expense)		1,678	406
Share-based payments	7.4.11	7,888	8,517
Other items		700	525
Non-cash items relating to discontinued operations		(412)	1, 852
Changes in:			
Inventories		(47 166)	(19,580)
Trade receivables and related accounts		20,850	(28,362)
Other current assets		(10,783)	(5,396)
Trade payables and related accounts		11,734	5,727
Other liabilities		(16,469)	(5,861)
Change in working capital requirement on discontinued operations		(325)	1,106
Net cash generated by/(used in) operating activities		**35,484**	**7,689**
of which continuing operations		*36,250*	*8,074*
Purchases of intangible assets		(12,349)	(9,758)
Purchases of property, plant and equipment		(38,891)	(56,340)
Proceeds from sales of intangible assets and property, plant and equipment		1,900	870
Acquisition of subsidiary, net of cash acquired		(25,502)	1,800
(Acquisition) and disposal of financial assets		(675)	(1,486)
(Investment)/divestment flows related to discontinued operations		0	19
Net cash generated by/(used in) investing activities		**(75,517)**	**(64,895)**

of which continuing operations		*(75,517)*	*(64,914)*
Convertible bond (net of issuance expenses) - OCEANE 2023			147,597
Drawings of credit lines		1,217	
Repayment of borrowings (including leases)		(15,460)	(38,542)
Interest received		196	355
Interest paid		(1,207)	(307)
Financing flows related to discontinued operations		15	108
Net cash generated by/ (used in) financing activities		**(15,239)**	**109,211**
of which continuing operations		*(15,254)*	*109,103*
Effects of exchange rate fluctuations		(2,973)	2,598
Change in Net Cash Position		**(58,245)**	**54,602**
of which continuing operations		(57,494)	54,860
Cash at beginning of the period		**175,308**	**119,957**
Cash at end of the period		**117,063**	**174,558**

7 | NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2019

7.1. OVERVIEW OF THE COMPANY AND BUSINESS

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

Our Group operates 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 our Group, including mainly the Solar Energy sector. 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 held for sale and it includes some ongoing maintenance activities, primarily in Europe and the United States.

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 our Group's consolidated financial statements as of March 31, 2019.

Our Group's consolidated financial statements for the period ended March 31, 2019 are available on request at our Company's headquarters at Parc Technologique des Fontaines in Bernin (38190), or on our website www.soitec.com.

These condensed interim consolidated financial statements have been prepared under the responsibility of our Board of Directors of November 27, 2019.

Significant accounting policies

The accounting policies and bases for measurement used by our Group in the condensed interim consolidated financial statements at September 30, 2019 are the same as those used to prepare our Group's consolidated financial statements at March 31, 2019 with the exception of the recognition of income tax, the amount of which is provisioned in the interim financial statements on the basis of the best estimate of the annual tax rate expected to apply to the entire fiscal year and the new accounting standards with mandatory application as from April 1, 2019.

The standards, amendments and interpretations used to prepare the consolidated financial statements for the period ended September 30, 2019 are those published in the Official Journal of the European Union (OJ) before September 30, 2019 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.

Our Group has applied the following standards, amendments and interpretations, published by the IASB and adopted by the European Union, and mandatory for reporting periods beginning on or after April 1, 2019:

- IFRIC 23 – Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9 regarding prepayment features with negative compensation;
- Amendments to IAS 28 regarding long term interests in associates and joint ventures;
- Amendments to IAS 19 regarding plan amendments, curtailments or settlements;
- Annual improvements to IFRS - 2015-2017 cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23).

These new standards and interpretations did not have a significant impact on our Group's financial statements and should not have a significant impact on our Group's consolidated financial statements for the fiscal year ending March 31, 2020.

As a reminder, our Group has chosen to early adopt IFRS 16 *Leases* for the fiscal year ended March 31, 2019 (date of application as at April 1, 2018).

Standards, interpretations and amendments to existing standards applicable in advance to fiscal years beginning on or after January 1, 2019

The new standards, interpretations and amendments to existing standards applicable to fiscal years beginning on or after January 1, 2020 were not early adopted by our Group on September 30, 2019. These concern the amendments to IAS 1 and IAS 8 "Definition of Material". No significant impact is expected on our Group's financial statements.

Significant accounting judgments and estimates

As part of the normal process of preparing consolidated financial statements, the determination of certain items requires our Group Management to make estimates and assumptions that affect the amounts reported for assets and liabilities, as well as the disclosures provided in certain notes as of the reporting date and the amounts reported for income and expenses. In particular they apply to:

- the impairment of non-current assets;

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

These assumptions, estimates or 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, 2019. Depending on changes in the assumptions used or economic conditions that differ from those existing as of that date, the amounts presented in our 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 below their net book value.

7.2.2. Highlights of the period

- **Exit from the solar business**

On May 7, 2019, Soitec signed an agreement to sell its 20% stake in CPV Power Plant no. 1 (CPV #1), the project company for the Touwsrivier solar power plant in South Africa. This sale to Pele Green Energy still has to be approved by the South African authorities. This stake is valued at €4.9 million on Soitec's balance sheet at September 30, 2019.

On July 25, 2019, an agreement was signed with Pele Green Energy in relation to the repayment of the loan which is valued at €11.1 million on Soitec's balance sheet at September 30 2019.

At the date of closing of the financial statements, certain suspensive conditions required for the sale to be effective are still being fulfilled.

- **Acquisition of Epigan**

On May 13, 2019, Soitec announced that it had acquired 100% of the share capital of EpiGaN, the leading European supplier of gallium nitride (GaN) epitaxial wafers, to expand its engineered substrate portfolio into gallium nitride and thus accelerate its penetration across high-growth 5G, power and sensors market segments. EpiGaN’s gallium nitride substrates are used primarily within RF 5G, power electronics, and sensor applications.

On the date it was acquired, the company had seven employees and three corporate officers.

This acquisition was for an amount of €30,479 thousand in cash, with part of the payment being deferred (€2,540 thousand).

At September 30, 2019, Epigan's co-founders-directors hold 3.39% of the share capital. The shareholder agreement provides for a cross put/call option to these directors at a price that will be determined according to the level of achievement of performance criteria. This debt has been assessed at fair value on the acquisition date (€2,872 thousand). Our Group used the early acquisition method.

The total Goodwill amounted to €25,940 thousand euros at September 30, 2019. See note 7.4.1 "Intangible assets" for further details.

In addition, the purchase contract provides for the payment of a variable amount to the directors on the basis of performance and continuing employment conditions. This amount will be recognized in profit and loss gradually and in line with the services rendered.

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

- **Capital increase of July 26, 2019**

On July 26, 2019, our Company converted 256,796 preferred shares with a par value of €0.10 into 1,248,019 newly issued ordinary shares with a par value of €2.00 (the "Ordinary Shares"). In result of this transaction, Soitec's share capital amounts to €65,234,492.80. It is now composed of 32,615,586 ordinary shares with a par value of €2.00 and 33,208 preferred shares with a par value of €0.10.

The Combined Shareholders' General Meetings of April 11, 2016 and April 29, 2016 authorized the Board of Directors to grant free preferred shares to certain employees and corporate officers. This plan, whose purpose was to collectively encourage its beneficiaries to pursue their efforts and to align their interests with those of the shareholders, was implemented for a period of three years. Thus, as from July 26, 2016, conditional rights attached to preferred shares were granted for free several times by the Board of Directors to employees and corporate officers of our Group.

The three-year period following the first allocations made under this plan (and representing the majority of the allocations) coming to an end, and further to the approval of the financial statements for the year ended March 31, 2019, by the Shareholders' General Meeting of July 26, 2019, the conversion ratio of preferred shares into ordinary shares was set by the Board of Directors at its meeting on the same date. It was based for 50% on the achievement of objectives based on our Group's average consolidated EBITDA for the 2017-2018 and 2018-2019 fiscal years; and for 50% - on the achievement of a certain level of the volume-weighted average of the stock market prices of the Company's ordinary shares over the 30 trading days following the publication date of the last consolidated annual accounts, i.e. June 12th, 2019.

- **Co-investment plan**

The Extraordinary Shareholders' General Meeting of July 26, 2019, gave a delegation of authority to the Board of Directors to allocate free preferred shares (ADP 2) and created a new category of preferred shares convertible into ordinary shares (ADP 2) based on the achievement of targets relating to EBITDA, revenue and the total shareholder return (TSR) performance of our Company's ordinary shares compared to the Euro Stoxx 600 Technology index.

The capital increase arising from the conversion of the ADP 2 shares into ordinary shares at the conclusion of the plan will be capped at a number of ordinary shares and may not represent more than 3.75% of our Company's share capital.

Final acquisition will take place subject to continuing employment at the conclusion of three vesting periods with a duration of respectively, one, two and three years.

The capital increase arising from the issue of ADP 2 shares in respect of paid shares subscribed by employees will take place in December 2019.

- **Increase in the POI production capacity at Bernin III**

On September 13, 2019, Soitec announced an increase in the production capacity of its engineered Piezoelectric-on-Insulator (POI) substrates at Bernin III in order to meet the growing demand from its customers for 4G and 5G smartphone filters. The 4G and 5G networks use an increasing number of frequency bands to enable high speed data transmission. As a consequence, smartphones must integrate a higher number of filters with enhanced performance to ensure signal integrity and reliable communication. POI substrates enable 4G and 5G smartphone filters to combine high-performance and integration on an industrial scale. They incorporate a temperature compensation mechanism and allow the integration of multiple filters on a single die.

7.2.3. Consolidation principles

All the companies which our Group controls are consolidated.

Our Group considers that it has exclusive control over an entity when (i) it has power over the entity, (ii) it is exposed to or has rights to variable returns through its links to this entity, and (iii) it has the ability to affect those returns through its power over the entity.

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

At September 30, 2019, the consolidated financial statements included the financial statements of our Company and the subsidiaries listed below:

Entity	Date of consolidation	Percentage interest	Country	Functional currency
Soitec USA LLC	1997	100%	United States	US Dollar
Soitec Japan Inc.	June 2004	100%	Japan	Japanese Yen
Soitec Microelectronics Singapore Pte Ltd	June 2006	100%	Singapore	US Dollar
Soitec Korea LLC	July 2011	100%	South Korea	US Dollar
Soitec Corporate Services SAS	July 2012	100%	France	Euro
Soitec Trading Shanghai Co., Ltd	November 2013	100%	China	Yuan
Frec|n|sys SAS	October 2017	100%	France	Euro
Dolphin Design SAS***	August 2018	100%	France	Euro
Dolphin Ltd***	August 2018	100%	Israel	Shekel
Dolphin Inc***	August 2018	100%	Canada	Canadian dollar
Soitec Newco 1 SAS	March 2019	100%	France	Euro
Soitec Newco 2 SAS	March 2019	100%	France	Euro
Soitec Newco 3 SAS	March 2019	100%	France	Euro
Soitec Newco 4 SAS	March 2019	100%	France	Euro
Soitec Asia Holding Pte Ltd	March 2019	100%	Singapore	US Dollar
Epigan NV****	May 2019	100%	Belgium	Euro
Entities of the Solar Energy segment:				
CPV Power Plant No. 1 Ltd (Touwsrivier)	October 2009	20%	South Africa	Rand
Soitec USA Holding Inc.*	December 2009	100%	United States	US Dollar
Soitec Solar Industries LLC	December 2009	100%	United States	US Dollar
Soitec Solar Development LLC	September 2010	100%	United States	US Dollar
Soitec Solar RSA Ltd	April 2011	100%	South Africa	Rand
Soitec Solar France SAS	October 2011	100%	France	Euro
CPV Power Plant No. 1 Bond SPV Ltd	September 2012	20%	South Africa	Rand
Soitec Solar Chile S.p.A.	July 2013	100%	Chile	Chilean peso
Concentrix Holding SAS	March 2018	100%	France	Euro
Project entities in the solar segment:**				
CPV Power Plant No. 2 (Pty) Ltd	September 2010	100%	South Africa	Rand

**Formerly Soitec Solar Inc.*

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

***Our Group owns 60% of the shares but there is a commitment to repurchase the non-controlling interests.*

*****Our Group owns 96.6% of the shares but there is a commitment to repurchase the non-controlling interests.*

No entities were removed from the scope of consolidation during the period.

7.3. SEGMENT REPORTING

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

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

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

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 gain or loss from asset disposals.

The impact of the first-time application of IFRS 15 on equity is included in EBITDA for the period ended September 30, 2018.

This indicator is a non-IFRS quantitative measure used to measure our Company's ability to generate cash from its operating activities. EBITDA is not defined by an IFRS standard and should not be considered an alternative to any other financial indicator.

Key segment information is presented below:

Breakdown of the consolidated income statement

(In thousands of euros)	6-month period ended September 30, 2019			6-month period ended September 30, 2018		
	Electronics	Other Activities	Total	Electronics	Other Activities	Total
Sales	258,451		258,451	186,896		186,896
Gross profit	**87,438**		**87,438**	**66,069**		**66,069**
Gross R&D costs	*(30,759)*		*(30,759)*	*(24,017)*		*(24,017)*
Sales of prototypes and other income	*4,136*		*4,136*	*5,639*		*5,639*
Grants and repayable advances	*10,662*		*10,662*	*10,097*		*10,097*
Net R&D costs	(15,961)		(15,961)	(8,281)		(8,281)
Sales and marketing expenses	(4,860)		(4,860)	(4,236)		(4,236)
General and administrative expenses	(15,308)		(15,308)	(11,980)		(11,980)
Current operating income	**51,309**		**51,309**	**41,571**		**41,571**
Other operating income	*1,911*		*1,911*	-		-
Other operating expenses	*(65)*		*(65)*	*(8)*		*(8)*
Other operating income and expenses	1,846		1,846	(8)		(8)
Operating income (EBIT)	**53,155**		**53,155**	**41,563**		**41,563**
Depreciation	19,409		19,409	10,611		10,611
Share-based payments	7,888		7,888	8,517		8,517
Provisions, net	(1,427)		(1,427)	(98)		(98)
Provision for retirement benefit obligations	(61)		(61)	449		449
(Gains)/losses on asset disposals	(1,580)		(1,580)	(20)		(20)
IFRS 15 first-time adoption	-		-	374		374
Other adjustments	700		700	-		-
EBITDA from discontinued operations		(441)	(441)		(1,493)	(1,493)
EBITDA	**78,084**	**(441)**	**77,643**	**61,396**	**(1,493)**	**59,903**

Breakdown of the balance sheet

(In thousands of euros)	September 30, 2019			March 31, 2019		
	Electronics	Other Activities	Total	Electronics	Other Activities	Total
Intangible assets, net	75,084		75,084	38,479		38,479
of which goodwill	*34,763*		34,763	*8,471*		8,471
Property, plant and equipment, net	287,421		287,421	253,593		253,593
Non-current financial assets	11,775		11,775	11,018		11,018
Other non-current assets	23,961		23,961	44,351		44,351
Non-current assets (1)	**398,241**		**398,241**	**347,441**		**347,441**
Inventories	122,010		122,010	72,333		72,333
Trade receivables and related accounts	121,078		121,078	139,344		139,344
Current financial assets:	208		208	255		255
Other current assets	64,468		64,468	45,601		45,601
Current assets (2)	**307,764**		**307,764**	**257,533**		**257,533**
Trade payables and related accounts	75,996		75,996	62,239		62,239
Other current and non-current liabilities	111,337		111,337	134,027		134,027
Current and non-current liabilities (3)	**187,333**		**187,333**	**196,266**		**196,266**
Assets held for sale (a)		16,286	16,286		16,697	16,697
Liabilities directly related to assets held for sale (b)		(5,041)	(5,041)		(6,173)	(6,173)
Net assets held for sale (4 = a + b)		**11,245**	**11,245**		**10,524**	**10,524**
Capital employed (1) + (2) - (3) + (4)	**518,672**	**11,245**	**529,917**	**408,708**	**10,524**	**419,232**

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7.4 NOTES TO THE BALANCE SHEET

As no indicators of impairment were identified, our Group did not update the impairment tests at the half-year closing on September 30, 2019.

7.4.1 Intangible assets

During the first half of fiscal year 2019-2020, the details of changes in net values by asset category were as follows:

(In thousands of euros)	Goodwill	Capitalized development projects	Software	Other intangible assets	Intangible assets in progress	Total
March 31, 2019	**8,471**	**-**	**6,682**	**1,683**	**21,643**	**38,479**
Assets put into service	-	1,790	3,929	-	(5,719)	-
Acquisitions	-	313	1,235	-	10,801	12,349
Change in scope	25,940	1,366	-	-	-	27,306
Currency translation adjustments	-	-	87	-	53	140
Depreciation (expense for the period)	-	(489)	(2,643)	(180)		(3,312)
Other changes	352	-	(230)	-	-	122
September 30, 2019	**34,763**	**2,980**	**9,060**	**1,503**	**26,778**	**75,084**

Acquisitions of intangible assets mainly involve:

- the capitalization of development expenses (of which €7,205 thousand in intangible assets in progress at September 30, 2019);
- IT investments.

Epigan goodwill

See note 7.2.2 "Significant events of the period" for further information about the acquisition of Epigan.

Net assets repurchased amounted to €6,373 thousand. Provisional goodwill amounted to 25,940 thousand euros.

(In thousands of euros)	
Consideration (a)	32,313
Fair value of identifiable net assets (b)	6,373
Goodwill (a)-(b)	**25,940**

The consideration amounted to €32,313 thousand after taking into account:

- a firm price of €30,479 thousand (of which €2,540 thousand is subject to a payment deferred over three years);
- the sale option granted over 3.39% of Epigan's shares valued at €2,872 thousand (fair value valuation) net of the price received by Soitec for the repurchase of these shares by Epigan's directors (€1,039 thousand).

The assets acquired and liabilities assumed are broken down as follows:

(In thousands of euros)	Book value
Tangible fixed assets	4,198
Intangible assets	1,366
Inventories	471
Trade receivables	369
Cash and cash equivalents	1,398
Other current non-current assets	544
Loans	(966)
Trade and other payables	(1,007)
Total identifiable net assets acquired	**6,373**

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

During the period between the acquisition date (May 9, 2019) and September 30, 2019, Epigan contributed the amount of €668 thousand to consolidated revenue and -€1188 thousand to our Group's net profit/(loss). Our management estimates that if the acquisition had taken place on April 1, 2019, the contribution to consolidated revenue would have amounted to €787 thousand and the contribution to net profit/(loss) -€1340 thousand.

The acquisition costs, recorded as expenses, amounted to €130 thousand.

Dolphin Design goodwill

Our Group has completed its assessment of the fair value of the assets acquired and liabilities assumed from Dolphin Design. The definitive amount of goodwill stands at €7,421 thousand, representing an increase of €352 thousand compared with the provisional amount recognized at March 31, 2019.

7.4.2 Tangible fixed assets

During the first half of fiscal year 2019-2020, the details of changes in net values by asset category were as follows:

(In thousands of euros)	Buildings	Equipment and tooling	Other	Tangible fixed assets under construction	Total
March 31, 2019	**83,549**	**82,160**	**3,042**	**84,842**	**253,593**
Assets put into service	787	55,317	761	(56,865)	-
Acquisitions	2,444	6,290	484	25,964	35,182
Change in scope	868	1,451	944	935	4,198
Assets under lease contracts (IFRS 16)	-	1,518	-	5,552	7,070
Reclassification between categories and other changes	-	(705)	(145)	705	(145)
Currency translation adjustments	1,292	1,380	31	1,214	3,917
Depreciation (expense for the period)	(5,083)	(10,343)	(671)	-	(16,097)
Disposals or retirements (net value)	-	(7)	-	(290)	(297)
September 30, 2019	**83,857**	**137,061**	**4,446**	**62,057**	**287,421**

For the six-month period ended September 30, 2019, our Group acquired tangible assets in the amount of €35,182 thousand (€72,656 thousand at September 30, 2018).

These acquisitions mainly concerned industrial equipment for both the Bernin and Singapore sites and fixtures and fittings.

Tangible assets related to the consolidation of Epigan amounted to €4,198 thousand (of which €1,146 thousand from applying IFRS 16 (Leases)). These were mainly installations and industrial equipment.

7.4.3. Non-current financial assets

Non-current financial assets break down as follows:

(In thousands of euros)	September 30, 2019	March 31, 2019
Financial assets – Investments	12,291	11,698
Loans	180	180
Deposits and guarantees	168	4
Gross value	**12,639**	**11,882**
Financial assets – Investments	(684)	(684)
Loans	(180)	(180)
Provision for impairment	**(864)**	**(864)**
Non-current financial assets, net	**11,775**	**11,018**

For the six-month period ended September 30, 2019, our Group:

- increased its investment in the Technocom 2 fund by €175 thousand;
- invested €500 thousand in the Technocom 3 fund.

7.4.4. Other non-current assets

Other non-current assets break down as follows:

(In thousands of euros)	September 30, 2019	March 31, 2019
Tax receivables	21,769	42,516
Prepayments on orders of non-current assets	1,691	1,170
Deposits and guarantees	501	463
Other assets	-	202
Gross value	**23,961**	**44,351**
Other non-current assets, net	**23,961**	**44,351**

Tax receivables of €21,769 thousand at September 30, 2019 represents:

- the non-current portion of the research tax credit for the calendar year 2017 and the first three quarters of 2019, in the amount of €20,572 thousand (€40,500 thousand at March 31, 2019);
- the non-current portion of the French job competitiveness tax credit (CICE) for the calendar years 2017, 2018 and 2018 for €1,198 thousand (€3,400 thousand at March 31, 2019).

The total amount of the research tax credit receivable (current and non-current portions) was €35,065 thousand at September 30, 2019 (€52,300 thousand at March 31, 2019).

7.4.5 Inventories

Inventories break down was as follows:

(In thousands of euros)	September 30, 2019	March 31, 2019
Raw materials	68,900	40,033
Work-in-progress	19,190	13,098
Finished products and goods	41,362	25,777
Gross value	**129,452**	**78,908**
Provisions for depreciation	(7,442)	(6,575)
Inventories, net	**122,010**	**72,333**

7.4.6. Trade receivables

As of September 30, 2019, the aging analysis of receivables was as follows:

(In thousands of euros)	Total trade receivables	Not due	Less than 30 days past due	30 to 60 days past due	60 to 90 days past due	More than 90 days past due
Gross value	121,468	105,399	12,073	3,218	282	496
Provision for impairment	(390)					(390)
Net value at September 30, 2019	**121,078**	**105,399**	**12,073**	**3,218**	**282**	**106**
Gross value	139,731	131,425	2,219	2,340	2,620	1,127
Provision for impairment	(387)	0	0	0	0	(387)
Net value at March 31, 2019	**139,344**	**131,425**	**2,219**	**2,340**	**2,620**	**740**

7.4.7. Other current assets

(In thousands of euros)	September 30, 2019	March 31, 2019
Tax and social security receivables	31,227	22,425
Receivables on asset disposals	115	-
Prepaid expenses	2,795	875
Subsidies receivable	26,878	19,561
Advances, goods paid for on order	1,526	980
Deposits and guarantees	39	39
Other	1,888	1,721
Gross value	**64,468**	**45,601**
Provisions for depreciation	-	-
Other current assets, net	**64,468**	**45,601**

Same as at March 31, 2019, subsidies receivable primarily concern the "Nano 2022" (first industrialization and research and development) for Soitec S.A. as well as programs financed by the Economic Development Board of Singapore for Singapore.

7.4.8. Cash and cash equivalents

Cash and cash equivalents break down as follows:

(In thousands of euros)	September 30, 2019	March 31, 2019
Cash	87,059	130,304
Cash equivalents	30,004	45,004
Total cash and cash equivalents	**117,063**	**175,308**

7.4.9. Discontinued operations

Following the decision to withdraw from the Solar Energy sector, our 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. These remaining held for sale assets include the financial assets related to the solar power plant in South Africa: the equity-accounted investments in CPV Power Plant no. 1 and CPV Bond (20% stake), and the financing (principal and interest) provided to one of the shareholders of the Touwsrivier plant, for which our Group believes that the highly probable sale within a reasonable time period criterion has been met.

The remaining assets and liabilities are presented below:

(In thousands of euros)	Assets and liabilities held for sale and related to discontinued operations	
	September 30, 2019	March 31, 2019
Solar power plant projects		
Equity-accounted companies	4,875	5,250
Non-current financial assets	11,113	11,313
Other non-current assets	5	6
Non-current assets	**15,993**	**16,569**
Inventories		
Trade receivables and related accounts		11
Other current assets	211	34
Current financial assets:	82	83
Current assets	**293**	**128**
Total assets (1)	**16,286**	**16,697**
Long-term financial debt		
Provisions and other non-current liabilities		
Non-current liabilities	**0**	**0**
Short-term financial debt		0
Trade payables and related accounts	212	365
Provisions and other current liabilities	4,829	5,808
Current liabilities	**5,041**	**6,173**
Total liabilities (2)	**5,041**	**6,173**
Net assets (1) – (2)	**11,245**	**10,524**

The assets and liabilities held for sale (related to the Touwsrivier solar power plant in South Africa) at September 30, 2019 represent:

- the 20% stake in CPV Power Plant no. 1 (Touwsrivier) and its subsidiary CPV Bond. The investments were measured at fair value (€4,875 thousand at September 30, 2019 compared with €5,250 thousand at March 31, 2019); the change between the two periods being attributable to foreign exchange impact and to the share in the negative net result in the amount of €254 thousand).
- a receivable of €11,113 thousand at September 30, 2019 relating to the financing granted to a shareholder of the Touwsrivier power plant (compared with €11,313 thousand at March 31, 2019, the change between the two periods being solely attributable to foreign exchange impact).

- "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, 2019	Expense for the period	Reversals (utilized)	Reversals (not utilized)	Currency translation adjustment	September 30, 2019
Employee departure plan	3	-	-	(3)	-	0
Cost of cessation of operations	332	-	-	(332)	-	0
Bernin site	**335**	**-**	**-**	**(335)**	**-**	**0**
Employee departures	0	-	-	-	-	0
Dismantling of solar power plants (excl. US) & compensation	3,980	10	(11)	(73)	-	3,906
Cost of cessation of operations	553	62	(81)	-	-	534
Freiburg site	**4,533**	**72**	**(92)**	**(73)**	**-**	**4,440**
Cost of cessation of operations	383	-	(201)	(103)	5	84
Employee departures	0	-	-	-	-	0
Dismantling of solar power plants located in the United States & compensation	167	-	(63)	(105)	1	0
San Diego site	**550**	**-**	**(264)**	**(208)**	**6**	**84**
Cost of cessation of operations	357	6	(69)	-	(6)	288
South African site	**357**	**6**	**(69)**	**-**	**(6)**	**288**
Total	**5,775**	**78**	**(425)**	**(616)**	**-**	**4,812**

7.4.10. Equity

Changes in Share capital

As mentioned in Note 7.2.2 "Significant events of the period", on July 26, 2019, our Company converted 256,796 preferred shares with a par value of €0.10 into newly issued 1,248,019 ordinary shares with a par value of €2.00 (the "Ordinary Shares"). In result of this transaction, Soitec's share capital amounts to €65,234,492.80. It is now composed of 32,615,586 ordinary shares with a par value of €2.00 and 33,208 preferred shares with a par value of €0.10.

Appropriation of income

The Shareholders' General Meeting of July 26, 2019 decided to carry forward the profit as retained earnings and not to distribute a dividend.

7.4.11. Share-based payments

Long term management incentive plan

Following the decision on July 26, 2016, to establish a long-term management incentive plan, contingent rights to preferred shares were granted during fiscal year 2016-2017 to eligible employees and corporate officers. Through these contingent rights, 269,365 preferred shares vested in fiscal year 2017-2018 and 26,338 preferred shares will vest in 2019-2020.

On July 26, 2019, 256,796 preferred shares were converted into 1,248,019 ordinary shares.

The amount recognized in the income statement for this free preferred share allocation plan in the period ended September 30, 2019 was an expense of €1,890 thousand (compared with an expense of €3,976 thousand for the period ended September 30, 2018).

Free shares allocation plans for our employees

Plans dated March 28, 2018

Our Board of Directors of March 28, 2018 decided to set up two free ordinary share allocation plans for all Group employees to recognize and reward their efforts in creating value. Under the plans, subject to continued employment and length of service conditions, 187,749 ordinary shares in total were allocated to employees for their loyalty and contribution to efforts made in recent years, or about 0.6% of our Company's share capital at that date.

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.

Plans dated July 26, 2018

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

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

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

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

The amount recognized in the income statement for these free share allocation plans for employees of Soitec in respect of the period ended September 30, 2019 is an expense of €8,146 thousand, including the social security contributions (€3,336 thousand at September 30, 2018).

7.4.12. Loans and financial debts

The due dates for repayment of loans and financial liabilities at September 30, 2019 are as follows:

(In thousands of euros)	September 30, 2019				March 31, 2019
	< 1 year	1 to 5 years	> 5 years	Total	
Leases (IFRS 16)					
Equipment leases	7,327	25,277	2,443	35,047	30,763
Other leases	1,469	4,302	289	6,060	6,474
Loans					
Bond (OCÉANE 2023)	-	132,614	-	132,614	130,432
Bank loan	34	88	-	122	148
Other loans and financial liabilities					
Redeemable advances	1,518	7,470	-	8,988	10,078
Financial service providers	9	-	-	9	26
Derivative financial instruments	-	-	-	-	3,348
Committed credit line used	12,826	10,012	-	22,838	32,390
Repurchase commitment	-	10,661	-	10,661	7,725
Other financial liabilities	401	2,540	-	2,941	400
Total loans and financial liabilities	**23,584**	**192,964**	**2,732**	**219,280**	**221,784**

OCEANE 2023

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

After evaluating the debt component at €129,293 thousand, an amount of €20,707 thousand (gross amount before deduction of issuing fees) was recognized in equity for the 2018-2019 fiscal year. The amount recognized in the income statement in respect of the period ended September 30, 2019, for interest expenses related to the discount unwinding of the debt and amortization of issuing fees amounted to €2,182 thousand.

Leases

Our Group signed new equipment lease agreements (financing of production equipment for our Bernin site) in the total amount of €7,070 thousand bearing interest at rates of between 0.46% and 0.71%.

Following the consolidation of Epigan, the following have been restated:

- a building and vehicle lease agreements (impact of €206 thousand on financial debt at September 30, 2019),

- two industrial equipment leases in the amount of €785 thousand at September 30, 2019, bearing interest at the 3-month Euribor rate +1.5%.

Bank credit lines

At September 30, 2019, our Group has at its disposal bank credit lines worth €45 million with four banks. These credit lines will be amortized on a straight-line basis until March 2024 at the latest. They bear a commitment fee of 0.20%, and a utilization fee ranging from EURIBOR +0.70% to +0.80% depending on the credit lines. No covenant is attached to them.

The reduction in the amount of the authorized credit lines is explained by the repayment of the research tax credit pre-financing line and Soitec S.A.'s 2015 competitiveness and employment tax credit line following the repayment of the latter by the tax authority.

Redeemable advances

As at March 31, 2019, debts related to the redeemable advances collected under the Nanosmart and Guepard subsidy programs were recognized based on the best estimate of the reimbursements coming from their business plan (revenue generated by the new products developed under these subsidy programs) after discounting of cash flows.

Repurchase commitments

The Dolphin Design shareholder agreement includes a put option granted to MBDA. Under this option, MBDA may require Soitec to purchase the 40% of Dolphin Design securities between November 1 and December 31, 2022. This option constitutes an obligation valued at €7,789 thousand at September 30, 2019, according to the best estimate of the performance criteria achievement and presented in the financial liabilities.

At September 30, 2019, Epigan's co-founders-directors hold 3.39% of the share capital. The shareholder agreement provides for a cross put/call option for these directors at a price that will be determined according to the level of achievement of performance criteria. This debt has been assessed at fair value (€2,872 thousand).

Other financial liabilities

Other financial liabilities are in relation to the deferred portion of the Epigan firm purchase price.

7.4.13. Provisions and other non-current liabilities

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

(In thousands of euros)	September 30, 2019	March 31, 2019
Deferred income	16,797	8,515
Other	385	6
Non-current liabilities	**17,182**	**8,521**
Provisions	13,224	12,910
Provisions and other non-current liabilities	**30,406**	**21,431**

At September 30, 2019, the principal items of deferred income were the following:

- royalties to be recognized as revenue in the amount of €1,432 thousand;
- sales of prototypes and research tax credits relating to capitalized development costs for €4,897 thousand and €4,342 thousand respectively (€3,900 thousand and €3,000 thousand respectively at March 31, 2019);
- €6,125 thousand in subsidies related to investments in the Singapore site which will be recognized in income in line with the asset depreciation.

Provisions for non-current contingencies and expenses were mainly comprised of the €13,224 thousand provision for retirement benefit obligations (€12,910 thousand at March 31, 2019).

7.4.14. Provisions

Provisions break down as follows:

(In thousands of euros)	March 31, 2019	Expense for the period	Reversals (utilized)	Reversals (not utilized)	Currency translation adjustment	Actuarial gains/(losses) categorized in Other Comprehensive Income	Change in scope	Reclassifications	September 30, 2019
Current provisions									
Litigation	1,787	96	(3)	(10)	-	-	-		1,870
Other expenses		30	(77)		6		250	185	394
Restructuring	185	-	-	-	-	-	-	(185)	0
Total current	**1,972**	**126**	**(80)**	**(10)**	**6**	**-**	**250**	**-**	**2,264**
Non-current provisions									
Retirement benefit obligations	12,910	4	-	-	11	650	(351)		13,224
Total non-current	**12,910**	**4**	**-**	**-**	**11**	**650**	**(351)**		**13,224**

The "change in scope" column is for adjustments made to the opening balance sheet of Dolphin Design (finalization of the acquisition allocation accounting in the 12-month period).

7.4.15. Provisions and other current liabilities

Provisions and other current liabilities break down as follows:

(In thousands of euros)	September 30, 2019	March 31, 2019
Prepayments received on customer orders	24,354	24,104
Payable to fixed asset suppliers	14,261	21,987
Tax and social security debts	37,555	62,657
Pre-paid income	1,769	605
Other	728	1,271
Other liabilities	**78,667**	**110,624**
Provisions	**2,264**	**1,972**
Provisions and other current liabilities	**80,931**	**112,596**

The change in social security and tax liabilities between March 31, 2019, and September 30, 2019, is mainly explained by the seasonality effect between these two dates.

7.4.16. Financial Instruments

Classification of financial instruments pursuant to IFRS 9

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

(In thousands of euros)	Level 1	Level 2	Level 3	Net value on the balance sheet
Assets				
Non-consolidated investments	-	-	11,689	11,689
Cash and cash equivalents	117,063	-	-	117,063
Derivative financial instruments (positive fair value)	-	-	-	-
Liabilities				
Derivative financial instruments (liabilities)	-	-	-	-
Net value at September 30, 2019	**117,063**	**-**	**11,689**	**128,752**
Assets				
Non-consolidated investments	-	-	11,014	11,014
Cash and cash equivalents	175,308			175,308
Derivative financial instruments (positive fair value)	-	52	-	52
Liabilities				
Derivative financial instruments (liabilities)	-	(3,348)	-	(3,348)
Net value at March 31, 2019	**175,308**	**(3,296)**	**11,014**	**183,026**

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 March 31, 2019 and September 30, 2019.

At September 30, 2019, our Group no longer has a portfolio of derivative instruments.

At March 31, 2019, our Group was using currency derivative financial instruments in order to hedge the risks related to the currency exchange rates fluctuations that could occur in the context of its current business operations. The instruments used by our Group were 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 March 31, 2019:

Type of contract		**September 30, 2019**		**March 31, 2019**	
(In thousands of euros)	**Currency**	**Market value (net)**	**Hedged position**	**Market value (net)**	**Hedged position**
Hedging of balance sheet items		-		(3,295)	
of which eligible for hedge accounting: (hedging of trade receivables)		-		(1,714)	
Forward sales	USD to EUR			(1,726)	73,296
Options	USD to EUR			12	14,241
of which not eligible for hedge accounting:		-		(1,581)	
Forward sales (hedging of trade receivables)	USD to EUR			(689)	6,231
Options				(892)	14,241
Forward purchases (hedging of trade payables)	JPY to EUR			-	-
Cash flow hedges		-		1	
of which eligible for hedge accounting:		-		1	
Forward sales	USD to EUR			1	135
Options	USD to EUR			-	-
of which not eligible for hedge accounting:		-		-	-
Options	USD to EUR			-	-
Total hedges		**-**		**(3,295)**	

The amounts recognized over the period result in an increase in profit of €3,295 thousand (no movements among other items of comprehensive income).

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7.5. NOTES TO THE INCOME STATEMENT

7.5.1. Revenue

Revenue by segment can be analyzed as follows:

(In thousands of euros)	6-month period ended September 30, 2019	6-month period ended September 30, 2018
300 mm	125,335	80,595
200 mm	121,425	102,038
Income from royalties and other income	11,691	4,263
Total Electronics	**258,451**	**186,896**
Total revenue	**258,451**	**186,896**

Pursuant to IFRS 5, the revenue from the Other Activities segment has been reclassified as "Profit/(loss) from discontinued operations" (see note 7.5.7).

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

- silicon wafer sales are recognized as revenue when the control of goods passes to the customer under the terms of sale set out in the customer contracts. Revenue is generally recognized when the customer accepts delivery of the goods at their facilities or when the goods leave the warehouses of our Group's entities, depending on the Incoterm in use;
- licensing revenue is recognized on a straight-line basis over the period during which the rights are granted or may be recognized on the basis of a percentage of sales as defined in the contract. When the license agreements provide, in addition to royalties, for payments of advances or interim invoices allowing for the financing of the developments implemented to respond to the specific needs of a customer, these are recorded as earnings over the foreseeable duration of the use by the customer of the transferred technology;
- development sales (income from Dolphin Design, principally):
    - sales of IP (virtual component)/ off-the-shelf licenses with no or very few modifications. Revenue from these sales is recognized fully when IP is delivered;
    - sales of more complex IP (virtual component) requiring a significant development effort. Revenue is recognized in line with the progression of incurred costs versus total estimated costs;
    - sales of design services for components principally used in the aerospace and defense

industries. Revenue from these contracts is recognized by stage of completion.

Our Group may find itself in a position of a principal stakeholder on contracts related to consignment inventories. In this case, our Group will analyze the control transfer criteria stipulated in IFRS 15:

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

7.5.2. Employee-related costs

Employee-related costs break down as follows:

(In thousands of euros)	6-month period ended September 30, 2019	6-month period ended September 30, 2018
Personnel-related costs, including social charges*	(60,355)	(43,880)
Competitiveness and employment tax credit (CICE)	-	592
Pension costs	61	(449)
Share-based payment expenses	(7,888)	(9,028)
Total employee-related costs	**(68,182)**	**(52,765)**

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

The increase in personnel-related costs is due to:

- the consolidation of Dolphin Design (full period impact) and Epigan;
- the increase in incentive and profit-sharing expenses;
- the impact of recruitment.

7.5.3. Research and development costs

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

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

- salaries and social contributions, including share-based payments;
- operating costs of clean room equipment and equipment required for R&D;

- material used for finalizing and manufacturing prototypes;
- subcontracting to public research centers or private laboratories, cooperation agreements;
- costs relating to maintaining and strengthening our Group's intellectual property rights.

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

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

Research and development costs can be analyzed as follows:

(In thousands of euros)	6-month period ended September 30, 2019	6-month period ended September 30, 2018
Gross research and development operating costs	**(30,759)**	**(24,018)**
Sales of prototypes	4,136	5,638
Research and development grants recognized in profit/(loss)	4,783	1,742
Research tax credit	5,879	8,356
Total income deducted from gross operating costs	**14,798**	**15,736**
Total research and development operating costs, net	**(15,961)**	**(8,282)**

7.5.4. Depreciation and amortization expenses

(In thousands of euros)	6-month period ended September 30, 2019	6-month period ended September 30, 2018
Cost of sales	(15,505)	(8,292)
Research and development costs	(3,138)	(1,773)
Sales and marketing expenses	(99)	(43)
Administrative expenses	(668)	(503)
Total depreciation and amortization expenses	**(19,410)**	**(10,611)**
of which lease provisions	(3,020)	(1,486)

7.5.5. Other operating income and expenses

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

(In thousands of euros)	**6-month period ended September 30, 2019**	**6-month period ended September 30, 2018**
Capital gain on sale of Villejust facility	1,900	-
Other operating income	11	-
Total other operating income	**1,911**	**-**
Expenses relating to restructuring measures and litigation	-	(9)
Other operating expenses	(65)	
Total other operating expenses	**(65)**	**(9)**
Total other operating income and expenses, net	**1,846**	**(9)**

On September 13, 2019, our Group sold its Villejust industrial facility for €1,900 thousand. There had been no activity for four years and it had been completely depreciated in the financial statements.

7.5.6. Income tax

The difference between the theoretical income tax calculated using the rate applicable to the Group's entities at September 30, 2019, and the income tax expense reflected in the income statement breaks down as follows:

(In thousands of euros)	**6-month period ended September 30, 2019**	**6-month period ended September 30, 2018**
Theoretical income tax benefit at the applicable rate	(16,463)	(14,436)
Unrecognized deferred tax assets	(2,365)	-
Non-deductible provisions and expenses (permanent difference)	(9)	(10)
Non-taxable income (research tax credit)	1,881	2,868
Use of tax loss carryforwards	9,614	9,739
Recognition of tax loss carryforwards	-	-
Adjustments for differences in income tax rates	-	-
Share-based payments	(2,524)	(3,108)
Other differences	(39)	(290)
Total income tax benefit (liability)	**(9,906)**	**(5,237)**

The theoretical income tax rate has increased over the period to stand at 32.02%.

7.5.7. Net profit/(loss) from discontinued operations

(In thousands of euros)	6-month period ended September 30, 2019	6-month period ended September 30, 2018
Sales	**-**	**61**
Income/(Expenses) for the period	240	(422)
Current operating income/(loss)	**240**	**(361)**
Other operating expenses, net	44	(673)
Operating income/(loss)	**284**	**(1,034)**
Financial income/(expense)	(313)	(2,227)
Profit/(loss) before tax	**(29)**	**(3,261)**
Income tax	-	(83)
Share of profit/(loss) of equity-accounted companies	-	0
Net profit/(loss) from discontinued operations	**(29)**	**(3,344)**

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

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

7.6. OTHER INFORMATION

7.6.1. Related party disclosures

At the end of the Ordinary and Extraordinary Shareholders' General Meeting of July 26, 2019, and the meeting of the Board of Directors on the same date, the membership of the Board changed slightly. Since July 26, 2019, the Board of Directors has thus been comprised of:

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

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

Furthermore, the Board of Directors noted that the non-independent Directors fall into this category on account of the business relationships existing between our Group 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 our Group, or due to the number of years they have served on our Group's Board of Directors.

The information set out in Sections 4.1.5 (Administrative and management bodies and executive management conflicts of interests), 8.4.1 (Related party transactions), and 6.2.1 (Note 5.3 Related party disclosures) of Soitec's 2018-2019 Registration Document filed with the French Financial Markets Authority (AMF) on June 19, 2019 under number D. 19-0649 is all still valid.

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

- ShinEtsu Handotai (purchases of raw materials, license royalties/ director concerned: Satoshi Onishi);

- CEA (R&D contracts, patent royalties/ directors concerned: CEA Investissement, represented by Guillemette Picard);
- Shanghai Simgui Technology Co. Ltd (license and services agreement, wafer purchases, distribution agreement, production sub-contracting/ director concerned: Jeffrey Wang);
- 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 2018-2019 and are still applicable today.

7. 7. SUBSEQUENT EVENTS

None.

8 | STATUTORY AUDITORS' REPORT ON THE 2019-2020 HALF-YEAR FINANCIAL INFORMATION

Soitec S.A.

Registered office: Parc Technologique des Fontaines - Chemin des Franques - 38190 Bernin (France)
Share capital: €.65,234,493

Statutory Auditors' Review Report on the 2019-2020 Half-yearly Financial Information

For the period from April 1 to September 30, 2019

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Soitec S.A., for the period from April 1 to September 30, 2019;
- the verification of the information presented in the half-yearly management report.

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

I. Conclusion on the financial statements

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

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

II. Specific verification

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

Paris La Défense, on the 28 novembre 2019

KPMG S.A.

Jacques Pierre
Partner

Stéphane Devin
Partner

Lyon, on the 28 novembre 2019

Ernst & Young Audit

Nicolas Sabran
Partner