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The Annual Financial Report may be reviewed and downloaded on at ${\bf www.soitec.com}$

ANNUAL **FINANCIAL REPORT**

2019-2020



"Soitec is the world's leading company in innovation and production of semiconductor materials. Its technologies are essential for mass adoption of the megatrends in the semiconductor industry: 5G, artificial intelligence and energy efficiency"















1.

Declaration of the person responsible for the annual financial report

"I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and results of our Company and of all the companies included in the consolidated financial statements, and that the management report gives a true and fair view of the development of the business, results and financial position of our Company and all the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties with which they are confronted"

Bernin, July 6, 2020

Paul Boudre, Chief Executive Officer, Soitec





For the purposes of this management report, "Soitec" or "Company" means Soitec S.A. When used herein, our "Group" refers to our Company and all its consolidated subsidiaries.

2.1 SITUATION AND ACTIVITY OF OUR COMPANY AND OUR GROUP

2.1.1 OUR BUSINESS MODEL

Our mission: to design and deliver innovative substrates to enable



CHALLENGES OF BY THE ELECTRONICS SECTOR

Three major trends: **5G, AI, and energy efficiency**

Ourresources

ECOSYSTEM BASED ON RELATIONS

-) At the start of the value chain, co-development partnerships with:
- major research centers: CEA-Leti, Fraunhofer, IME, IMEC, etc.
- industrial entities and suppliers for greater innovation to serve our customers
-) Member of the Responsible Business Alliance

HUMAN RESOURCES

- Nearly 1,600 employees, 73% of whom are managers, engineers, or technicians
- > more than 20 nationalities
-) A management method focused on autonomy and individual responsibility
-) A strong culture of employee health and safety

INNOVATION

-) 2 unique technologies (Smart Cut TM and Smart Stacking TM) and multiple areas of expertise (Epitaxy, Compound Materials, Piezoelectric), serving 4 mass markets (Smartphones, Automotive, Infrastructures for the Cloud & Mobile Telecommunications, Internet of Things)
-) 11% of revenue devoted to R&D
- In the Top 50 French patent filers and at the head of the top 10 intermediate size companies

PRODUCTION

-) 6 production lines which guarantee supply reliability and flexibility:
- Bernin 1, 2, and 3
- Pasir Ris
- 6 Shanghai (partnership with Simgui)
- () Hasselt
- **) Planned extension** of the main production lines

FINANCE AND ORGANIZATION

-) A strengthened balance sheet: increase in equity: **+€153 million**
- A return to the Euronext Paris CAC Mid60 and SBF120 indexes since 2017
-) A solid shareholding structure comprised of 3 loyal strategic investors holding approximately 33% of our shares
-) A dual governance:
- **separation** of the duties of Chief Executive Officer and of Chairman of the Board of Directors
- independence of the Chairman with regard to the AFEP-MEDEF Code
-) A Board of Directors which supports our strategy:
- balanced and diversified: 12 members, 5 nationalities, 41.67% independent, gender balance: 58% men 42% women
- committed and assiduous: 26 Committee meetings,
 9 Board meetings, with an average attendance rate of 83.44% for FY20

"A strategy based on disruptive innovation to offer our customers products



our customers' products shaping everyday life.



Complex technological challenges



An internationalized market, dependent on global growth

which combine performance, energy efficiency and competitiveness."



A unique innovation model for a portfolio of products which is a source of high added-value differentiation



Our value creation

ECOSYSTEM BASED ON RELATIONS

- **) A duty of vigilanc**e applied to all major suppliers
- Compliance with the RoHS 2 European Directive (2011/65/UE)
-) A Code of Conduct updated in 2018 to comply with France's «Sapin 2» law
- Close work with some fifteen key clients to ensure their integration well upstream in our innovation strategy

HUMAN RESOURCES

- 351 new employees
- > 26.4 hours of training per employee per year
-) 4 QWL questionnaires per year⁽¹⁾
-) TF = 3 over 2019-2020 (2)
-) Close attention paid to profile diversity and inclusiveness in the workplace

INNOVATION

-) A portfolio of over 3,300 patents
-) 200 inventors

PRODUCTION

- Technologies which have become industry standards, found in everyday life
- A decisive contribution to end product performance
- A historical geographical link to the **Grenoble-region cluster**
- ATF 16949⁽³⁾: Bernin 1&2 since 2012 Pasir Ris scheduled for October 2019
-) ISO 9001(3): Bernin 3 since 2019 Pasir Ris since April 2019
-) ISO 14001⁽³⁾: Bernin since 2001 Pasir Ris scheduled for 2020-2021
-) OHSAS 18001/ ISO 45001(3): Bernin since 2010 Pasir Ris scheduled for 2020-2021
-) ISO 5001⁽³⁾: Bernin since 2015
- OEA⁽³⁾: Bernin since 2009

FINANCE AND ORGANIZATION

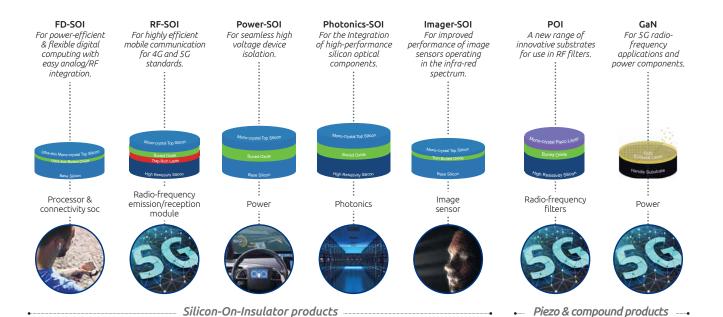
- > Revenue: €597.5 million (+ 35%)
- of which 90% is generated internationally
- > Strong growth in profitability: €33 million increase in the EBITDA margin (+22%)
-) Share valuation: +118% over 3 years
-) Governance in line with best practice and ready to meet tomorrow's challenges
- (1) QWL: Quality of working life. (2) TF: Workplace accident frequency rate with work stoppage > 1 day (3) IATE 16949: Quality management system applicable to the automotive system ISO 9001: Quality management system ISO 14001: Environmental management system OHSAS 18001/ ISO 45001: Occupational health and safety management system ISO 5001: Energy management system OEA: French Authorized economic operator.

2.1.2 ACTIVITIES OF OUR GROUP'S COMPANIES

2.1.2.1 **Products**

Our range of technologies (Smart Cut[™], Smart Stacking[™]) and our material engineering expertise (compound materials, epitaxy) provide the electronics industry with new opportunities for innovation and differentiation in growing and emerging fields, while adding tremendous value to products for end consumers. Using these, we have developed a full range of engineered substrates to meet the needs of multiple segments and applications.

A. An extensive range of engineered substrates can be obtained from our Smart Cut™ technology



1. RF-SOI

Over the past few years, our Radio-Frequency Silicon-on-Insulator (RF-SOI) product line has become the reference technology. It is used to build many components of **smartphones'** front-end modules. RF-SOI content is increasing with each new product generation as more devices and higher performance is required in the front-end module.

Smartphones are integrating very diverse functions, including radio emission and reception, digital processing, memory, audio, battery management, camera and display. The front-end module enables RF signal transmission and reception between a cellular phone and a base station.

By enabling faster and better quality data transmission, our RF-SOI substrates are key in supporting the current 4G/LTE, LTE Advanced and LTE Advanced PRO (cellular networks standards), as well as in supporting the deployment of the new 5G network. The RF-SOI substrate is a unique technology that integrates many components of smartphones' front-end modules, thus offering benefits both in terms of cost and area to our customers. In addition, it provides unrivaled interference isolation and signal integrity (which is key to avoid drop calls), offering very high levels of performance.

The RF-SOI product family encompasses RF enhanced Signal Integrity (RFeSI) and High Resistivity-SOI (HR-SOI) wafers with diameters of 200 mm or 300 mm. A line of 300 mm products offers opportunities for accessing the most advanced CMOS (CMOS is most deployed semiconductor processing technology to build Very Large Scale Integration circuits) production processes with the aim of improving performance and integrating more RF components. Our product portfolio and roadmap address the full spectrum of performance requirements and our substrates are compatible with the standard CMOS processes our customers use to develop chips. Key supply contracts are in place with the main foundries.

Growth drivers for RF-SOI substrates in smartphones' front-end modules (FEM) include:

- 5G telephone sub-6GHz RF FEM;
- base station 5G sub-6GHz massive MIMO (Massive Input Massive Output) RF FEM;
- 5G mmW integrated RF FEM (mobile and infrastructure);
- wifi and IoT RF FEM (Bluetooth, LTE Cat-M standard, others);
- automotive connectivity (V2X, DSRC and others protocols) and infotainment.

2. FD-SOI

Our Fully-Depleted Silicon-on-Insulator (FD-SOI) substrate is a unique technology that can integrate multiple components onto a single silicon chip for System on Chip (SoC) circuits.

This technology, which is used in CMOS processes, can operate at very low voltage and can optimize the energy efficiency of an SoC circuit, while remaining cost-competitive. Our FD-SOI product range can be used to enhance performance in a number of applications across *automotive*, *the Internet of Things (IoT)*, *smartphones and other segments*.

The growth drivers for FD-SOI substrates include:

- SoC integrated circuits for 5G mmW (mobile and infrastructure);
- electronics for driver assistance with radar-type processor circuits;
- circuits for smart objects incorporating artificial intelligence.

In order to follow CMOS roadmap and reduce the size of transistors for technology nodes below 28 nm, we are developing FD-SOI products whose monocrystalline silicon active layers (10 nm) and ultrafine oxide layers (20 nm) are extremely uniform. When built on FD-SOI, the transistor is naturally reducing leakage current – ultimately improving power consumption and performance of circuits. FD-SOI technology makes it possible to manufacture high-speed and low-voltage transistors in high volume, in order to meet the needs of consumers who want intelligent devices with a long battery life, thanks to new generations of integrated circuits.

As FD-SOI is well-suited to high frequencies, it is perfect for 5G applications. Soitec is a pioneer in the development of FD-SOI wafer technology.

In addition, during the fiscal year 2019-2020, we certified production of a new generation of FD-SOI substrates, which surpass previous generations when it comes to the uniformity of the layers and the coarseness of the surface. This innovation improves the performance and reliability of chips in existing technologies (28 nm/22 nm/18 nm) and paves the way for more advanced nodes (12 nm and up). This next generation has been approved by one of our customers and will be rolled out to other customers over the coming year.

3. Power-SOI

Our Power-SOI substrates are used in advanced Bipolar-CMOS-DMOS (BCD) (semiconductor processes used for Power devices) processes to create intelligent, energy-efficient, highly reliable power circuits intended mainly for the *automotive, industrial and medical market segments*.

Our Power-SOI products provide excellent electrical isolation and are perfect for integrating components operating at different voltages (from a few volts to several hundred volts) while integrating several functions onto a single chip, reducing chip size and improving reliability.

These substrates are ideal for applications such as transceivers (CAN/LIN standards), switch mode power supplies, brushless motor drivers, LED drivers, class D audio amplifiers, ultrasound probes, pressure sensors, gas sensors and ultrasound transducers.

In 2019-2020, we certified a 300 mm platform for Power-SOI products. We anticipate that our customers will migrate to 300 mm to take advantage of enhanced performance and cost effectiveness.

We have also introduced a new line of very thick products that use epitaxy on top of the SOI. These products are intended either for producing microelectromechanical systems (MEMS) or for very high-power manufacturing. We are currently carrying out sampling with our customers.

4. Photonics-SOI

Our Photonics-SOI wafers enable standard CMOS fabs to produce high-speed optical transmitter and receiver chips, providing high-data rate and cost-effective solutions for *datacenter* interconnections of 100 GbE, 400 GbE (Gigabit Ethernet) and beyond. This substrate is also a solution for other sensor and calculation applications. SOI technology offers a unique structure enabling the integration of optical devices on CMOS platforms. Photonics-SOI play a major role in devices' final optical performance, so we are continually innovating and improving their features to support the technological developments of latest-generation datacenters.

In 2019-2020, we started production on two 300 mm technological platforms to meet our customers' needs. The resulting products are highly uniform with low surface coarseness. Special emphasis has been placed on the replicability and quality of our manufacturing process.

The structure of our Photonics-SOI substrates can also be an excellent option for producing quantum computing devices. We have also embarked on a R&D initiative in partnership with major players in this field.

5. Imager-SOI

Our Imager-SOI substrate is designed specifically for producing front-side imagers for near-infrared (NIR) applications, including advanced 3D image sensors, that are used for *facial recognition, as well as augmented and virtual reality applications*.

5. POI

The creation of the next generation of advanced 4G and 5G mobile networks involves the development of new features and technologies by operators and phone makers.

Our Piezoelectric-On-Insultator (POI) product will allow front-end module makers to better respond to the strict 4G advanced and 5G sub-6GHz requirements by improving bandwidth and coverage for smartphone users. Our POI substrates make it possible to manufacture better performing and more integrated surface acoustic wave (SAW) filter components. to meet the stringent requirements of the new network features. Those filters are then integrated in smartphones' front-end modules along with the power amplifiers, switches and antenna tuners devices that are already manufactured using our RF-SOI substrates.

Our POI products are made of a thin layer of piezo material (today Lithium Tantalate) on top of the oxide layer, and a high resistivity silicon substrate. Filters built on POI material achieve higher quality factor and higher frequencies, larger bandwidth filters, and with very low temperature sensitivity. Our POI substrates also offer the ability to integrate multiple filters on the same die.

We anticipate a widespread adoption of POI substrates in the coming years based on the customers interest to this unique value proposition. In September 2019, we announced increased production capacity for our POI substrates in order to meet the growing demand for 4G/5G RF filters.

7. GaN epitaxial wafers

The expansion of our product portfolio into Gallium Nitride (GaN) technology strengthens our position in RF and Power markets. We can thus offer our customers a unique and comprehensive portfolio of 5G New Radio (NR) (1) solutions for both 5G mmW base station & telephones.

B. Future generations of substrates in development

1. InGaNOS

InGaNOS is an innovative relaxed Indium gallium nitride (InGaN) engineered substrates for red-green-blue (RGB) µLEDs applications. A pixel requires three LEDs (red, green and blue) to function. Up until now, green and blue LEDs could be built on the same substrate, but with a low efficiency for the green LED. In addition, a specific material was required to build a red LED. Thanks to our materials engineering expertise, we are able to offer a unique technology targeting high-efficiency red & green microLEDs, down to micrometer-scale, to ultimately produce red, green and blue $\mu LEDs$ on

In 2019-2020 we took a major step when we performed sampling of major segment customers in our 150 mm line; we expect feedback from this sampling in late 2020.

2. SiC

Silicon carbide (SiC) is a wide band gap (WBG) semiconductor material that improves the technologies of current semiconductors, such as Silicon Metal Oxide Semiconductor Field Effect Transistor (Si MOSFET) and insulated gate bipolar transistors (IGBT) by offering smaller losses, higher switching frequencies, a higher operating temperature, robustness in challenging environments and high breakdown voltages. Another important feature of silicon carbide is that it can be used to make much smaller components that deliver equivalent performance. This helps to free up space and reduce weight. These properties are key for the power market, specifically in our targeted field of electric vehicles and its charging infrastructure. Complicated to manufacture, SiC material is difficult to produce in high quality. It is currently only made in 100 mm and 150 mm formats and is expensive.

By using Soitec proprietary of Smart Cut™, we propose a new type of SiC products and will be able to overcome the challenges of current supplychain. Soitec has teamed up with Applied Materials, a leader in microelectronic equipment, to develop an engineered SiC substrate. Relying on our Smart Cut[™] technology to transfer high-quality thin layers, we are able to offer a higher-quality 200 mm substrate. This development project is underway in France: in Bernin and at the CEA-Leti premises in Grenoble.

Situation and activity of our Company and our Group

2.1.1.2 Manufacturing





^{*} High Volume Manufacturing.

We have manufacturing facilities, R&D centers and offices in Europe, in the United States and in Asia to serve our customers worldwide. Our manufacturing model is agile and scalable – tailored to support profitable growth. We focus on operational excellence and seek to create value for all our stakeholders.

We deliver highly differentiated solutions to the marketplace – pushing the limits of semiconductors to drive advances in consumer and industrial applications. Engineered substrates are growing into a multi-billion-dollar market, a significant share of which is currently captured by us with the view to further develop our position in the future.

A. France

Our Bernin 1 plant (200 mm wafer production) operates at its full capacity of 950,000 units per year.

Our Bernin 2 plant has also been operating at full capacity since the end of fiscal year 2020, with an annual production of 650,000 wafers and 300,000 re-used units from 300 mm donor wafers. We are continuing to upgrade Bernin's manufacturing infrastructure so we can be responsive to future growth challenges.

After upgrading our space, we have expanded the manufacturing potential of our POI substrate line at Bernin 3 from 400,000 to 500,000 wafers per year. The capital expenditure was approved in order to match our customers' needs, and we will install future capacity increases in successive stages.

B. Singapore

Since the launch of our pilot line in September 2017, a production capacity of 80,000 wafers per year has been installed and qualified for both RF-SOI and FD-SOI products. Ramp-up of our SOI products in Pasir Ris is underway and capital expenditure is budgeted in fiscal year 2020-2021 to increase capacity from 120,000 wafers to 240,000 wafers per year the following year, up to 1 million per year.

In addition, the value-added epitaxy process has been certified for the production of our RF-SOI substrates at Pasir Ris and Bernin 2. To meet rising demand, capacity was expanded during fiscal year 2019-2020, and additional capacity is currently being installed. Our lines run 24/7 to support the production of RF-SOI wafers at Pasir Ris and Bernin 2.

Our Singapore plant's capacity to re-use 300 mm donor wafers is 300,000 units per year.

C. Belgium

Our Belgian site supplies Gallium Nitride on Silicon (GaN-on-S) and Gallium Nitride on Silicon Carbide (GaN-on-SiC) epitaxial wafers. Its total production capacity will increase gradually, and a major step was completed in 2019-2020 with the installation and certification of a new, latest-generation Metalorganic vapour-phase epitaxy (MOCVD) industrial reactor to handle large volumes. These products are sold to integrated component or device manufacturers who build high-performance power and RF devices.

D. Production in China

In 2015, we entered into a partnership with Shanghai Simgui Technology Co. Ltd. (Simgui), a Chinese company, for 200 mm wafer production (see our press release dated May 26, 2014). This partnership constituted an important step for us to support better our worldwide production capabilities, establish an SOI ecosystem in China and confirm the standardization of our proprietary Smart Cut[®] technology across the industry.

This partnership enabled Simgui to manufacture 200 mm SOI wafers using our Smart Cut[™] technology and granted them the exclusive right to market, distribute and sell those 200 mm SOI wafers in China, but not anywhere else in the world.

Two years later, after Simgui's site had been qualified by leading customers, we announced the start of mass production of 200 mm SOI wafers in China.

The installed capacity is now 350,000 wafers per year with a manufacturing level comparable to the Bernin 1 plant.

In 2019, we have established a direct sales presence in China. For our local customers, this means that they can benefit not only from direct contact and a support relationship with our local team but also from access to our global technical expertise and network across engineered substrates to address the full range of applications for China's growing electronics markets. This sales team expanded in April 2020 with the hiring of a Shanghai-based Director of Strategic Development.

2.1.2.3 Our Company's R&D activities

A. Evolution of the microelectronics sector

1. More Moore (scaling)

Moore's law is a law in the semiconductor industry according to which the number of transistors on a chip is set to double every 18-24 months to increase its speed and power through components miniaturization.

FD-SOI offers a path for planar transistor scaling down to 7 nm.

It offers outstanding low power digital performance thanks to body bias (one technology node gain in terms of energy efficiency compared to the equivalent FinFET node), and has the capability to integrate memory and advanced RF on chip and analog. Moreover, FD-SOI has the intrinsic benefit of offering high reliability (low soft error rate), which is particularly advantageous in automotive, industrial, and space applications.

2. Integration (2.5D and 3D stacking)

As miniaturization has become increasingly difficult and extremely costly, the microelectronics industry is now working on vertical integration. There are two approaches. The first, 3D sequential integration, involves stacking thin layers to produce different components on a single chip (memories, logics, ASICs). The second approach, known as 2.5D integration, involves vertically stacking chips and then generating the appropriate connection system between them.

With our Smart Cut[™] technology, we are able to uniformly transfer thin layers, which is perfectly-suited for 3D integration. For the 2.5D approach, Smart Cut[™] makes it possible to offer cheaper integrations to produce end connections.

We are involved in R&D with research laboratories working on both of these groundbreaking approaches.

3. More than Moore (functional diversification)

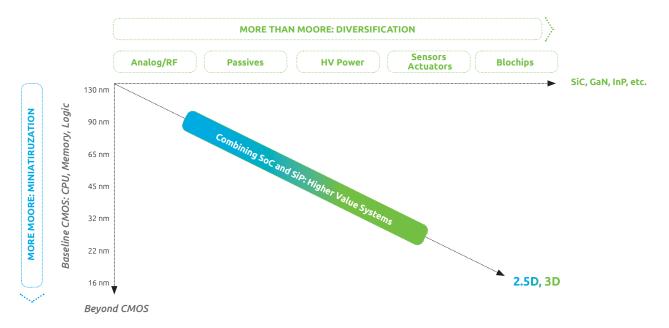
For several decades, device miniaturization and cost reduction have prevailed, in line with Moore's law. This is no longer the case today. Advanced nodes no longer generate the expected cost benefits as R&D investments in new lithography solutions and devices below 10 nm nodes are soaring. In this context, the functional diversification (including the heterogeneous integration of materials such as silicon, III-V compound materials or piezoelectric materials) has become an alternative solution for improving the cost/performance ratio. Today, 5G is driving this change, aiming to offer various functions to consumers, wherever they may be.

To further enhance circuits functionality and manage their increasing complexity, we are developing engineered substrates capable of covering several functionalities:

- analog;
- digital;
- mixed signal (i.e., analog and digital circuits embedded on a single chip, enabling an interface between digital electronics and the real world).

For instance, our FD-SOI substrate is a unique silicon platform offering unrivalled integration of digital and radio-frequency functionalities, meeting the needs of the industry for reduced area, competitive cost and energy efficiency. It is very well suited for 5G and IoT applications.

Three main directions for innovation



B. A worldwide patent portfolio to maintain our competitive advantage through differentiation

Innovation in our DNA

With a portfolio of over 3,300 patents worldwide, our innovation strategy is based on disruptive solutions to answer our customers' needs for high performance, energy efficiency and cost competitiveness.

It is based on:

- a team of experts;
- a close connection between R&D and product definition to develop new technological solutions;
- the development and industrialization of products with high addedvalue to meet market needs.

We dedicate a significant portion of our resources and revenue to developing groundbreaking manufacturing processes and improving current ones. Our strategy is in line with the industry's technological innovation.

The average age of our patents is less than five years. We file over 250 patent applications each year and were one of France's top 50 patent filers since 2017, alongside very large industrial groups.

Our Smart Cut[™] technology is protected by several hundred patents.

These patents cover extensions of this technology to new products, improvements made during certain production stages as well as cost optimization within the production process. We also file numerous patents each year on advanced and innovative substrates and other proprietary technologies.

In addition to our portfolio of patents, we license patents from our industrial and research partners, thereby strengthening the protection afforded to our key technologies. This proactive industrial property strategy is intended to protect the unique nature of our technologies, which we can then make available to our licensees in the context of technology transfers.

2.1.3 LIST OF SUBSIDIARIES AND HOLDINGS AS OF MARCH 31, 2020

For the list of subsidiaries and holdings, please refer to our Company's annual financial statements described in Section 4 of this annual financial report.

2.1.4 SUMMARY OF THE BUSINESS AND CONSOLIDATED RESULTS

2.1.4.1 Main trends that have impacted operations during the 2019-2020 fiscal year

A. Overview

The 2019-2020 fiscal year continued to see strong growth in business (+35%, *i.e.* 28% on a like-for-like basis, compared with the 2018-2019 fiscal year), high profitability, in line with our expectations, and continued investment efforts, in France and Singapore or *via* external growth transactions with the acquisition of EpiGaN nv in May 2019 (EpiGaN nv has changed its name to Soitec Belgium nv in June 2020).

The restart of our Singapore site continued during the fiscal year. An initial pilot production line of FD-SOI and RF-SOI wafers was installed, as a first step to a larger scale and longer-term production of 300 mm wafers, and our site has been qualified by several of our clients. Additional capacities for refresh and epitaxy were also set up during the year.

As planned, a production line for POI substrates was installed and qualified at our Bernin 3 plant. During the third quarter, we started delivering products and recognized revenue on this business. This increase in production capacity will enable us to meet our customers' growing demand for 4G and 5G smartphone filters.

On May 13, 2019, Soitec acquired EpiGaN nv, 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 nv's gallium nitride substrates are used primarily within RF 5G, power electronics, and sensor applications.

B. Covid-19

Since the beginning of the Covid-19 health crisis, our Group's priority has been to protect the health of its employees as well as those of its various partners, subcontractors, customers and all the communities with which our Group interacts. All of our teams have maintained, and continue to maintain, ongoing exchanges with all of our Group's suppliers, customers and partners in order to ensure continuity of operations in all businesses. Strictly applying the instructions given by the various countries in which it operates, our Group has required its employees to work remotely from home when physical presence was not necessary. At the same time, our Group remains determined to support its customers in this difficult environment and has so far been able to maintain production, in particular at the Bernin and Singapore sites, by implementing drastic health and safety measures. Our Group has always maintained to deliver products to its customers to meet their requirements. Our Group is also pursuing all its major R&D projects to meet their scheduled progress.

As of the date of publication of this report, our Group has therefore not been significantly impacted. The assumptions for closing the financial statements have each been reviewed in relation to the information relating to the Covid-19 crisis without any significant impact on the financial statements as of March 31, 2020. Our Group's handling of the Covid-19 health crisis has demonstrated the robustness of the semiconductor supply chain in which our Group operates, but is nevertheless creating uncertainty around the overall level of consumption.

2.1.4.2 Income statement for the 2019-2020 fiscal year

(in € million)	2019-2020	2018-2019	2017-2018
Revenue	597.5	443.9	310.6
Gross profit	195.4	165.0	106.9
Current operating income/(loss)	117.7	108.4	67.4
as % of revenue	19.7%	24.4%	21.7%
Other operating income and expenses	1.8	0.5	4.1
Operating income (EBIT)	119.5	108.9	71.5
as % of revenue	20.0%	24.5%	23.0%
Income/(loss) from discontinued operations*	(0.9)	0.3	(5.6)
NET PROFIT (LOSS) (GROUP SHARE)	109.7	90.2	86.5
as % of revenue	18.4%	20.3%	27.8%

^{*} Restatement in application of IFRS 5 of the solar businesses.

Situation and activity of our Company and our Group



* EBITDA of the Electronics business.

EBITDA

(in € million)	2019-2020	2018-2019
EBITDA Electronics	185.4	152.3
EBITDA margin Electronics	31.0%	34.3%
EBITDA Other businesses	(0.9)	(2.5)
EBITDA Group	184.5	149.8
EBITDA margin - Group	30.9%	33.7%

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. The impact of the first adoption of IFRS 15 for the 2018-2019 fiscal year is included in EBITDA. This indicator is a non-IFRS quantitative measure used to measure our Company's ability to generate cash from its operating activities.

2.1.4.3 Revenue growth of 35%

Total consolidated revenue increased strongly by 35% to €597.5 million in 2019-2020 compared to €443.9 million in 2018-2019.

It grew by 28% at constant scope and exchange rates (1).

In particular, it reflects:

- growth of 20% at constant scope and exchange rates ⁽¹⁾ of sales of 200 mm wafers;
- and growth of 38% at constant scope and exchange rates ⁽¹⁾ of sales of 300 mm wafers.

Our Electronics division represents the whole Group revenue for the 2019-2020 fiscal year (as in the previous fiscal year).

> Revenue (in € million)



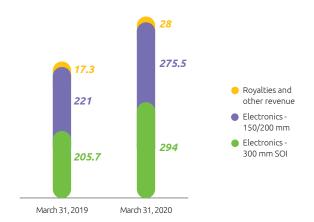
^{*} At constant perimeter and exchange rates.

) Breakdown by products of the Electronics division's sales

(in € million)	Sales March 31, 2020	Sales March 31, 2019	Annual change (in %)	Key customers	Income	Application
Electronics – 300 mm SOI	294	206	43%	Global Foundries, ST Microelectronics, Towerjazz, UMC	PD-SOI, FD-SOI, RF-SOI, Imager-SOI, Photonics-SOI	Servers, PC, Games Consoles, Smartphones
Electronics - 150/200 mm	276	221	25%	Tower Jazz, UMC, Global Foundries, NXP, SSMC, Sony, TSMC	RF-SOI, Power-SOI	Smartphones, Tablets, Automobile, Industrial
Royalties and other revenue*	28	17	62%			
TOTAL ELECTRONICS	598	444	35%			
Total revenue	598	444	35%			

^{*} Including sales related to Dolphin Design.

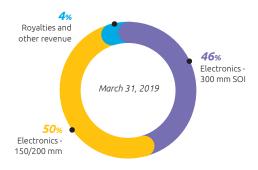
) Breakdown and change of revenue by wafer type (in € million)



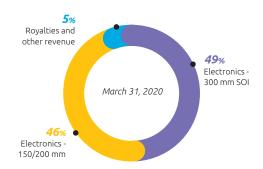
⁽¹⁾ Change at constant exchange rates and comparable scope of consolidation; the scope effects relate to the acquisition of EpiGaN nv in May 2019 and of assets and certain liabilities of Dolphin Integration in August 2018, with the corresponding revenue recognized in the "Royalties and other revenue" segment.

Situation and activity of our Company and our Group

) Breakdown of turnover as at March 31, 2019



> Breakdown of turnover as at March 31, 2020



Compared to the previous fiscal year, sales of small-diameter wafers (150 and 200 mm) increased by 24% to €276 million compared to €221 million.



- Growth is mainly driven by sustained demand for RF-SOI substrates (radio frequency applications) specifically designed for the mobility and automotive markets.
- This increase is the result of higher volumes and a more favorable product mix.
- The agreement signed with our Chinese subcontractor Simgui (our Group partner which uses our Smart Cut™ technology in its Shanghai plant) now gives access to additional industrial capacity to meet growing demand
- During the fiscal year, our Group recorded its first sales of 150 mm POI substrates for filters, produced at Bernin 3.

Sales of 300 mm wafers grew by 43% to €294 million compared to €205.7 million for the 2018-2019 fiscal year.

- This increase comes from significantly higher volumes of 300 mm RF-SOI substrates and Photonics-SOI wafers.
- The growth in sales of 300 mm RF-SOI wafers has been driven by an increase in the amount of RF-SOI surface area required for radio frequency applications, due to the ever-growing 4G market and the deployment of first generation 5G networks and smartphones. While RF-SOI has become the market standard, 5G communication protocols require a significantly higher number of radio-frequency components such as switches, antenna tuners and LNA amplifiers (Low Noise Amplifiers).
- Our 300 mm wafer production site in Singapore has now been validated by several of our clients.



Market adoption of FD-SOI continues to progress for various applications, such as Artificial Intelligence Embedded in Connected Objects (AIoT) or applications related to connectivity or the automotive industry Demand for Imager-SOI continues to be driven by the continued demand for 3D imaging applications for mobile devices. Finally, the demand for Photonics-SOI is supported by the increase in data transmission speed and bandwidth for optical transmissions required by the new generations of data centers.

) Income from licenses and other income

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 nv in May 2019, income from royalties and other income reached \leq 28.3 million for the fiscal year 2019-2020 compared to \leq 17.3 million for 2018-2019. At constant exchange rates and scope this revenue increased by 18% thanks to the development of Dolphin Design's business.

) Geographic breakdown of revenue from our Electronics division

	2019-2020	2018-2019	2017-2018
United States	20%	19%	25%
Europe	25%	44%	41%
Asia	55%	37%	33%

) Breakdown of revenue by customer

	2019-2020	2018-2019	2017-2018
Top five customers	64%	56%	57%
Customers 6 to 10	24%	28%	25%
Other customers/Royalties	8%	16%	18%

The top five customers represented 64% of sales during the 2019-2020 fiscal year, compared to 56% during the previous year.

) Other Businesses

This sector includes the Solar Energy and Equipment businesses. These sectors have not recorded any significant revenue over the last three fiscal years.

Pursuant to IFRS 5 on discontinued operations, the results of the Other Businesses are no longer provided in detail, but incorporated in a single line item in the consolidated income statement, representing the impact on Group net profit/loss.

2.1.4.4 Gross margin: 32.7% of revenue

Gross margin corresponds to total revenue minus the total cost of sales.

The **cost of sales** is equal to the sum of the following costs:

- production costs: these costs include the cost of raw materials, mainly silicon, manufacturing costs, including direct labor costs, depreciation and maintenance costs on production equipment and clean room infrastructure, and overhead costs allocated to production;
- distribution costs: and
- patent royalties (mainly to CEA-Leti for the use of Smart Cut[™] technology).

The gross margin reached €195.4 million (*i.e.* 32.7% of revenue) in 2019-2020 fiscal year, compared to €165 million (*i.e.* 37.2% of revenue) in fiscal year 2018-2019. Despite a favorable exchange rate effect and the positive impact of operating leverage linked to better utilization of industrial capacity at Bernin, our Group recorded, as anticipated, a slight decrease in its gross margin rate resulting from:

• 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.

2.1.4.5 R&D costs up significantly (+€12.5 million)

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 of R&D employees, including sharebased 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; and
- costs relating to maintaining and strengthening our Group's intellectual property rights.

Amounts received under subsidy contracts are deducted from gross R&D costs to arrive at a net amount charged to 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.

Situation and activity of our Company and our Group

R&D costs amounted to €32.5 million during the 2019-2020 fiscal year, up by €12.5 million compared to €20 million in the 2018-2019 fiscal year. They represented 5.4% of consolidated revenue for the fiscal year just ended, compared to 4.5% for the previous fiscal year. This increase is mainly the result of:



- a higher level of gross R&D expenses (+€15.6 million compared to the 2018-2019 fiscal year), in large part due to the Dolphin Design consolidation for the entire fiscal year (seven months out of 2018-2019) and, to a lesser extent, EpiGaN nv, as well as by the increased development effort for 2019-2020 (hiring and also subcontracting with the CEA);
- such expenses having been partially offset by a level of subsidies and repayable advances recognized in the income statement of €25.4 million (+ €3.4 million compared to the 2018-2019 fiscal year).

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

2.1.4.6 Sales and marketing expenses

Sales and marketing expenses remained relatively stable, amounting to €10.1 million over 2019-2020, compared with €9.8 million over 2018-2019. They represent 1.7% of revenue as of March 31, 2020, compared to 2.2% as of March 31, 2019.

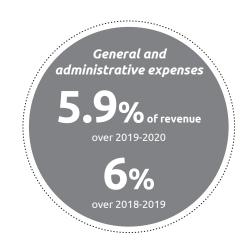
2.1.4.7 General and administrative expenses

General and administrative expenses for the Electronics business increased by €8.2 million to €35 million for fiscal year 2019-2020, compared with €26.8 million for the previous fiscal year.

This increase is mainly due to:

- scope effects: consolidation of Dolphin Design for the full year and acquisition of EpiGaN nv in May 2019;
- the increase in personnel-related costs due to growth-supporting recruitment, as well as to employee share ownership plans and other compensation items.

The increase in general, administrative and marketing costs, however, remained limited: compared to the revenue, these costs declined from 6% of revenue for the 2018-2019 fiscal year to 5.9% for 2019-2020.



2.1.4.8 Current operating income at €117.7 million (+€9.3 million)

Current operating income/(loss) is calculated by deducting net R&D costs, general and administrative expenses and sales and marketing expenses from gross margin.



Impacted by the significant increase in gross margin, partly offset by the increase in net R&D costs and general and administrative costs, current operating income amounted to €117.7 million with an increase of €9.3 million compared to the 2018-2019 fiscal year when it was €108.4 million. It represented 19.7% of our revenue for the 2019-2020 fiscal year.

2.1.4.9 Operating income of €119.5 million (20% of revenue)

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

These other operating income and expenses amounted to +1.8 million and mainly comprised the capital gain on the sale of the Villejust industrial site (site not used for four years).

Operating income was €119.5 million, up €10.6 million compared to the previous fiscal year when it amounted to €108.9 million.

) Operating income/(loss) (in € million)



2.1.4.10 EBITDA

For the fiscal year ended March 31, 2019, EBITDA for the Electronics business amounted to €152.3 million (34.3% of revenue).

As our Group had announced, the level of EBITDA as of March 31, 2020, 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.

EBITDA from continuing operations (Electronics) amounted to €185.4 million as of March 31, 2020, or 31% of revenue, fully in line with our expectations given the favorable exchange rate effect.

2.1.4.11 Financial income/(expense)

Over the 2019-2020 fiscal year, our Group posted a net financial expense of €4.1 million compared to a net expense of €8.1 million for the previous fiscal year.

This net expense was mainly due to the following:

- €4.3 million in interest expenses related to the unwinding of the discounting of the Oceane 2023 convertible bond and the amortization of the issuance expenses compared to an expense of €3.2 million for the previous fiscal year due to the "full year" effect;
- £1.9 million in income from the revaluation of non-consolidated shares at fair value:
- foreign exchange gains of €0.6 million (compared to a loss of €4.6 million for the 2018-2019 fiscal year).

2.1.4.12 Income/loss from discontinued operations

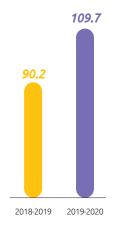
For the 2019-2020 fiscal year, the net income/(loss) from discontinued operations was a loss of \le 0.9 million, compared to a profit of \le 0.3 million for the 2018-2019 fiscal year.

This profit is mainly due to:

- the capital gain on the sale of shares in our company owning a power plant in South Africa (as well as the repayment of the associated loan) of €0.6 million:
- offset by negative exchange rate effects due to the depreciation of the ZAR against the euro.

2.1.4.13 Profit/(loss) and taxes

Our Group recorded a net profit (Group share) of €109.7 million, €19.5 million higher than the net profit for the 2018-2019 fiscal year.



2.1.4.14 Balance sheet

(in € million)	2019-2020	2018-2019	2017-2018
Non-current assets	445	374	216
Current assets	366	258	120
Cash	191	175	120
Assets held for sale	-	17	24
TOTAL ASSETS	1,003	824	480
Equity	552	398	279
Financial debt	245	222	67
Provisions and other non-current liabilities	42	21	11
Operating debts	164	176	111
Liabilities related to assets held for sale	-	6	12
TOTAL EQUITY AND LIABILITIES	1,003	824	480

Non-current assets mainly comprise fixed assets, financial assets (equity investments) and deferred tax assets. The €72.2 million increase of noncurrent assets compared to March 31, 2019 is mainly due to:

- an increase in net intangible assets by €49 million:
 - €29.9 million following Group consolidation of EpiGaN nv (of which €11.9 million in goodwill and €18 million in customer relationship and technology identified during the acquisition),
 - €17.5 million of capitalized development costs,
 - €10.4 million of software acquisitions,
- partially offset by €9.1 million in amortization and depreciation during the fiscal year;
- an increase in net property, plant and equipment by €43.6 million:



- €73.1 million of acquisitions (including new leases):
 - industrial equipment both for the Bernin site (plants dedicated to 200 mm and 300 mm wafers but also the Bernin 3 plant for POI substrates) and in Singapore mainly for the implementation of the 300 mm SOI production line (for RF-SOI and FD-SOI products),
 - equipment used for R&D,
 - fittings and fixtures;
- integration of the EpiGaN nv assets: +€4.2 million (on the acquisition date).
- €3.1 million in exchange rate impacts,
- partially offset by disposals for €0.3 million and €36.5 million in amortization and depreciation;

- an increase in non-current financial assets by €3.4 million. Non-current financial assets comprise investments in non-consolidated companies and the fair value of currency hedges with a maturity of more than 12 months. The increase is due to:
 - additional investments in the Technocom 2 and Technocom 3 investment funds (€1.2 million),
 - the revaluation at fair value of equity investments held as of March 31, 2020 (€2.1 million),
 - the increase in deferred tax assets for €11.6 million (particularly with the additional activation of deferred tax assets on tax loss carryforwards of €7 million);
- other non-current assets decreased by €35.4 million (€9 million as of March 31, 2020 and €44.4 million as of March 31, 2019) mainly as a result of the use of tax receivables (research tax credit and competitiveness and employment tax credit) for the payment of corporate income tax installments.

The changes in current assets and liabilities are described in note 3 to the consolidated financial statements.

As of March 31, 2020, there were no more assets held for sale (solar business) following the sale of the shares of CPV Power Plant n° 1 held at 20% for ZAR 125 million and the repayment of the debt associated with this holding of ZAR 194 million during March 2020. This disposal generated a capital gain of €0.6 million in our consolidated financial statements.

The provisions relating to the commitments underlying the solar business have been reclassified with the other provisions in the balance sheet following the disposal of the solar assets.

Financial debt excluding discontinued operations went from €221.8 million as of March 31, 2019 to €244.7 million as of March 31, 2020, mainly due to:

- the drawdown of part of our credit lines (+€20 million);
- finance lease arrangements entered into during the year (+€24.7 million);
- the repayment of finance lease borrowings (-€10.1 million) and prefinancing lines for the research tax credit (-€21.1 million);
- the accretion of the debt related to the Oceane 2023 bond issue (+€4.3 million).

The net debt position (financial debt less cash and cash equivalents) went from a net debt of ${\leqslant}46.5$ million to a net debt of ${\leqslant}53.7$ million. This increase remains limited given the high level of investment in the 2019-2020 fiscal year.

The gearing (net financial debt/equity ratio) thus improved from 11.7% at the end of March 2019 to 9.7% at the end of March 2020.

Please refer to note 3.15 to the consolidated financial statements for details on the financial debt.

At the same time, shareholders' equity increased from €398.3 million as of March 31, 2019 to €551.7 million as of March 31, 2020, mainly as a result of the profit for the year and capital increases.

2.1.5 INVESTMENTS

Our Group's investment policy is designed to maintain production capacity in line with the demand expressed by customers or anticipated from market trends, while ensuring the profitability of the investment.

In general, our Group launches a new production line when more than 80% of the capacity of the existing lines is used.

Most of the production equipment used by our Group is standard equipment in the semiconductor industry. Therefore, there is little risk

of a supply or support disruption. The manufacturing lead times of the equipment suppliers are generally six to nine months.

Equipment of the same type is used both for R&D work for the development of new products and for the pre-industrialization of new products.

Finally, capital expenditures in information systems remain high (automated production management, logistic flows) even though our Group has made intensive use of IT services hosted in the cloud.

2.1.5.1 Main capital expenditures during the 2019-2020 fiscal year

During the past financial year, significant investments were committed: €110 million, plus the acquisition of EpiGaN nv for €34 million.

In line with past fiscal year, investments were mainly dedicated to increasing our 300 mm wafer production capacity at the Bernin and Pasir Ris sites in order to adapt to the need for growth in wafer sales as well as to the progressive increase of our 150 mm capacity (POI).

Bernin 1	Bernin 2	Bernin 3	Pasir Ris (Singapore)
Electronics - 200 mm	Electronics - 300 mm SOI	POI (new engineered substrates for filters)	Fully-Depleted 300 mm SOI wafers 300-mm materials recycling lines Epitaxy
Finalization of investments to reach the annual capacity of 950,000 wafers Renewal investments	Increase in capacity to 650,000 wafers per year	Construction of a production line for Piezo-On-Insulator (POI) substrates for marketing products	Anticipating increases in production capacity beyond the Bernin site Limiting the risk of dependency on our raw materials supply for silicon wafers by setting up 300 mm and epitaxy materials recycling capacity.
€9 million in capital expenditure	€25 million in capital expenditure	€13 million in capital expenditure	€26 million in capital expenditure

In addition to these industrial investments, there are also IT investments, R&D investments (in particular for the start-up of the SIC business), as well as investments related to EpiGaN nv and Dolphin Design.

2.1.5.2 Main expected capital expenditure

During fiscal year 2020-2021, our Group will continue its ongoing investments, expecting its capital expenditure to reach approximately €100 million over the fiscal year as a whole.

From the industrial point of view:



- in Bernin:
 - the investments will also concern the Bernin 3 unit dedicated to new engineered filter substrates for the ramp up of POI products,
- and investments related to obsolescence as well as to the improvement of security, carbon footprint, etc.;
- in Singapore, investments will continue to be dedicated to the progressive addition of 300 mm wafer production capacity as part of the plant's restart plan and with a view to reaching an annual production capacity of 1,000,000 wafers to meet the demand for 300 mm FD-SOI and RF-SOI wafers over the long term as well as the installation of additional Epi capacity;
- in Belgium, the investments will concern the increase in production capacity based on Gan substrates and will of course be subject to customer commitments.

In addition, we also plan to invest in IT and R&D (equipment and capitalized costs).

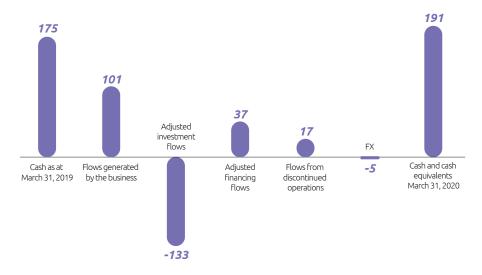
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2.1.6 CASH FLOWS AND FINANCIAL STRUCTURE

2.1.6.1 Cash flows

During the 2018-2019 fiscal year, our Group's available cash and cash equivalents increased from €175 million as of March 31, 2019 to €191 million as of March 31, 2020.

> Strong improvement in cash generated by the business: €100.7 million over 2019-2020 (€59.3 million over 2018-2019)



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

The cash balance as of March 31, 2020 includes ZAR 125 million (€6.4 million), related to the sale of the shares held in our South African subsidiary, held in our lawyer's bank account in South Africa pending the repatriation of these funds to France.

- positive cash flows generated by the business during the fiscal year for €100.1 million, a very strong increase compared to the 2018-2019 financial year (€57.1 million). Net profit, corrected for non-monetary items, is partly offset by an increase of €59.1 million in the working capital requirement, principally because of:
 - an increase of €51.9 million in inventories in line with the strong increase in the business (mainly on 300-mm products) and the desire to have a sufficient stock of raw materials to avoid the risk of supply shortages.
 - an increase in account receivables of €33.8 million due to increased revenue with a very high level of billing at the end of the fiscal year (€56.9 million over the 2018-2019 fiscal year).

These increases are partly offset by:

- a decrease in other current assets of €11.1 million explained by the receipt of research tax credit receivables partly offset by an increase of €7.7 million in grants receivable,
- an increase of €3.7 million in other operating debts mainly due to the increase in social debts,
- an increase of 11.8 million in trade payables (business effect);

- adjusted flows linked to financing reached €37 million, mainly resulting from:
 - capital increases following the implementation of our employee shareholding plans (€22 million).
 - €24.7 million in new leasing arrangements (as these are leaseback transactions, they have an impact on our cash flow),
 - less repayments of lines of credit and finance leases;
- cash flows from discontinued operations relate mainly to the disposal of solar assets (€17 million):
- these positive cash flows are partially offset by adjusted cash flows from investments of €133 million (including €25.5 million for the acquisition of EpiGaN nv), and disbursements related to investments were partially offset by cash inflows from the sale of the Villejust site (€1.9 million).

2.1.6.2 Sources of financing

A. Overview

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

As a result of the net profit and the capital increases related to employee shareholding plans, our Group continued to strengthen its shareholders' equity, which amounted to €551.7 million as of March 31, 2020 compared to €398.3 million as of March 31, 2019.

As of March 31, 2020, our Group has a comfortable level of liquidity:

- available cash of €191 million;
- financial indebtedness increased to from €221.8 million as of March 31, 2019 to €244.7 million as of March 31, 2020, mainly explained by the drawdowns of €20 million on our credit lines to increase our Group's liquidity and to finance investments pending additional financing. Please refer to note 3.15 to the consolidated financial statements for details on the financial debt.

Our Group also established new bank credit lines worth €65 million with six banks (€20 million of which were drawn down at end March 2020). These credit lines are repayable in fine no later than March 2024. No covenant is attached to them.

Our Group finances a portion of its industrial capital expenditure through finance lease contracts (€24.7 million in additional financing in 2019-2020).

Furthermore, our Group tries to get as much funding as possible for its R&D expenses through grants.

B. A long-term loan of €200 million by the Banque des Territoires

On March 27, 2020, Soitec was granted a €200 million 12-year loan from the Banque des Territoires (Caisse des Dépôts Group) pursuant to the *Programme d'investissements d'avenir* (PIA) as part of the Nano 2022 plan. Drawdowns from this credit line will be staggered over the next few years to support both the financing of R&D programs and investments in first-time industrialization infrastructure projects in France.

The Nano 2022 support plan for technological developments up to their pre-industrialization phase, marks France's recognition of the importance of a solid, innovative electronic and microelectronic sector nationally to improve industrial competitiveness. Nano 2022 is the French component of a very large Important Project of Common European Interest (IPCEI). Within this IPCEI, Soitec is one of the seven industrial leaders and coordinates technological projects related to "high energy efficiency electronic components".

Further information on the financing of our Company and our Group is provided in note 3.15 to the consolidated financial statements.

2.1.7 SUBSEQUENT EVENTS

None

2.1.8 TRENDS AND OBJECTIVES

2.1.8.1 Outlook for our Group in the 2020-2021 fiscal year

In the context of the current situation related to the Covid-19 crisis, our Group expects its revenue for fiscal year 2020-2021 to be stable at constant scope and exchange rates compared to fiscal year 2019-2020 and the Electronics EBITDA margin to reach around 30%.

As a result, Soitec is updating its sales guidance for FY22 to approximately €800 million instead of the previously announced guidance of approximately €900 million (figures both based on a EUR/USD exchange rate of 1.13).

For expected capital expenditure, please refer to Section 2.1.4.2 "Main expected capital expenditure" of this Annual Financial Report.

2.1.8.2 Existence of any known trends, uncertainties or demands or any commitments or events reasonably likely to affect our Company's outlook

Please refer to the different risk factors to which our Group is exposed, which are described in Section 2.2 of this Annual Financial Report.

2.1.9 ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OUR COMPANY

This section should be read in parallel with the annual financial statements for the fiscal year ended March 31, 2020 presented in Section 4 of this annual financial report.

The annual financial statements for the fiscal year ended March 31, 2020, have been prepared in accordance with the presentation rules and assessment methods pursuant to current regulations. The presentation rules and assessment methods used are the same as those for the previous fiscal year.

Our Company is the parent company of our Group.

Our Company, as a production plant, supplies some of its subsidiaries. It also undertakes certain sales activities worldwide in addition to those of subsidiaries and retailers.

The relations between our Company and our subsidiaries are formalized through contracts, both with regard to the distribution of our Company's products and the operation of the subsidiaries.

2.1.9.1 Accounting aspects

The annual financial statements of our Company as of March 31, 2020, are presented pursuant to the accounting principles generally accepted in France for annual financial statements.

2.1.9.2 Our Company's financial position

Our Company's total net revenue has increased from €449 million in the 2018-2019 fiscal year to €577 million in the 2019-2020 fiscal year.

2.1.9.3 Main changes in our Company's balance sheet

The main changes in the balance sheet for the 2019-2020 fiscal year were a sharp increase in capitalized development costs recognized as intangible assets for this fiscal year, the increase in our financial assets due to the acquisition of EpiGaN nv and the increased financing for the Singapore plant, as well as a significant increase in current assets due to continued strong business growth.

Situation and activity of our Company and our Group

During the 2019-2020 financial year, our Company acquired EpiGaN nv for €34.4 million, and strengthened its equity investments in the Technocom 2 and 3 funds and Dolphin Design for €0.175 million, €1 million and €0.3 million, respectively. It also increased the capital of its subsidiaries Frec|n|sys and Soitec Asia Holding by incorporating their current accounts for €1.124 million and €126.4 million, respectively.

In addition, our Company also increased its stake in Soitec Lab (formerly Soitec Newco 1) through a partial contribution of assets for an amount of €2.165 thousand.

A. Balance sheet assets

Total non-current assets

Fixed assets increased from €264.64 million as of March 31, 2019, to €391.4 million as of March 31, 2020.

Intangible assets include €27 million of development projects capitalized as of March 31, 2020 in accordance with Article 311-3.2 of the General Accounting Plan, of which €15 million were recognized in the previous year.

Current assets

Current assets increased from €406 million as of March 31, 2019, to €419 million as of March 31, 2020.

Current assets vary significantly mainly due to the following:

- an increase in inventories in line with the strong growth in business (mainly related to 300-mm products);
- a decrease in account receivables due to our customers' respecting the payment deadlines at the end of the year;
- a slight decrease in other receivables explained by the systematic charging of our ITC receivables against corporate income tax.

The marketable securities decreased to €20 million as of March 31, 2020.

Our Company's available cash increased to \le 127 million compared with \le 95 million during the previous fiscal year.

B. Balance sheet liabilities

Equity

Equity stood at €432 million as of March 31, 2020 compared to €310 million as of March 31, 2019. The change consists mainly of a profit of €99.7 million and an increase in share-related premiums of €21.2 million.

Provisions for contingencies and expenses

Provisions for contingencies and expenses amounted to €2.5 million as of March 31, 2020, compared to €4 million as of March 31, 2019. The provision for losses on futures market made as of March 31, 2019 for €1.5 million was reversed during the fiscal year.

Debt

The issuance costs for the OCEANE 2023 bonds (bonds convertible into or exchangeable for new or existing shares (OCEANE) maturing on June 28, 2023) amounting to €2,426,000 have been amortized for €485,000 over the 2019-2020 fiscal year.

2.1.9.4 Formation of our Company's operating profit

Our Company's revenue amounted to €577.4 million, compared to €448.7 million for the previous fiscal year, representing an increase of 29%.

Total operating income amounted to €636.5 million, compared to €502.7 million for the previous fiscal year, representing an increase of 27%. This change is mainly due to the higher sales of wafers and the increase in subsidy revenue recognition.

Operating costs for the fiscal year amounted to €541 million compared to €395 million the previous fiscal year, and operating profit was €96 million, compared to €108 million the previous fiscal year.

The financial statements for the 2019-2020 fiscal year show a profit of €99,727,192.64 compared to a profit of €108,459,703.18 for the previous fiscal year.

2.1.9.5 Proposal for appropriating the income for the 2019-2020 fiscal year

Our Board of Directors contemplates to submit the following proposal for approval by our shareholders at the Shareholders' General Meeting to be convened in September 2020:

- appropriate €379,513.15 to the legal reserve, bringing it up to 10% of the share capital, which would be increased from €6,276,207.05 to €6.655.720.20; and
- appropriate the balance of €99,347,679.49 to "Retained earnings", which would be increased from €153,124,369.71 to €252,472,049.20.

2.1.9.6 Non-tax deductible expenses

In accordance with the provisions of Article 223 *quater* of the French General Tax Code, please not there is a sum of €124,507 corresponding to non-tax deductible expenses for the fiscal year.

Management report Risk factors and internal control

2.2 RISK FACTORS AND INTERNAL CONTROL

2.2.1 INTERNAL CONTROL AND RISK MANAGEMENT

To meet the need to monitor and manage risks inherent to its business, our Group has set up an internal control and risk management mechanism.

Its objective is to provide reasonable assurance that these risks are under control

In this way, in accordance with the applicable standards and regulations, it contributes to the management of our activities, the effectiveness of our operations and the efficient use of our resources.

2.2.2 OUR CONTROL ENVIRONMENT

2.2.2.1 Purpose and definition

Our Group's internal control environment comprises of an internal control and risk management mechanism developed on the basis of the AMF's reference framework.

This system is defined and implemented under the direction of our Group, and aims to ensure that the following objectives are met:

- the reliability and integrity of published accounting and financial information;
- the compliance with the laws and regulations to which our Company and its subsidiaries are subject to;
- the implementation of instructions and guidelines set by our Group's governing bodies; and
- the proper functioning and efficiency of its internal processes, especially those intended to safeguard its assets and holdings.

To the extent possible, our Group's goal is to ensure that the entire internal control and risk management system helps to prevent any risks facing our Group, be they operational, financial, or compliance-related in nature.

However, our Group cannot provide absolute assurance that our Company's objectives will be achieved, and that the risks of errors or fraud have been completely controlled or eliminated.

The internal control and risk management mechanism has three components:

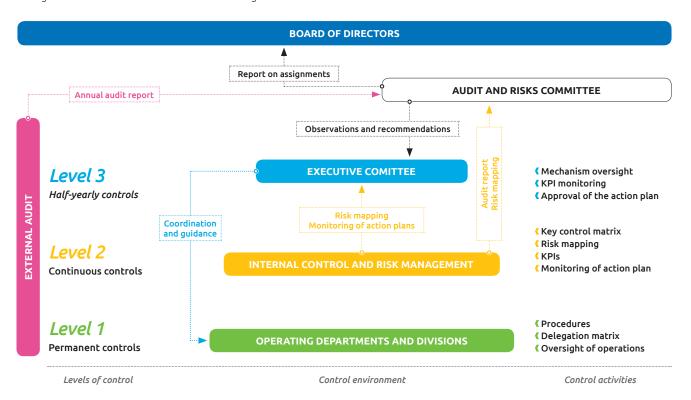
- an organizational structure that contributes to the implementation and continuous improvement of the mechanism;
- tools to help monitor and ensure that risks are under control; and
- key players who help coordinate and curb identified risks.

2.2.2.2 Internal control and risk management

The internal control and risk management mechanism comprises types of control, which can be broken down into three levels:

- Level 1: permanent controls, which are ensured by our departments and operating teams;
- Level 2: continuous controls, which assess the efficiency of the mechanism through our Internal Control and Risk Management Department; and
- Level 3: half-yearly control carried out by the Executive Committee, involving all of our Group's departments, including the Finance Department.

The organization of the internal control and risk management mechanism is described below:



2.2.2.3 Internal control and risk management key players

The proper functioning of the internal control and risk management mechanism (whether operational, financial or compliance-related), is at the heart of our Group's organization and its management and control activities.

Controls are carried out, for each identified process, by all of our departments and employees.

The steering of internal control mechanism falls within the remit of the Executive Committee.

The Finance Department reports to the Audit and Risks Committee and to the Board of Directors on the effectiveness of the mechanism in place.

A. Our Audit and Risks Committee and our Board of Directors

In accordance with the AFEP-MEDEF Corporate Governance Code for Listed Companies (the "AFEP-MEDEF Code"), the Audit and Risks Committee is involved in a number of internal control and risk management initiatives, such as:

- assessing our Group's internal control systems;
- reviewing risk mapping;
- assessing internal control and risk management action plans; and
- monitoring recommendations and their follow-up actions.

In this respect, the Audit and Risks Committee issues its opinion on the internal control organization, following a review of its work schedule. Furthermore, it ensures that an identification, quantification and prevention process for the main risks generated by our Group's activities is in place.

Should it deem it appropriate or necessary, the Audit and Risks Committee provides all useful information regarding internal control or risk management to the Board of Directors.

B. Our Executive Committee

The Executive Committee is our Group's management and steering body.

It is therefore responsible for overseeing our Group's internal control and risk management mechanism. To this end, it relies on the work and periodic reviews of the Finance Department, which sits on this Committee.

The Executive Committee monitors the progress of the action plan approved by the Audit and Risks Committee, and ensures the effectiveness of the internal control and risk management mechanism.

It also ensures that major issues are identified and addressed, and approves our Group's operational and strategic objectives.

Finally, it monitors the implementation of the strategy and assesses options to ensure it is effectively rolled out, in compliance with the guidance given to it by our Audit and Risks Committee and our Board of Directors.

2 Management report Risk factors and internal control

C. Our Finance Department

The Finance Department is represented on the Executive Committee by the Chief Financial Officer.

The main purpose of the Finance Department is to ensure consistent information in operational terms for the Chief Executive Officer, to whom all members of the Executive Committee report directly.

Our Chief Financial Officer is tasked with centralizing and regularly presenting all of the management, internal control and risk management indicators monitored by our Executive Management and our Audit and Risks Committee.

The Finance Department includes an Internal Control unit tasked with organizing the internal control and risk management mechanism, and which assesses and monitors its effectiveness.

As such, the Internal Control unit defines the procedures to apply, monitors the action plan in relation to the recommendations issued by our auditors and the guidance provided by our Audit and Risks Committee, and completes the formal risk mapping activity.

Our Internal Control unit reports on a regular basis to the Chief Financial Officer, who is its direct line manager.

D. The Legal Department

The Legal Department is represented on the Executive Committee by our General Counsel.

The Legal Department handles matters relating to all areas of laws and regulations in the broad sense of the term.

Its mission includes in particular supervision of regulatory and compliance related matters relevant to our Group.

It also involves the handling of litigations involving the Group companies, which litigations are monitored through a litigation report updated at the end of each semester with the assistance of external counsel. The litigation report is reviewed by the Executive Committee.

The Legal Departement is also responsible for defining the Group's insurance policy and for underwriting and managing all insurance policies.

The Secretary of our Board of Directors and its five Committees is the General Cousnel. In this respect, she is actively involved in organizing and conducting their meetings. In particular, she ensures that matters that must be examined and/or approved, pursuant to applicable laws, regulations, the Board of Directors' internal regulations or the rules of good corporate governance (such as those of the AFEP-MEDEF Code), are effectively brought to the attention of our directors and, where applicable, submitted for their prior approval and/or subsequent ratification.

An approval matrix procedure has been established. Before a contract is signed by one or more Group company, the approval of a tracking form is required. The employee responsible for the contract, a director involved in the contract and/or the head of the relevant department beneficiary of the contract are involved. In addition, depending on the purpose, type, parties to and/or the amount of a contract, the Finance Department, the Intellectual Property Department and/or the R&D Director must validate the tracking form.

E. Our Human Resources and CSR Department

Our Human Resources Department, represented on our Group's Executive Committee by the Executive Vice President, Human Resources, is in charge of policies to attract and retain talent, manage employee relations, prevent industrial and workstation accidents, and steer our Group's environmental policy. Further, it oversees safety and security, ranging from cybersecurity and personal data protection to the safety of persons and property. It is also responsible for occupational health, which is nonetheless run as an autonomous and independent unit to ensure it has the required independence to put the health of employees first.

As such, the Human Resources Department ensures compliance with rules and regulations applicable at all its locations – notably labor law, welfare and benefits, environmental law, and collective agreements struck with employee representatives – and with unilateral undertakings by our Company, such as the Code of Good Conduct, that pertain to all matters within its remit or with which all employees must comply.

It formulates and implements policies to attract and retain personnel to meet the technological and business growth challenges by offering dynamic career paths, facilitating continuous learning and skills development, and offering a wide array of competitive pay packages that combine collective and individual incentives, such as unique employee shareholding plans open to a large number of staff, with a view to uniting all parties around common goals to achieve profitable growth over the short and medium term.

Last, it ensures a proper dialogue between management and employees, safeguards occupational health, promotes continual improvement in the quality of working life, and foster diversity.

F. Our Operating Departments and our employees

Our Operating Departments are at the heart of the internal control and risk management mechanism. They are responsible for applying the policies and procedures established by our Group, in order to achieve the objectives set and ensure the effectiveness of their work.

All Group employees are first-level players in the implementation of internal control measures. Their involvement in internal control is an essential part of their work and contributes to the good level of control over our Group's activities.

Written procedures set out the controls to be carried out at critical steps in each identified process.

Our employees also contribute to the continuous improvement of the internal control mechanism by sharing anomalies or errors detected with their department or the relevant unit.

2.2.2.4 Our internal control mechanism

A. Reference framework

In 2010, the AMF updated its Reference Framework document, originally published in 2007. This document forms the basis for our Group's internal control mechanism. Our Company is committed to complying with these principles when implementing its internal control mechanism.

Adopted by our Group in 2009, it applies to all entities in the consolidation scope. It has resulted in the implementation of:

- internal control procedures applicable to all entities within our Group;
- rules of access to the IT systems tailored to roles and responsibilities
 of our operational staff and to the principle of separation of tasks;
- rules for supervising accounting and financial operations that are identified as critical.

Risk factors and internal control

By formalizing these rules, we help strengthen key controls and make the internal control process more reliable, while preventing and managing major risks to which we are exposed, given the nature of our business.

Our Company has successfully completed most of the projects it initiated, aiming to bring its internal control environment in line with that of the AMF's Reference Framework.

Our internal control procedures now reflect our Group's size and the nature of its business. They meet the requirements of our managers and shareholders.

B. Assessment of internal controls

The assessment of our internal control system is the subject of a specific information given to our Audit and Risks Committee, during its meeting called to review the annual financial statements.

This presentation is prepared by our Internal control unit, and takes the form of a plan to monitor the actions carried out during the fiscal year. It involves identifying areas for improvement and setting objectives for the following year.

Our action plans are defined in conjunction with the internal process managers and aim to improve the internal control mechanism.

These action plans are coordinated by our Internal Control unit and are regularly reviewed by our Executive Committee.

Our internal control processes are reviewed by our statutory auditors as part of their audit review for certification of the annual financial statements.

C. The role of our statutory auditors

In the performance of their duties, our statutory auditors are required to:

- obtain an understanding of the organization and operation of our internal control processes:
- present their observations, if any, on the description of our internal control and risk management procedures for the preparation and treatment of accounting and financial information;
- certify that the other information to be included in our corporate governance report pursuant to Article L. 225-37 of the French Commercial Code has been prepared and reviewed.

2.2.2.5 Our risk management

A. Context and risk mapping

Our Company now aims to strengthen its internal control mechanism, which has been in place for several years, by presenting a risk map to our Audit and Risk Committee once a year. The goal is to establish a more systematic monitoring tool.

This mapping provides an analysis of the risks to which our Group may be exposed, and whose occurrence could have an adverse impact on its activities, financial position or assets, or on its reputation or image.

Our Company successfully redesigned its risk mapping process in 2018. As such, it has identified and developed several scenarios covering the main risks liable to impact its activities at both Group and local level.

Our Audit and Risks Committee reviewed the risk map in June 2018. An updated version is presented every year in March to the Committee.

B. Methodology and assessment

Each risk is identified, analyzed and assessed using a general risk matrix.

This matrix then makes it possible to map risks by category (business, compliance, operations, R&D, finance, etc.) and by level of criticality.

There are four levels of criticality:

- critical;
- maior:
- moderate: and
- low.

C. Method

Our risk mapping was completed with the assistance of all members of the Executive Committee. It was implemented in two stages:

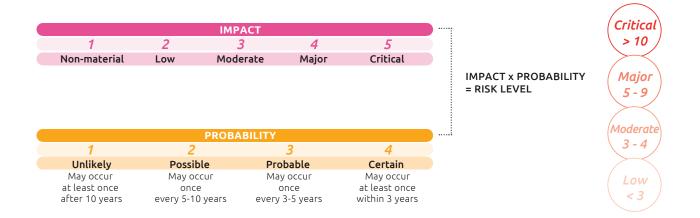
- interviews held with members of the Executive Committee, heads of subsidiaries and operating staff, supplemented by thematic questionnaires, to identify the risks specific to their business activities and the measures implemented to control or mitigate them;
- an assessment of the level of criticality of each risk based on two criteria: financial impact and probability of the risk occurring.

D. Risk assessment criteria

The level of criticality of a risk is assessed on the basis of two criteria:

- the calculation of the financial impact based on EBITDA or cash flow or market price on a scale from 1 (non-material) to 5 (critical);
- the estimate of risk probability or occurrence on a scale from 1 (unlikely) to 4 (certain).

The combination of these two criteria make it possible to categorize the risks under one of the four aforementioned levels of criticality, as presented in the diagram below.



2 Management report Risk factors and internal control

E. Review and regular reporting

The risk mapping is reviewed at least once a year and is based on interviews held between members of the Executive Committee and operating staff.

It may also be reviewed following an external audit or specific analysis, during which new risks are identified or existing risks are reassessed.

Regular reports are provided to the Executive Committee regarding risk mapping and an annual report is presented to the Audit and Risks Committee.

2.2.2.6 Our internal control procedures and accounting and financial reporting

Pursuant to Article L. 225-100-1 of the French Commercial Code, our Group has presented below its internal control procedures involved in the preparation and treatment of accounting and financial information.

A. General principles

Our internal processes for the preparation and treatment of accounting and financial information aim to ensure:

- the compliance of published accounting and financial information with applicable rules;
- the application of instructions and guidelines set by Executive Management regarding such information;
- the reliability of the information published and used internally for coordination or verification purposes, where they contribute to the preparation of published accounting and financial information;
- the reliability of the published financial statements and of information disclosed to the market;
- the preservation of its assets and holdings;
- to the extent possible, the prevention and detection of accounting and financial fraud and unlawful acts.

Our Group relies on the Finance Department to ensure the proper preparation and treatment of accounting and financial information.

B. Accounting and financial organization management process

Our accounting and financial organization management process is based on a structure and documented procedures that ensure the reliability and integrity of published consolidated data.

Internal control procedures are in place, and are based on a centralized control system that gathers data from our subsidiaries.

It specifically involves principles such as the separation of tasks, the supervision of critical operations, and also contributes, amongst others, to the prevention and detection of accounting and financial fraud and unlawful acts.

1. Our Finance Department

Our Finance Department plays a key role in coordinating our Group's financial and accounting organization and, in order to successfully carry out its assignments, draws on its Consolidation, Accounting, Management control, Internal Control and Communication, and Investor Relations functions

Our Finance Department is also active at each Group subsidiary *via* an Accounting/Management control unit.

Our accounting and financial organization is integrated within the permanent control mechanism implemented by our Group. It ensures the efficiency of its organization and processes that contribute to the development and treatment of published financial data.

To this end, it implements procedures for consolidating, monitoring and managing financial information in accordance with IFRS accounting standards.

2. Our Disclosure Committee

The Disclosure Committee is an important component in our Group's internal control system.

It meets twice a year before the accounts are closed by the Board of Directors

Key operating executives at our Company (including members of our Executive Committee) are presented with the key events and highlights during the period relating to the financial statements, the closing options adopted and the main judgments made.

The aim is to confirm the reliability and exactness of the financial information to be made available to the public, in particular:

- by confirming the Finance Department's correct understanding of operational matters;
- by verifying the exhaustiveness of the disputes or potential disputes examined;
- by reviewing any subsequent events.

These meetings are the subject of a written report, in which the key operational managers confirm that they have provided our Finance Department with all necessary information.

Our statutory auditors attend the Disclosure Committee.

3. Our Audit and Risks Committee and our Board of Directors

Our Audit and Risks Committee and our Board of Directors control and audit the process for the preparation and treatment of accounting and financial information.

CONTROLS AND VERIFICATIONS

Each year, the annual budget is approved by our Board of Directors, following an analysis and approval by our Audit and Risks Committee. This budget is used for the management of the economic performance of each operational unit and of our entire Group.

At each Board of Directors meeting, the Chief Financial Officer presents our Group's actual situation in comparison with the annual budget.

CLOSING OF THE FINANCIAL STATEMENTS

The draft half-year and annual consolidated and individual financial statements, together with the Notes, are sent to the Board of Directors and to the Audit and Risks Committee eight days before their respective meetings are called to close the financial statements.

Our Audit and Risks Committee meets prior to the Board of Directors' meeting in order to review the financial statements. The Committee members may meet with our statutory auditors or key persons in the Finance Department, without our Group's executive management being present. They may elicit their opinions on the accounting information presented, or on the effectiveness of the internal control system in place.

The financial statements, once validated by the Audit and Risks Committee, are then submitted to the Board of Directors for closing.

Furthermore, our Audit and Risks Committee studies and formulates recommendations on annual capital expenditure and exceptional expenditure. It is also in responsible for regularly reviewing our Group's main financial risks and off-balance sheet commitments.

Our Audit and Risks Committee reports on its work to the Board of Directors at least four times a year.

Risk factors and internal control

4. Our statutory auditors

Pursuant to French law, our Group's financial statements are audited by joint statutory auditors.

Our subsidiaries identified as material are audited (limited review for the half- year financial statements). Our other subsidiaries are reviewed on the basis of the relevant financial aggregates.

Our statutory auditors present a summary of their work to our Finance Department and to our Audit and Risks Committee at each half-year and annual closing date.

Ernst&Young and KPMG were appointed for a period of six years starting from the Shareholders' General Meeting of July 25, 2016, and ending at the close of the Shareholders' General Meeting to be called to approve the financial statements for the fiscal year ending on March 31, 2022.

Process for preparing published accounting and financial information

In accordance with European Regulation no. 1606/2002 dated July 19, 2002, since April 1, 2005, our Company publishes its consolidated financial statements in compliance with international financial reporting standards (IFRS).

1. Financial reporting

In accordance with stock market regulations, our Group strives to provide reliable and accurate information and to inform the public as soon as possible of any event likely to have a material impact on the market price of its financial instruments.

Financial information made available to the public is prepared by our Chief Financial Officer, on the basis of data prepared and verified by his team.

Before publication, this information is reviewed by certain key operational executives and by the Chief Executive Officer.

They are also subject to prior approval by the members of our Audit and Risks Committee and/or our Board of Directors. Our directors are therefore able to make comments and suggest changes prior to publication.

At each stage of the process, the accuracy, precision and consistency of the information, as well as its prudent and reliable nature, are key points that undergo a systematic check.

All of our Company's financial documents are published on its website in the "Company/Investors" section (*via* the following link: https://www.soitec.com/en/investors).

They are made available for a minimum period of five years.

2. Consolidation process

The consolidation process is a centralized process at our Group.

The Consolidation division provides subsidiaries with the accounting rules to be applied, and ensures that they are properly understood and applied.

Monthly reporting, budgets and the consolidation of accounting data are managed on a single IT system.

The objectives of the consolidation and management system in terms of control are as follows:

- to proceed with automated monitoring of the consistency of the financial data submitted by the subsidiaries;
- to process collected information faster;
- apply international accounting standards (IFRS).

Accounting principles and definitions are formalized and available to all users.

The information provided by our subsidiaries is checked by the Consolidation team at our headquarters. It conducts consistency checks and approves the items that present the greatest risks before consolidating the financial statements.

The Chief Financial Officer is provided with a detailed analysis of evolutions in results and of specific key indicators. This reporting process is structured as follows:

- preparation and approval of an annual detailed budget, which is then updated on a monthly basis;
- monthly reporting on the results, cash flow and investment;
- detailed analysis of differences;
- quarterly budgetary review during the steering and control meetings.

The results and forecasts are reviewed on a quarterly basis to ensure that the objectives are achieved.

Regular tracking of the results makes it possible to take the necessary corrective measures as needed.

3. Procedure for reporting and consolidation of data

The published consolidated financial statements are prepared by the Finance Department on the basis of the audited financial statements of the subsidiaries.

Financial statements are prepared by our subsidiaries in accordance with our Group' accounting rules and to a schedule set out and made available by our Finance Department.

The main accounting estimates and options used by our Group are stated in advance of the closing of the accounts with the statutory auditors.

4. Verification of the consolidated financial statements

Our Company's statutory auditors audit and review the annual consolidated financial statements and carry out a limited review of the half-year consolidated financial statements. Local external auditors carry out a limited review of the statements submitted by the subsidiaries, where relevant.

Our statutory auditors prepare, as part of their assignment, letters of recommendation on the procedures and financial statements which are followed up our Finance Department.

5. Management of external financial data

Our Group's financial statements are prepared using data from the accounting software package and are then incorporated in the half-year and annual reports, which are reviewed by the external auditors.

Our Group's publications relating to its financial statements are prepared on the basis of information gathered from our Finance Department and are systematically approved by our Chief Financial Officer.

They are then reviewed by the Disclosure Committee.

Our Audit and Risks Committee and our Board of Directors examine and approve these releases for publication.

2 Management report Risk factors and internal control

2.2.3 RISK FACTORS

2.2.3.1 Managing the Covid-19 public health crisis

Our Group began the fiscal year 2020-2021 in a context of high economic uncertainty due to the coronavirus pandemic ("Covid-19") which started in China in December 2019 and spread globally since the end of February 2020. In the ensuing public health crisis, many countries have instituted confinement measures and placed restrictions on movement. At this point the impact of the crisis on our business is, at this stage, hard to assess and will depend on its scale and duration as well as on the measures taken by all countries affected to combat this pandemic.

In these circumstances, our Group's top priority is the safety of its staff and partners. A number of necessary measures have been taken at all affected facilities to ensure business continuity in the best possible conditions in all countries where our Group operates. To date these measures have kept all production sites running and protected global supply chains.

Our Group is dealing with the crisis through action plans coordinated within the following crisis management units: sanitary measures, supply chain protection, employee support and information, and public relations.

Each of these specialized units reports on a regular basis to the business continuity unit, in real time to our Group's Executive Committee.

Each crisis management unit has set out Group-level policies pertaining to its remit and approved local measures adapted to the realities on the ground and the regulatory framework of every facility. Sanitary and distancing measures as well as the operational and organizational impact of the crisis are the subject of a continuous dialogue between management and employee representatives.

Meanwhile, our Group's analysts are closely tracking the semiconductor industry, studying all announcements by our customers and looking out for any changes in the composition of the ecosystem. This constant watch has enabled our Group to respond adequately and take the necessary measures to adapt our business.

This day-to-day management, coordinated at the level of our Group's various subsidiaries, makes it possible to adapt all of the measures as the health crisis evolves.

The Executive Management acknowledges the mobilization and responsiveness of all subsidiaries, sites and their employees, which reflects our Group's ability to meet these unprecedented challenges.

Soitec has updated its sales guidance for FY 22 as a result of the Covid-19 crisis (see Section 2.1.7 of this report). At the date of this report, the exact extent of the impact of the crisis on our Group's 2020-2021 results cannot be assessed more precisely. In general, all of the risks identified in this report must be considered in the light of the consequences of the Covid-19 pandemic and in particular regarding the "Global Pandemic" risk factor described in the following section.

2.2.3.2 Risk mapping specific to our Group and its industry

Our Group's risk mapping prepared by the Finance Department and presented to the Audit and Risks Committee helped identify a total of 101 risks for the 2019-2020 fiscal year.

They have been classified under 4 levels of criticality: low, moderate, major and critical.

Of these 101 risks, only 10 risks have been identified as critical and 16 as major, given their potential impact and the probability of them materializing.

The risks presented in this section are sorted by type and criticality into a limited number of categories. These risks were chosen based on their probability of occurrence and the estimated extent of their adverse impact.

Of our 26 critical and major risks, we identified 17 specific to our Group, its industry and its business environment, which we grouped into six categories:

- Risks related to the ecosystem;
- Technological risks;
- Industrial risks;
- Financial risks;
- Legal risks;
- Social and environmental risks.

Presented below are the specific and material risks that could impact our Group's business and financial position at the date of this report.

As yet unidentified risks or risks whose occurrence is considered unlikely to have an adverse impact may also exist at the date of this report. The information below contains assumptions and estimates that by definition may turn out to be incorrect.

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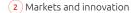
2.2.3.3 Presentation of our specific risk factors by category

In accordance with the provisions of Article 16 of EU Regulation 2017/1129, the risk factors identified in our six risk categories are ranked in order of materiality, from the highest to the lowest risk, according to our Group's assessment as of the date of this report.

In each category, the most material risks are mentioned first.

RISKS RELATING TO THE ECOSYSTEM





3 Competition

5 Price fluctuations

TECHNOLOGICAL RISKS

- 6 Technological obsolescence
- 7 Launch of R&D projects

INDUSTRIAL RISKS

- 8 Production capacity
- 9 Supply structure with bulk suppliers
- 10 Limited number of suppliers of raw materials
- 11 Price fluctuations of raw materials
- 12 Production shutdown

FINANCIAL RISKS

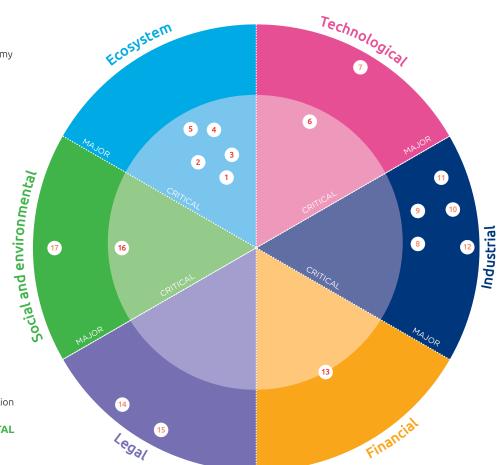
13 Exchange rates

LEGAL RISKS

- (14) IT and data security
- 15 Intellectual property protection

SOCIAL AND ENVIRONMENTAL RISKS

- (16) Global pandemic (Covid-19)
- 17 Integration of employees from acquired entities



The diagram only shows specific, material and corroborated risks for the 2019-2020 fiscal year.

Our risk factors related to CSR challenges are presented separately in this report, in accordance with the requirements of the extra-financial performance statement.

2.2.3.4 Summary of our Group's specific risks by category and criticality

For each of the six risk categories, risks are identified according to their level of criticality as assessed during the risk mapping process, according to the key below and as described in Section 2.2.2.5 "Methodology and assessment".

In addition, within each category, the risks with highest materiality are listed first.









Low risk

2.2.3.5 Risks related to the ecosystem

Description of the risk Potential impacts Main control mechanisms



Concentration of customer base

- The semiconductor industry is concentrated among a small number of foundries and customers.
- Our portfolio is dominated by five main customers. This concentration is intensified by the technological choices of our Group's main customers, making it dependent on:
- customer products; the technological choices of our customers'
- Uneven bargaining power.
- A significant drop in demand from our main customers leading to lower revenue and
- Dependence on the technological choices of our customers' customers having a negative impact on our Group's business volumes.
- · Policy of product diversification and capturing different market segments: smartphone, automotive, Cloud & infrastructure, IoT in order to expand our offer and our positioning which has enabled us to reduce the customer concentration in recent years.
 Focus our strategy to make our innovative
- substrates the industry standards, especially our RF-SOI technology which is gaining in popularity among our customers and is widely used in 4G and
- 5G smartphone components. Promotion of partnerships with existing customers (collaborative program of technical data sharing, SOI consortium, etc.).



Markets and Innovation

- The semiconductor industry is cyclical as well as highly innovative in terms of alternatives to our Group's technology.
- Adoption of a technology by the market is a long process that requires constant anticipation of the changing needs of end customers.
- · Loss of market share if a technology is not adopted.
- Fall in revenue if certain product lines do not meet customer expectations.
- Prolonged customer approval cycle of new technology.
- Lower than expected revenue.
- Increase spending on R&D by 11.2% of revenue at 03/31/2020.
- European Union support and financing in the
- context of the IPCEI program and Nano 2022. Partnership policy with key players such as research centers, universities and major customers in the four target markets (smartphone, automotive, IoT and infrastructures for the Cloud and mobile telecommunications).
- Develop research platforms in Europe, Asia and the United States
- Set up an Innovation Department and establish Business Units for each product line to be closer to the market and customers, with the support of the Strategic Office to find new markets.



Competition

- The semiconductor market is very competitive due to the high concentration of market participants.
- This situation is exacerbated by the strategy of some market participants to undertake mergers & acquisitions or form partnerships to diversify their technological range or increase their production capacity.
- Silicon producers might develop integrated models enabling them to make SOI, POI, GaN and the like or alternatives to Soitec products.
- Entry into the market of new competitors or existing competitors with new technology.
- Loss of market share.
- Impact on our Group's business growth.
- Fall in revenue.

- Regular monitoring of the overall capacity of competitors to produce SOI, POI, GaN and the like, and assess where our technology stands compared
- to the needs of the market. Continue R&D efforts to be at the cutting edge of technology and bring innovative, high
- performance solutions to market. Strengthen the sales organization, ensuring the promotion of SOI products amongst end users.
- Work closely with our direct customers and end users to align our products' roadmaps and best meet their needs in terms of performance, price and other criteria.



Geopolitics and global economy

- Our Group's business may be directly or indirectly affected by protectionist policies of the world's biggest economies, especially China, the United States and Europe: 55% of our Group's revenue came from Asia, 20% from the United States and 25% from Europe for the fiscal year 2019-2020
- Significant increase in tariffs lowering our Group's margin on products exported to the United States.
- Blocked or prohibited entry to a market (particularly in China and the United States). Loss of market share.
- Decrease in revenue and results.
- Periodic analysis carried out by a dedicated team of the current geopolitical and regulatory situation to detect any risks liable to impact our business.
- Develop multiple production capacity in Europe
- and Asia to be able to reroute distribution.
 Portfolio of products responding to demand from clients located all around the world.
- Strengthen our skills in export control and analysis of the content of our products to identify the origin of the components, equipment or IP used in their manufacture.



Price fluctuations

- Competition between our innovative substrates and alternative products in the semiconductor market could heighten price pressure.
- The prevalence of Soitec technology depends on the price-performance ratio compared with other solutions available in the market
- Silicon is expensive compared with other raw materials
- Downward pressure on the selling prices of our products and/or erosion of our market shares.
- Possible withdrawal by end users or their suppliers from projects relying on our products if the price-performance ratio is unattractive.
- Decrease in revenue and results.
- Lower profitability in the event of a significant increase in raw material prices.
- Setting a minimum cost in order to maintain a
- good margin on Soitec products.
 Implement a product roadmap to continually raise the performance of our products and set them apart from our customers' standpoint.

 Negotiation of long-term agreements with main
- customers to determine selling prices based on quantities ordered.
- Implementation of a cost control program using an internally developed process dedicated to improving the use of raw materials.
- Long-term partnership in terms of volume and pricing with suppliers.

Risk factors and internal control

2.2.3.6 Technological risks

Description of the risk Potential impacts Main control mechanisms



Technological obsolescence

- Our Group's technology or products could obsolesce with the changing needs of the market and with new competing products and/or technology that have a better price-performance ratio.
- · Major impact if RF-SOI and Power-SOI become obsolete, as these technologies constitute the bulk of our Group's revenue.
- Significant impairment of obsolete inventories
- and production assets.

 Negative impact on our Group's growth in the semiconductor market.
- Decrease in revenue and results.
- · Creation of a strategic unit tasked with identifying products' end of life, and determining positioning on new technologies.
- Focus on bringing out new technology or next-generation RF-SOI, POI, FD-SOI, Imager-SOI, Photonics-SOI and other products.
- Development of new generations within each
- product family.
 Annual review of underlying assumptions for forecasts, obsolete inventories, capitalized R&D
- costs and impairment of long-term assets. Continued analysis of the market to identify new applications offered as well as customer strategies in order to anticipate technological changes.



Launch of R&D projects

- · Investment decisions on R&D projects are made at a very early stage and without any certainty as to the project's outcome or the business opportunity.
- If a competing technology becomes available before a project is completed and/or at a lower price, it could make that R&D project worthless.
- R&D spending amounted to 11.2% of revenue at 03/31/2020.
- Some R&D spending not yielding the expected return on investment.
- Delay in bringing new products to market.
- Drop in or lower than expected revenue and lower earnings.
- Study the market and monitor technology more closely to spot opportunities and semiconductor market trends.
- Initiate and monitor R&D projects that are consistent with defined strategic objectives, target prices and business opportunities.
- Market analysis to ensure similar technology is not
- available at a lower price. Form partnerships with research centers and set up innovation platforms in Europe, Asia and the United States to unlock synergies and reduce costs.

2.2.3.7 Industrial risks

Description of the risk Potential impacts Main control mechanisms



Production capacity

- Our Group's production capacity could fail to keep
- up with a strong increase in demand. If production lines reach full capacity, it could result in extensive delays in the manufacture of new products such as POI and GaN.
- Dissatisfaction of customers (Soitec technology not adopted).
- Loss of market share.
- Drop or delay in revenues and negative impact on results
- Delays in the qualification of new products.
- Anticipation of the necessary capacities via a reliable mid- and long-term planning process
- Increased production capacity at the Bernin and Singapore facilities.
- Maximization of a production unit's capacity (resources and layout).
- Development of production capacities through licensing or subcontracting agreements with several key players.
- Expansion of production capacity through the partnership with Shanghai Simgui Co. Ltd.

Supply structure with bulk suppliers

- Supply from bulk suppliers is governed by longterm agreements containing take or pay clauses, which are not linked to customer contracts with equivalent characteristics (commitment term, technology covered by the contract, volumes)
- Possible discrepancy between bulk volumes that Soitec has agreed to purchase and customer
- Increase in expenses and profit and loss (P&L) statement imbalance.
- The Procurement Department is studying ways to promote greater flexibility in its contracts with bulk suppliers to be able to increase or decrease its bulk purchases and thus stabilize costs and
- maintain spare capacity. Inclusion of clauses in new bulk supply contracts making it possible to change the technology covered by the agreement, in order to redeploy supplied bulk to another technology in line with Soitec's requirements.



Limited number of suppliers of raw materials

- The limited number of silicon suppliers in the market could lead to a shortfall in our Group's requirements.
- Inability of our Group to procure enough silicon to meet customer demand.
- Lower productivity and production delays.
- Loss of market share.
- Decrease in revenue and results.
- Pursue a policy of multi-sourcing critical or strategic components.
- In-house development of alternative sourcing to mitigate risk and create leverage over suppliers.
- Implementation of a business continuity plan covering tier 2 or tier 3 to ensure diversification of our suppliers' own sources, multi-sourcing for large volumes, SMI (supplier managed inventory) method, long-term agreements with suppliers, revised each year.



Price fluctuations of raw materials

- The cyclical nature of the semiconductor industry. which consumes large amounts of silicon, can lead to strong pressure on procurement markets and lead to rising prices.
- Probability of a significant increase in the price of silicon.
- Decrease in profitability.
- Agreements with the main silicon suppliers, who undertake to allocate capacity slots to Soitec and negotiate market shares.
- Approve new suppliers to diversify supply source and keep purchase prices under control.
- Pass on higher silicon prices to customers through changes in selling prices of Soitec products.



Shutdown of production

- Our Group has a limited number of production facilities of varying capacity:
 • Bernin 1, 2 & 3 in France;
- Hasselt in Belgium;
- Pasir Ris in Singapore:
- Partnership with Shanghai; Simgui Co. Ltd. in
- Difficulties in meeting customer demand in the event of prolonged downtime at one of the production sites.
- High cost (restart payroll expenses during production shutdown, etc.).
- Customer dissatisfaction.
- Loss of market share.
- Loss of income.
- Decrease in revenue and results.
- Impacts on Soitec's reputation.
- Put in place a business continuity plan with different crisis scenarios:
- Internal operations plan including trainings to safeguard safety, employee health and the integrity of manufacturing infrastructure;
- Operational exercise every year;
- Identification of "critical" operations and supply and customer deliveries securing.
- Implementation of prevention and protection measures.
- Spread production lines across two separate facilities for lower impact and greater flexibility in
- "Business interruption" insurance partially covering the risk of production shutdown.

2.2.3.8 Financial risks

Description of the risk Potential impacts Main control mechanisms



Exchange rates

- Our Group's transactions are mostly in US dollars, so an unfavorable EUR/USD exchange rate could have a significant impact, especially on revenue which is mostly in US dollars.
- Impact on the gross margin.
- Currency translation risk in our Group's consolidated financial statements:
- Currency translation losses and impact on our Group's equity;
- Adverse exchange rate fluctuations: a decrease in revenue is not offset by an equivalent decrease in euro-denominated
- Mitigation in exposure to other foreign currency fluctuations by balancing costs and revenues.
- Regular review of net foreign exchange risk exposure, to decide whether to use forward purchases/sales or options to minimize the EUR/
- USD foreign exchange position.
 Financing in local currencies in order to maximize risk hedging

Management

Risk factors and internal control

2.2.3.9 Legal risks

Description of the risk Potential impacts Main control mechanisms



Intellectual property protection

- Protecting intellectual property is of great importance to our Group in light of the potential risk of patent infringement.
- Our Group must also prevent loss of benefits from employee inventions and avert leaks of know-how.
- Loss of Soitec's competitive advantage.
- Loss of development opportunities.
- Adverse impacts on the financial position.
- Policy to safeguard our Group's intellectual property rights:
 - Protection of our Group's main technological innovations by filing patents;
 - Apply to have key patents extended abroad; Protection of manufacturing methods;
 - technological enhancements, trademarks, etc;
- Check intellectual property clauses in contracts with suppliers, partners and customers.

 Preserve in-house knowledge and retain
- employee-inventors through specific HR tools such as incentive compensation, retention plans, non-disclosure and non-compete clauses.



IT and data security

- Our Group's IT infrastructure is part of and heavily depends on a rapidly changing digital environment.
- Endogenous factors, such as information system failures and data losses, or exogenous factors, such cyberattacks and computer viruses, could lead to major breakdowns.
- Loss or theft of confidential and sensitive data.
- Cyber-attacks and capture of sensitive data for unauthorized use or attempted scams.
- Damage to the reputation and image of our
- Group-wide information security policy defining all information protection measures, both technical (passwords, data and service encryption, antivirus, firewall) and behavioral (classification, awareness)
- Work closely with government security agencies in charge of computer and data security (e.g. the DGSI and ANSSi in France).
- Regularly assess risks and action plans to eliminate or contain any vulnerabilities detected. Information provided to "at-risk" employees (best
- practices in terms of business trips and focus on at-risk countries)

2.2.3.10 Social and environnemental risks

Description of the risk Potential impacts Main control mechanisms



Covid-19 pandemic

- To manage the health risks posed by the pandemic, our Group and its subsidiaries have reorganized facilities and slowed production in Asia, France and
- As a result of the health risks, facilities may close temporarily, employees may be exposed to infection, many employees may stay at home or exercise their right to not work if they consider themselves in danger, and our Group or its representatives may be held liable.
- pandemic. General slowdown in the global economy and
- slump in customer orders. Bankruptcy of partners or third parties.
- Declining stock markets and falling Soitec share

Loss of production at facilities affected by the

- Loss of income and reputational damage.
- Business continuity plan (BCP) containing appropriate responses to various scenarios and crisis levels to (i) protect the health and safety of employees, (ii) maintain and/or resume trading in the best possible conditions, and (iii) strengthen
- the resilience of our Group, its subsidiaries and its production facilities. Communicate with employees and with customers, suppliers and subcontractors to ensure flexibility
- and responsiveness. Monitor country-specific public health regulations and measures.
- Safeguard sources of liquidity.



Integration of employees from acquired entities

- As part of its growth strategy, our Group may acquire or make equity investments in other companies with a different corporate structure and/or culture, which may lead to integration difficulties.
- Inability of new managers and employees to fit our Group's strategy and culture.
- Loss of key staff or specialists
- Failure to achieve synergy and business growth targets.
- Integration plan defined in the process of acquiring companies and equity investments.
- Organization of dedicated cross-functional teams to support the integration process and monitor the objectives set.

2.2.4 FINANCIAL RISK MANAGEMENT

Please refer to financial risk management objectives and policies, which are described in note 5.4 to consolidated financial statements as of March 31, 2020 described in Section 5 of this annual financial report.

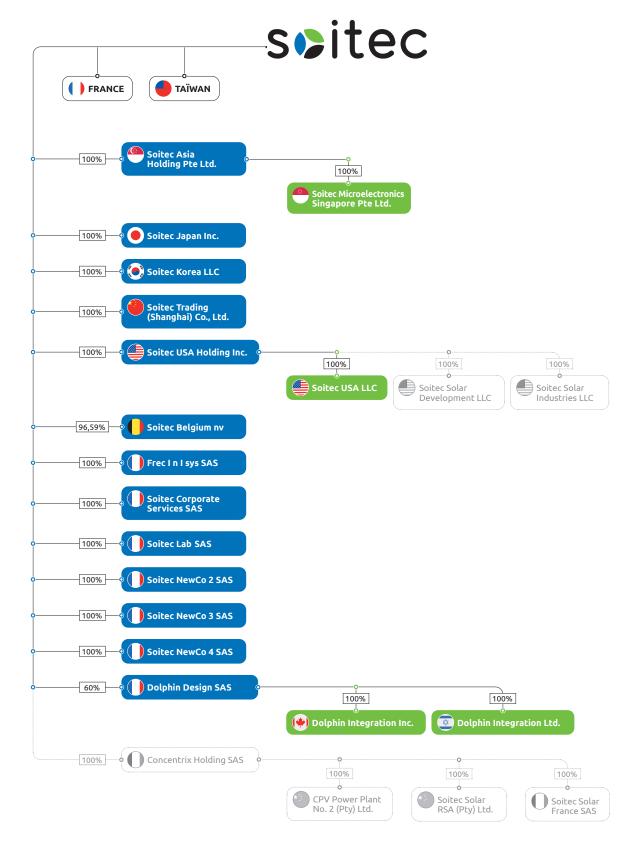
Management report Information concerning the share capital

2.3 INFORMATION CONCERNING THE SHARE CAPITAL

2.3.1 GROUP ORGANIZATIONAL STRUCTURE

The Organization Chart below shows our Group at July 6, 2020, the date of approbation of this report.

The percentages indicated below correspond to the percentages of capital and voting rights.



2.3.2 CHANGE IN OUR MAIN SHAREHOLDERS OVER THE PAST THREE FISCAL YEARS

The table-below shows the number of shares and voting rights and corresponding percentages held by our main shareholders, long-standing shareholders and employee shareholders as of March 31, 2020.

The development over the past three years of their respective positions in terms of percentages of shares and exercisable voting rights is also included.

Our main shareholders are those who directly or indirectly hold more than 5% of our share capital.

Employee shareholding has been calculated in accordance with Article L. 225-102 of the French Commercial Code.

		Situation as of March 31, 2020						n as of 1, 2019	Situatio March 3	
Shareholders	Number of shares	Percentage of shares	Number of theoretical voting rights (1)	Percentage of theoretical voting rights (1)	Number of exercisable voting rights ⁽²⁾	Percentage of exercisable voting rights (2)	Percentage of shares	Percentage of exercisable voting rights ⁽²⁾	Percentage of shares	Percentage of exercisable voting rights ⁽²⁾
Free float	21,868,393	65.71	22,134,395	65.22	22,134,395	65.22	65.71	65.22	61.11	61.28
NSIG Sunrise S.à.r.l.	3,636,008	10.93	3,708,768	10.93	3,708,768	10.93	10.93	10.93	11.49	11.39
CEA Investissement	3,636,007	10.93	3,636,007	10.71	3,636,007	10.71	10.93	10.71	11.49	11.39
Bpifrance Participations	3,636,007	10.93	3,708,767	10.93	3,708,767	10.93	10.93	10.93	11.49	11.39
Shin-Etsu Handotaï	222,629	0.67	445,258	1.31	445,258	1.31	0.67	1.31	0.70	0.70
Employees:	222,506	0.83	302,615	0.89	302,615	0.89	0.83	0.89	1.04	1.21
 Of which PS 2 ⁽³⁾ 	97,980	0.29	97,980	0.29	97,980	0.29	0.00	0.00	0.85	0.00
Treasury shares (4)	4,442 (5)	0.01	4,442 (5)	0.01	0	0.00	0.01	0.00	0.02	0.00
TOTAL	33,278,901	100.00	33,940,161	100.00	33,935,810	100.00	100.00	100.00	100.00	100.00

⁽¹⁾ The total number of theoretical voting rights (or "gross" voting rights) is used as the basis for calculating threshold crossings. In accordance with Article 223-11 of the AMF General Regulation, this number is calculated on the basis of all shares to which voting rights are attached as of the information cut-off date, including shares without voting rights and shares entitled to double voting rights.

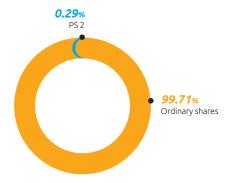
- double voting right's, and after the deduction of shares without voting rights.
 (3) PS 2 with a par value of €2.00 each, not admitted to trading on a regulated market.
- (4) Shares without voting rights.
- (5) Among which 91 shares were allocated on April 6, 2020 with a retroactive effect at March 30, 2020.

2.3.3 CHANGES IN OUR SHARE CAPITAL SINCE APRIL 1, 2019

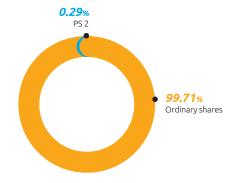
As of July 6, 2020, our share capital, amounting to €66,557,802.00, comprises two categories of shares:

- 33,180,921 ordinary shares with a par value of €2.00 each; and
- 97,980 PS 2 with a par value of €2.00 each.

> Percentage share capital



) Percentage number of shares



All of our Company's shares are subscribed and fully paid up.

There are no shares that do not represent the share capital.

⁽²⁾ The total number of exercisable voting rights (or "net" voting rights) is calculated after taking into account, as of the information closing date, the number of shares entitled to double voting rights, and after the deduction of shares without voting rights.

Management report Information concerning the share capital

2.3.4 TREASURY SHARES HELD BY OUR COMPANY

2.3.4.1 Number of treasury shares

As of July 6, 2020, our Company held 4,351 ordinary treasury shares, representing 0.01% of the share capital.

Their par value is €2.00 each.

Please refer to note 3.13 to the consolidated financial statements as of March 31, 2020 in Section 5 of this report for an analysis of the accounting treatment and value of our treasury shares as of March 31, 2020.

2.3.4.2 Number of shares held by our indirect subsidiaries

As of July 6, 2020, none of our indirect subsidiaries held shares in our Company.

2.3.4.3 Share buyback program in force, adopted by the Combined Ordinary and Extraordinary General Shareholders' Meeting of July 26, 2019

The Ordinary and Extraordinary General Meeting (OEGM) of July 26, 2019, in its 21^{st} resolution, authorized our Board of Directors, with the option to further delegate, to acquire or procure the acquisition of shares in our Company, in one or more installments, at the dates determined by it, up to 5% of our share capital as of the date of each buyback.

This authorization terminated and superseded the authorization granted to our Board of Directors by the OEGM of July 26, 2018.

It is hereby specified that this 5% limit applies to the adjusted share capital based on transactions affecting it after the OEGM of July 26, 2019.

As regards the particular case of shares repurchased under a liquidity contract, the number of shares taken into account for the calculation of the 5% limit corresponds to the number of shares purchased, less the shares resold during the period of the authorization.

Furthermore, the number of shares held by our Company at any time shall not exceed 10% of our share capital, this percentage applying to adjusted capital based on transactions affecting it after the OEGM of July 26, 2019.

Acquisitions may be made with the purpose of:

- ensuring liquidity and making a market on the secondary share market
 of our Company through an investment service provider acting
 independently within the framework of a liquidity agreement which
 complies with the market practice accepted by the French Autorité des
 marchés financiers (as amended where appropriate); or
- allocating or selling shares to employees to allow them to participate in the benefits of Company's expansion or for the purpose of implementing company or group savings plans (or similar plans) under the conditions provided for by law, and notably Articles L. 3332-1 et seq. of the French Labor Code: or
- allocating free shares under the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code; or
- in general, meeting obligations related to share option programs or other share allocations to employees or corporate officers of the issuer or of a related company; or

- the retention and deferred award of shares (in exchange, as payment or other) for external growth operations, on the understanding that the maximum amount of shares acquired with a view to their retention and subsequent award as payment or in exchange for merger, demerger or capital contribution transactions may not exceed 5% of the capital; or
- hedging securities giving rights to the allocation of shares of our Company upon exercise of rights attached to securities giving the right through redemption, conversion, exchange, presentation of warrants, or any other means to the allocation of shares of our Company; or
- subsequently canceling, in whole or in part, the shares thus bought back pursuant to Article L. 225-209 of the French Commercial Code.

The purchase of shares may be made by any means, on a regulated market, a multilateral trading facility, from a systematic internalizer or by mutual agreement, including by public offer or transactions for blocks of shares (which may represent the entire program). However, our Company does not intend to use derivatives.

These transactions may be performed at any time, pursuant to the legal provisions in force, excluding during public offerings of Company securities.

The maximum share price is set at €150 per share.

In the event of a transaction affecting the share capital, in particular a share split or division or a free allocation of shares, the aforementioned amount shall be adjusted in the same proportions.

The maximum overall amount allocated to our share buyback program was set at \leq 235,357,650 at the OEGM held on July 26, 2019. It was calculated on the basis of the share capital at this date, amounting to \leq 62,762,070.50 and comprising 31,381,035 shares.

As the date of this report, due to the new amount of our share capital of \le 66,557,802, consisting of 33,278,901 shares, the overall maximum amount allocated to our share repurchased program is set at \le 249,591,758.

It is hereby recalled that, pursuant to Article 241-2 of the AMF General Regulation, the description of the share buyback program approved by the OEGM on July 26, 2019 was described in our previous 2018-2019 Registration Document filed on July 4, 2019 with the AMF under number D.19-0649.

2.3.4.4 Use made up to July 6, 2020

Between April 1, 2019, and July 6, 2020, our Company twice allocated treasury shares to employees as part of the liquidation of the PAT no. 1, PAT no. 2 and PAT no. 3 allocation plans:

- one allocation on March 17, 2020, of 635 ordinary shares; and
- one allocation on March 30, 2020, of 91 ordinary shares.

These transactions reduced the number of our Company's treasury shares to 4,351, from 5,077 shares held as of March 31, 2019.

Information concerning the share capital

2.3.4.5 Report on the previous program

The OEGM of July 26, 2019, in its 21st resolution, authorized our Board of Directors, with the option to further delegate, to acquire or procure the acquisition of shares in our Company, in one or more installments, at the dates determined by it, up to 5% of our share capital, at any time whatsoever.

In accordance with Article 241-2 of the AMF General Regulation, the description of this share buyback program approved by the General Meeting of July 26, 2019 was set out in our previous 2018-2019 Registration Document filed on July 4, 2019 with the AMF under number D.19-0649.

Declaration by the issuer of the transactions performed on its own shares from July 26, 2019, to July 6, 2020

Percentage of directly or indirectly owned share capital (1)	0.01%
Number of shares purchased	0
Number of shares sold	0
Number of shares transferred	0
Number of shares canceled	0
NUMBER OF SHARES HELD IN THE PORTFOLIO (1)	4,442 ⁽³⁾
Gross book value of portfolio (1)	€377,213.62
Net book value of portfolio (1)	€309,269.97
Market value of portfolio (2)	€395,560.10

⁽¹⁾ As of March 31, 2020.
(2) As of May 13, 2020.
(3) Among which 91 shares were allocated on April 6, 2020 with a retroactive effect at March 30, 2020.

	Cumulative o	ross flows (1)	Positions open on the publication date of the program description (2)			
	Purchases	Sales/transfers	Open buy po	sitions	Open sell p	oositions
From July 26, 2019, to July 6, 2020			Call options purchased	Forward purchases	Call options sold	Forward sales
Number of shares	-	-	-	-	-	-
Average maximum maturity	-	-	-	-	-	-
Average price of transaction	-	-	-	-	-	-
Average exercise price	-	-	-	-	-	-
Amounts	-	-	-	-	-	-

Cumulative gross flows include cash buy or sell transactions and options and futures exercised or expired.

Open positions include unexpired forward purchases or sales as well as unexercised call options.

2 Management report Information concerning the share capital

2.3.5 TRANSACTIONS IN OUR COMPANY'S SECURITIES CARRIED OUT BY OUR EXECUTIVES AND THOSE CLOSELY CONNECTED TO THEM

In accordance with Article L. 621-18-2 of the French Monetary and Financial Code and with Articles 223-23 and 223-26 of the AMF's General Regulation, the tables set out below present in chronological order a summary of all transactions carried out on the shares of our Company during fiscal 2019-2020 and up until June 10, 2020, by our corporate

officers, certain executives of our Company, and those closely connected to them.

Please note that these transactions are declared only to the extent that the aggregate value thereof is more than €20,000 per declaring individual over the course of a calendar year.

Declaring individual	Kai Seikku	Paul Boudre
Capacity	Director	Chief Executive Officer
Issuer	Soitec	Soitec
LEI	969500ZR92SQCU9TST26	969500ZR92SQCU9TST26
Type of financial instrument	Ordinary shares	Ordinary shares
Financial instrument identification code	FR0013227113	FR00132271133
Number of financial instruments	2,000	196,597
Type of transaction	Acquisition	Assignment
Transaction date	July 29, 2019	September 16, 2019
Place of transaction	Euronext Paris	Euronext Paris
Unit price	€93.5000	€91.000
Total amount of the transaction	€187,000	€17,890,327

Declaring individual	Éric Meurice	Paul Boudre
Capacity	Chairman of the Board of Directors	Chief Executive Officer - Director
Issuer	Soitec	Soitec
LEI	969500ZR92SQCU9TST26	969500ZR92SQCU9TST26
Type of financial instrument	Ordinary shares	Ordinary shares
Financial instrument identification code	FR0013227113	FR0013227113
Number of financial instruments	1,000	2,000
Type of transaction	Acquisition	Donations
Transaction date	December 4, 2019	December 3, 2019
Place of transaction	Euronext Paris	Euronext Paris
Unit price	€94.3516	€90.8500
Total amount of the transaction	€94,351.60	€181,700

2.4 OTHER ACCOUNTING, FINANCIAL AND LEGAL INFORMATION

2.4.1 TABLE OF OUR COMPANY'S RESULTS OVER THE LAST FIVE FISCAL YEARS

Type of information (in \in thousands)	Fiscal year 03/31/2016	Fiscal year 03/31/2017	Fiscal year 03/31/2018	Fiscal year 03/31/2019	Fiscal year 03/31/2020
I. Capital at the end of the fiscal year					
Share capital	23,132	60,623	62,762	62,762	66,558
Number of existing ordinary shares	11,566,209	30,311,510	31,367,567	31,367,567	33,180,921
Number of preferred shares	-	-	269,365	269,365	97,980
II. Transactions and earnings for the fiscal year					
Revenue before tax	220,310	238,223	296,034	448,694	577,355
Earnings before tax, employee profit-sharing and allowances for amortization and provisions	(32,497)	24,346	(477,674)	103,216	54,136
Income tax	(11,126)	(13,883)	(7,458)	3,421	495
Employee profit-sharing	-	-	-	2,522	1,107
Allowances for amortization and provisions	42,926	17,881	(517,764)	(11,186)	(47,194)
Earnings after tax, employee profit-sharing and allowances for amortization and provisions	(64,296)	20,348	47,548	108,460	99,727
III. Earnings per share					
Earnings after tax, employee profit-sharing and before allowances for amortization and provisions	(1.85)	1.26	(14.99)	3.1	1.58
Earnings after tax, employee profit-sharing and allowances for amortization and provisions	(5.56)	0.67	1.52	3.46	3.01
IV. Personnel					
Average workforce during the fiscal year	850	859	931	1,053	1,128
Payroll for the fiscal year	47,485	47,573	51,804	55,896	63,738
Amount paid as social benefits during the fiscal year (social security, social welfare work, etc.)	21,073	27,099	23,511	25,717	30,184

2.4.2 INFORMATION ON PAYMENT TERMS FOR SUPPLIERS OR CUSTOMERS

2.4.2.1 Information on payment terms as of March 31, 2020

Invoices received not settled on the closing date of the last fiscal year

	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
(A) Late payment ranges						
Number of invoices concerned	1,607				>	295
Total amount of invoices concerned € inc. taxes	39,388,428	1,365,175	1,379,900	365,307	1,065,929	4,176,312
% of total purchase amount for the year	8.55%	0.30%	0.30%	0.08%	0.23%	0.91%
(B) Invoices excluded from (A) relating to disputed	l and unrecorded o	lebts and receiva	bles			
Number of invoices excluded						
Total amount of excluded invoices			None			
(C) Reference payment terms used						
Payment terms used to calculate late payments	C	ontractual terms (mainly 45 days afte	r issue date of the su	ipplier invoice)	

Unpaid invoices issued on the closing date of the fiscal year that has expired

	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
(A) Late payment ranges						
Number of invoices concerned	356	>	\sim		>	59
Total amount of the invoices concerned € inc. taxes*	100,060,342	135,893	492,586	86,494	630,179	1,345,155
% of sales for the year	18.26%	0.02%	0.09%	0.02%	0.11%	0.25%
(B) Invoices excluded from (A) relating to disputed a	and unrecorded o	lebts and receiva	bles			
Number of invoices excluded						
Total amount of excluded invoices		None				
(C) Reference payment terms used						
Payment terms used to calculate late payments		Contract	ual terms			

^{*} Downpayments are considered immediately due.

2.4.2.2 Information on payment terms as of March 31, 2019

Invoices received not settled on the closing date of the last fiscal year

	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
(A) Late payment ranges			-	<u> </u>		
Number of invoices concerned	1,790					268
Total amount of invoices concerned € inc. taxes	39,174,632	909,563	351,187	90,034	945,588	2,296,373
% of total purchase amount for the year	9.8%	0.23%	0.09%	0.02%	0.24%	0.57%
(B) Invoices excluded from (A) relating to dispute	d and unrecorded	debts and receiva	bles			
Number of invoices excluded						
Total amount of excluded invoices			None			
(C) Reference payment terms used						
Payment terms used to calculate late payments		Contractual terms (mainly 45 days after issue date of the supplier invoice)				

Unpaid invoices issued on the closing date of the fiscal year that has expired

	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
(A) Late payment ranges						
Number of invoices concerned	314					123
Total amount of the invoices concerned € inc. taxes*	133,426,430	(4,665,197)	(1,386,636)	232,986	2,821,532	(2,997,365)
% of sales for the year	28.84%	-1.01%	-0.30%	0.05%	0.61%	-0.65%
(B) Invoices excluded from (A) relating to disputed a	ind unrecorded o	debts and receival	bles			
Number of invoices excluded						
Total amount of excluded invoices		None				
(C) Reference payment terms used						
Payment terms used to calculate late payments		Contract	ual terms			

Downpayments are considered immediately due.

2.4.3 DIVIDEND INFORMATION

Our Company has not distributed any dividends in respect of the past three fiscal years.

We intend to reinvest our profits in order to finance our future growth, and we do not plan to pay out any dividends over the next three years.

2.5 SOCIAL AND ENVIRONMENTAL INFORMATION

2.5.1 CSR POLICY AT SOITEC

Our Group fully incorporates its CSR strategy into all of its activities. All decisions and processes are guided by this commitment to a fairer and more sustainable world. Soitec's CSR strategy is traditionally based on the three pillars of sustainable development: *People, Planet* and *Ethical Business*.

People

2019-2020 was marked by strong growth with unprecedented revenue levels. our Group has taken great care to involve its employees in the challenges linked to growth, in particular *via* creative and motivational tools for employee shareholding open at all levels. From a social point of view, particular attention has been paid to quality of life at the workplace; Soitec has taken great care to involve nearly all of its entities in this process. In terms of safety, the highly significant reduction in the workplace accident frequency rate over the course of the year is the reward for the many efforts made in this area.

Planet

Our Group's sites, both industrial and commercial, are mainly located in attractive regions of the world: in the Grésivaudan valley, one of the most beautiful areas in France, for our registered office and industrial site in Bernin, or, for example, in Singapore. Our Group therefore pays particularly

close attention to the environmental impact of its business activities and, each year, ensures that improvements are made to its facilities and processes in order to better take into account the impact of its business in terms of climate change. A Group Carbon footprint has been carried out this year and will be followed by a concrete action plan to limit and control these impacts even better. A large number of awareness-raising activities have been carried out involving employees who are already well aware of these challenges, on topics that are constantly being updated. Finally, 2019-2020 has brought biodiversity to the center of our concerns.

Ethical Business

The products developed by our Group are at the heart of the changes to daily life on the planet in the medium-term, and this raises our awareness of a complex ecosystem, involving a large number of clients, a position which is a long way upstream in the value chain, comprised of state-of-theart products made using rare resources. In its interactions, Soitec strives to act globally in accordance with demanding social and ethical principles. Each year, Soitec's rules on business ethics become ever stricter. Soitec is also sensitive to the ecosystem in which it is developing. It strives to put down deep roots and develop in those local areas in which it operates. In 2019-2020, many actions were taken in accordance with these principles.

2.5.1.1 Governance

CSR is part of the Human Resources Department. Its activities are steered by the various operational entities which create, implement, and assess the policies, objectives, and results:

- the Human Resources Department;
- the HSE Department;
- the sites' managements;
- the Occupational Health Department;
- the Finance Department;
- the Quality Department;
- the Facilities Department;
- the Procurement Department.

Major decisions are discussed by the Executive Committee and in the quarterly reviews of our Company's policies.

2.5.1.2 Standards and reference frameworks

Our Group defines its CSR policy in line with the standards and benchmarks which it has adopted or to which it refers and which impose a strict and verifiable framework with regard to our Company's corporate, environmental, and social practices:

- ISO 14001, environmental management standard;
- ISO 45001, occupational health and safety standard;
- ISO 50001, energy management standard;
- ISO 27000, information security management standard;

- IATF, quality management standard in the automobile industry;
- authorization as an approved economic operator (AEO);
- ISO 26000, establishing guidelines related to corporate social responsibility;
- Convention of the International Labor Organization (ILO);
- Universal Declaration of Human Rights;
- United Nations Convention against Corruption;
- OECD Guidelines for Multinational Companies, adopted on May 25, 2011;
- the Carbon Disclosure Project;
- the Code of Conduct of the Responsible Business Alliance (RBA).

All of these in line with our Group's internal policies and regulations:

- the internal regulation, updated on February 8, 2017, applicable to Soitec and all internal rules applicable to each of its subsidiaries;
- the Soitec Code of Good Conduct, validated by the Board of Directors on January 30, 2018, attached to the internal regulation;
- the IT system resources use charter dated February 26, 2015;
- the Gifts and Invitations Policy dated April 20, 2018;
- the Bernin Health and Safety and Environmental Regulations dated September 14, 2016, attached to the internal regulation;
- the Bernin Safety Commitment dated September 2019;
- the Bernin Environmental Commitment dated September 2019;
- the Bernin Energy Commitment dated September 2019.

Our Group is also contributing to the sustainable development goals set by the United Nations Organization in September 2015, to respond to the global challenges we face, in particular, those linked to poverty, inequality, climate, environmental damage, prosperity, peace, and justice. Soitec is focusing its attention of 10 of the 17 major sustainable development goals identified by the United Nations Organization:



Goal no. 5: Gender equality



Goal no. 7: Affordable and clean energy



Goal no. 12: Responsible consumption and production



Goal no. 13: Climate action

Goal no. 14: Life below water



Goal no. 9: Industry, innovation, and infrastructure



Goal no. 10: Reduced inequalities



Goal no. 11: Sustainable cities and communities



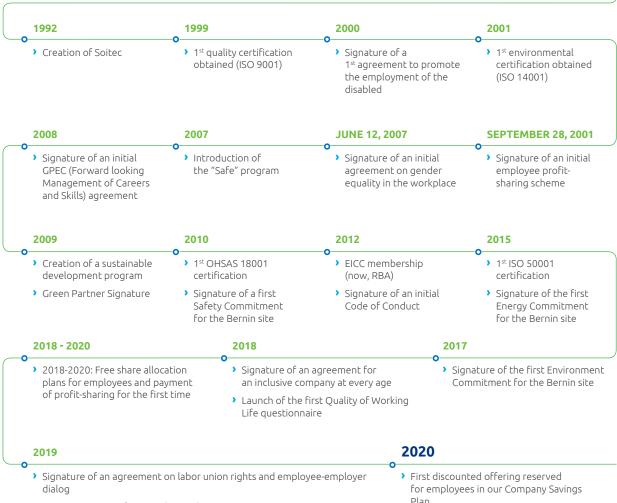
Goal no. 15: Life on land



Goal no. 16: Peace, justice, and strong institutions

2.5.2 KEY STAGES IN SOITEC'S CORPORATE COMMITMENTS

Soitec's corporate responsibility has for many years been of key importance to our Group. Very early on, commitments were made in terms of societal, social, and environmental responsibility.



- ▶ 1st ISO 45001 certification obtained
- > First joint investment in preferred shares plan

Plan

2

2.5.3 STATEMENT OF EXTRA-FINANCIAL PERFORMANCE

2.5.3.1 Presentation of the Approach

In the context of the implementation of the European Directive on extra-financial reporting, an analysis was carried out in 2018-2019 aimed at identifying the priority corporate social responsibility (CSR) issues for our business.

This year, with the goal of continuous improvement inspired by the spirit of the Directive, a risk-based approach has been adopted. This approach has been led on a cooperative basis, under the leadership of the Human Resources and CSR Department, in collaboration with the Human Resources, Health and Safety and Environment, Ergonomics, Procurement,

Finance, Quality, and Legal Departments, the Occupational Health team, and with the help of external consultants, with inclusion of the various stakeholders within our Company. These risks were approved by the Soitec Executive Committee.

For each of these risks, indicators have been defined and are now the subject of regular reports.

This analysis of the risks specific to CSR matters has been completed in addition to the global risk analysis located in the "Risk Factors" Section of this document.

2.5.3.2 Presentation of extra-financial risks

A. Risk identification

	Extra-financial risks	Extra-financial stake/reasonable care		
	Workplace accidents and occupational health Pandemic risk	Guaranteeing that the health and safety of employees is protected and constantly working to reinforce risk prevention by taking their permanent development into account		
PEOPLE	Lack of satisfaction linked to certain aspects of working life: relationship or organizational difficulties, working conditions, workload, work/life balance, and fall in degree of commitment	Implement the conditions necessary to guarantee employee well-being and carry out regular surveys to assess satisfaction and trust levels, while identifying areas for improvement		
95	Discrimination and harassment	Promoting inclusivity		
MATERIAL TO THE PARTY OF THE PA	Mismatch between needs and our Company's human resources to meet the objectives of the strategic plan	Developing attractive talent management develop the skills and talents of each employee, plan ahead and boost career development		
	Inadequate, unsuccessful, confrontational social dialog	Promote social dialog which is healthy, constructive, and innovative, and provide social partners with even greater resources for the performance of their duties		
PLANET	Access to resources restricted or interrupted	Reducing and optimizing the use of natural resources		
	Risks related to climate change in the event of the occurrence of exceptional climate events	Regulating impacts on climate change		
	Environmental impacts linked to the functioning or malfunctioning of industrial sites	Limiting pollution, in particular emissions and waste		
	man directioning of industriat sites	Maintaining a healthy and balanced ecosystem in which Soitec acts to protect biodiversity		
ETHICAL BUSINESS	Legal and regulatory non-compliance	Acting globally in accordance with high social and ethical standards		
\bigcap	Insufficient contribution by our Group to the development of the local areas in which it operates	Making a commitment in the local area and its communities		
Zv.	Non-compliance with the GDPR	Guaranteeing data protection for all processing and		
•	Digital risks	guaranteeing cybersecurity		

B. Results

The table below sets out the objectives and results for each challenge, in response to the risks identified above. Certain objectives already have specific indicators. For others, improvement processes are underway to ensure that will be the case in future years.

Regarding corporate and social risks, the scope of consolidation is that of our Group, *i.e.* it includes all Soitec entities, representing 100% of the workforce. Exceptions may have been agreed for certain indicators, either

because the consolidation of data is not possible due to specific practices or regulatory environments, or due to cultural aspects which vary between the different entities, or because the data are not yet available due to the recent completion of acquisitions.

Regarding environmental risks, the consolidation scope includes only the two main industrial sites, *i.e.* the Bernin site and the Singapore site. Due to the nature of their business, it was irrelevant to include other entities which have an only very limited environmental impact. This scope covers 86% of the workforce.

	Extra-financial risk	Extra-financial stake/reasonable care		
	Workplace accidents and occupational health	Guaranteeing that the health and safety of employees is protected and constantly working to reinforce risk prevention by taking their permanent development into account.		
	Pandemic risk			
PEOPLE	Dissatisfaction linked to certain aspects of working life: relationship or organizational difficulties, working conditions, workload, work/life balance, and fall in degree of commitment	Implement the conditions necessary to guarantee employee well-being and carry out regular surveys to assess satisfaction and trust levels, while identifying areas for improvement		
	Discrimination	Promoting inclusivity		
	Mismatch between needs and our Company's human resources to meet the objectives of the strategic plan	Developing attractive talent management Develop the skills and talents of each employee, plan ahead and boost career development.		
	Inadequate, unsuccessful social dialog	Promote social dialog which is healthy, constructive, and innovative, and provide social partners with even greater resources for the performance of their duties		
	Access to resources restricted or interrupted	Reducing and optimizing the use of natural resources		
	Risks related to climate change in the event of the occurrence of exceptional climate events	Regulating impacts on climate change		
PLANET	Environmental impacts linked to the functioning or malfunctioning of industrial sites	Limiting pollution, in particular emissions and waste		
		Maintaining a healthy and balanced ecosystem in which Soitec acts to protect biodiversity		
(ETHICAL BUSINESS)	Legal and regulatory non-compliance	Acting globally in accordance with high social and ethical standards		
	Insufficient contribution by our Group to the development of the local areas in which it operates	Commitment in the local areas or to communities		
	Non-compliance with the GDPR Digital risks	Guaranteeing data protection for all processing and guaranteeing cybersecurity		

In addition to the risks listed above, other activities are managed with particularly close attention to CSR, in particular in relation to:

- employee shareholding;
- responsible procurement policy;
- consumer health and safety;
- sustainable forms of transport;
- anti-corruption.

Social and environmental information

	Performance indicator	Fiscal year objective	Results and policy	Scope
	Workplace accident frequency rate	FR Bernin = 5	Group FR = 3Bernin FR = 3.6	• Group
	Workplace accident severity rate) -	> GR = 0.05 > 663	• Group
	Number of safety tours	> -	 "Safe" program R!Go program Mutual aid culture program 	 Industrial sites
-	 Absenteeism linked to Covid-19 Change in number of contact cases having occurred on site. 	> -	Covid-19 measures put in place	› Group
	 Satisfaction levels according to the quarterly quality of working life questionnaire 	> -	• 67.12%	 Group (excluding Dolphin Design)
	 Rate of participation in questionnaires 	> 85%	> 86%	
	 Number of actions completed during the year) 100	› 154	
	› Pay equality index) -	89/10079/100	BerninDolphin Design
	> Rate of employment of ∙disabled workers	› 6%	• 6.19%	Bernin
	• •		 Mutual aid culture program 	Bernin
	Promotion rate	> -	1 6%	• Group
	› Number of hours of training/employee/year) -	> 26.4	› Group
	Number of collective agreements signed) -	 7 agreements signed 	BerninDolphin Design
	› L/wafer	 Curve trajectory must remain negative 	· -8%	› Bernin + Singapore
	› KWh per plaque	 Curve trajectory must remain negative 	· -12%	> Bernin + Singapore
	• Group scope 1, 2, 3 Carbon footprint		> 180,000 t CO₂ e	 Group (excluding Dolphin Design, Frec n sys, EpiGaN nv)
	 Number of exceedances of regulatory thresholds relating to water and atmospheric discharges 	 Compliance with regulatory thresholds 	 Aqueous discharges: compliance with regulatory thresholds Atmospheric emissions: 1 exceedance recorded in the quarterly readings, however the annual average measurements are below the regulatory thresholds. 	> Bernin + Singapore
	Percentage of NHW recovered/year	> 50%	 52% Replacement of printers Elimination of plastic cups from the entire site (fabs an offices) 	> Bernin
	> -) =	 Setup of beehives on Soitec sites 	> Bernin + Singapore
	 Number of employees who completed the Code of Good Conduct online course) -	 77% Responsible Business Alliance (RBA) ROHs REACH AEO Conflict minerals 	Group (excluding Dolphin Design)
) -) -	 Support for the humanitarian association Les Écoles de NOA Schoolchildren involved in a beekeeping project. Inn.OTech Solidarity shown through actions in the context of the Covid-19 crisis 	› Group
	 State of progress made in the action plan presented to the Audit Committee) -	 Awareness-raising program on the protection of information 	• Group

2.5.4 PEOPLE

2.5.4.1 Overview of the Soitec community

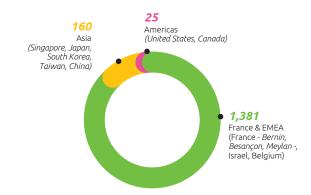
) Change in Group headcounts

CHANGE IN GROUP EMPLOYEE NUMBERS

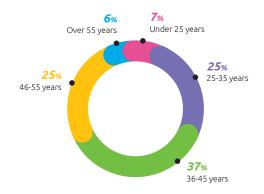
1,566

1,430

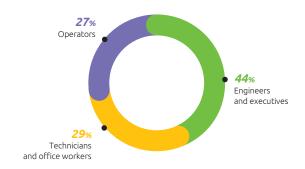
) Division of employees by entity



> Employee distribution by age (as %)



) Distribution of employees by socio-professional category (as a %)



2.5.4.2 Guaranteeing that the health and safety of employees is protected and constantly working to reinforce risk prevention

At Soitec, health, hygiene, and safety requirements are the focus of the combined efforts made by all those involved, with the support of the Health, Safety and Environment (HSE) and Human Resources Departments, the Occupational Health Department, Executive Management, Site Management, and the employee representative bodies, particularly the Social and Economic Committee (SEC) and its commissions going forward.

Our Group's ambition is to achieve zero accidents by increasing preventive measures and ensuring that all are committed to an ambitious safety culture that is shared by all.

In 2019, because of its recent acquisitions and the strengthening of its international presence, Soitec decided to extend the scope of its HSE Department by scaling this up to Group level in order to pool expertise and resources and bring its ambitions into line across all group sites. Additional assignments have been defined and new resources allocated, due to become fully operational during 2020-2021.

Our Group is aiming for a degree of excellence which can be achieved both *via* effective management and *via* permanent improvement of performance. The Bernin site's health and safety management system has been certified for many years now. In November 2019, the site successfully renewed its ISO 45001 certification with no major points of non-compliance. The next goal is to obtain certification for our Group's 2nd largest industrial site, Pasir Ris, in Singapore, in February 2021.

Our Group's action is based on the deeply held conviction, well supported by the facts, that all accidents can and must be avoided through the appropriate behavior and organization. Its action guided by the following principles:

- there can be no accommodation or concessions when it comes to safety;
- each individual is responsible for his or her own safety, for the safety of colleagues, and of those around them.

A Safety Commitment was signed by the management of the Bernin site for the 2019-2021 fiscal year, with the following objectives:

- seeking to achieve "Zero Accidents";
- planning to prevent occupational health issues and psycho-social risks;
- eliminating danger and reducing risks at the workstation;
- planning for major crises.

A. Prevention, the keystone of Soitec's Health and Safety policy

The actions described below are aimed at improving prevention in terms of occupational health and safety, and at contributing to the development of quality of working life and, with this, the prevention of psycho-social risks.

1. Continuation of the Safe program to maintain safety performance at a high level

Since April 2007, a safety management program called "Safe" has been in place, with the objective of ensuring sustained safety performance equal to the standards of the profession.

A. INCREASED AWARENESS

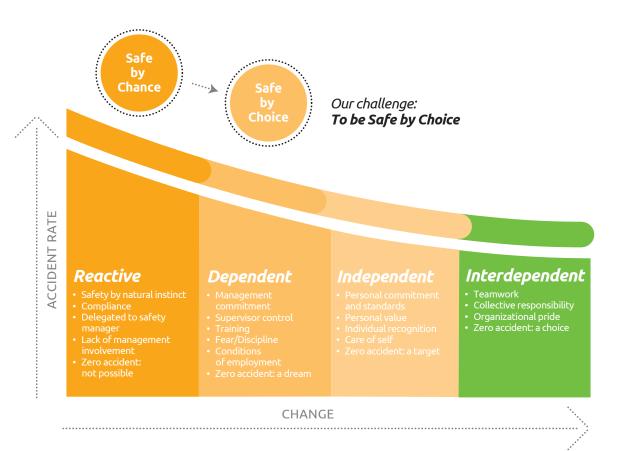
During 2019-2020, 15 "Safe" sessions enabled training to be provided to 159 employees and 13 managers. Following on from these training sessions, visits were carried out to observe actual practices (known as "safety tours") led by managers within their respective departments, in order to hold discussions with their employees in relation to specific working situations, enabling good practices to be identified and at-risk activities to be corrected.

During 2019-2020, 663 safety tours were therefore completed on a Groupwide level, a figure which is up by 10% in comparaison to the 2018-2019 fiscal year.

B. SHARING THE SAFETY CULTURE



The "Safe" program has set itself the objective of achieving a cultural transformation centered on improving behavior in terms of safety at work. The aim is the achievement, over the long term, of a level of maturity in terms of safety culture based on inter-reliance and shared vigilance, described below by the Bradley curve, the benchmark on this subject.



The program consists of 3 stages:

- an initial audit aimed at assessing the level of maturity of each site in terms of safety culture;
- an analysis and consultation phase allow the key actions to be taken to be identified;
- a roll-out phase.

Launched on the Singapore site in December 2019, this program will be extended to all Group sites during the 2020-2021 fiscal year.

C. DEVELOPING A CULTURE OF MUTUAL AID

In the context of the "Safe" program, kindness, mutual aid and a collective spirit within teams, natural discipline, and taking responsibility are all priorities where social and safety challenges are concerned. The aim is therefore to act on the indirect causes of accidents in the workplace.

A specific program has been developed with psychologists on this aspect.

2. Ergonomics, to prevent occupational health issues and reduce the risk linked to the role

A. RIGO, A PROJECT FOR THE PREVENTION OF OCCUPATIONAL HEALTH ISSUES

In 2019-2020, Soitec continued with its R!Go program launched at the Bernin sites and developed this further in the following areas:

- the implementation of a management system;
- improvements to the risk assessment tools and method used;
- organization at work to reduce the average ergonomic load;
- training and support for employees on site.

The workstation warm-up and stretching sessions for clean room staff that were introduced two years ago have been extended to new production areas.

Also, this year saw progress made in the assessment methods used, validated by the workplace physician and CARSAT thanks to an innovative method: the use of smartsuits has enabled the constraints incurred by the body of workers in the clean room environment during a given activity to be visualized in real time and will help identify the areas of the body to focus on in preventative actions.

These tools will also shortly to be used in training in order to make ergonomic risks visible.



In parallel, a group project has been launched to work on the automation of certain manual tasks. After compiling a list of needs with the production, maintenance, and facilities teams, several projects have been selected on the basis of potential benefits both in terms of safety and in productivity. These projects are currently underway and should reach their conclusion during the 2020-2021 fiscal year.

B. NEW OFFICE LAYOUTS

At the Dolphin Design site in Meylan, the move which was completed in early 2019 to bring all employees together on one more functional and welcoming site offered an opportunity to replace office furniture to obtain improved workstation ergonomics and to install WiFi to enable mobility within the premises.

3. Improving human reliability

Based on the observation that 80% ⁽¹⁾ of cases of human error involve experienced professionals performing repetitive tasks, our Group has implemented a measure aimed at improving human reliability. This takes the form of training on "User Practice" intended to raise awareness regarding human error and to teach 6 specific techniques:

- the pre-job briefing: to prepare on an individual and collective basis for the task in hand and guarantee the result expected by planning in advance for all possible problems and their solutions;
- the minute's pause: a way of preventing haste and hurry by taking a "periscope" view of the environment;
- cross-checking: having an independent colleague check a specific task or action prior to taking the action;
- secured communication: in order to guarantee the verbal transmission of information which is clear, complete, and targeted;
- self-checking: identifying in the procedures with a finger the action to be taken and reading out loud the name of the action, then identifying with a ringer the equipment to be used and reading the label out loud before completing the action;
- the debriefing: obtaining feedback on the experience after the action and mental closure on one task before moving on to the next.

The benefit to the employee consists of optimizing his or her mental or cognitive resources, experiencing less stress at work, stepping back from his or her activities (re-assessing the "urgent nature"), doing something right first time and being certain of this, and of being less tired after work.

This step which was successfully introduced in 2018-2019 to a pilot group was then extended in 2019-2020 to the entire Facilities and Maintenance team with the involvement of co-contractors, *via* the training of in-house points of contact and the creation of site schools. Reliability practices during technical shutdowns or other worksites have thus been trialed.

4. Planning for major risks

A. EMERGENCY DRILLS

Emergency drills are organized on a regular basis across our Group's industrial sites to test the organization defined at Soitec in the event of an incident.



management

5. Feedback from the employees, valuable for incident

The involvement of employees and their commitment is a decisive factor in improving HSE performance. Our Group currently has a range of tools which can be used by employees to report problems or suggest improvements. These systems for escalation allow incidents and "near misses" to be handled before these can have serious consequences for employees.

In 2019-2020, 58 declarations of "near misses" were filed by employees at the Bernin site. These were systematically analyzed and allowed preventative actions or improvements in working conditions to be identified.

6. Increasing awareness of public health issues among employees

This year, the occupational health team based at the Bernin site continued its cycle of lectures on public health topics by encouraging presentations by local specialists who work with our Company from time to time throughout the year.

- lecture on "DYS" issues: dyslexia, dysphasia, dyscalculia, dyspraxia, with the participation of the association APEDYS;
- lecture on organ and tissue donation by the medical team from the organ and tissue donation department at Grenoble teaching hospital;
- lecture on cardio-respiratory accidents and the "SauvLife" application by Professor Debaty, head of department and emergency medicine practitioner with "SAMU 38".

In addition, practical workshops on what to do when someone has a heart attack and using a defibrillator were offered to employees from the Bernin site and information leaflets were produced by the occupational health team.

Foot reflexology sessions continued this year at a rate of two days per month, between April and June 2019, and workshops offering an introduction to Tuina massage techniques were also offered.

These actions strengthen empowerment among employees in relation to health issues, while offering access to a range of alternative medicine techniques which contribute to quality of life at the site.

Over the past year:

 an "Internal Operation Plan" or IOP exercise under real-life conditions was organized at the Bernin site, with the participation of the Isère fire and rescue department, in September 2019.

The aim of this exercise was to test Soitec's internal organization in terms of the response to a major incident, as well as the effectiveness of the collaboration with external emergency services. A complex and ambitious scenario was put forward by the fire and rescue department.

The exercise involved some thirty firefighters, in particular from the local unit specialized in technological risks, as well as some thirty employees and partners.

The effectiveness of the emergency procedures at Soitec and, in particular, the timing of response of the crisis team was emphasized by the fire and rescue department at the end of the exercise. This test also provided an opportunity to identify areas for improvement which were then covered by specific action plans;

 two emergency and evacuation drills were also completed at the Singapore site in September and December 2019.

B. REINFORCING THE ON-CALL SYSTEM TO MAKE THIS MORE ROBUST

An emergency management system is in place across our Group's industrial sites. In Bernin, a reinforced safety on-call system was introduced in 2019. New members joined the team to increase the number of individuals qualified for these on-call duties by 33%. Combining heightened security and quality of working life, the aim is to guarantee that a team is at all times in a position to provide expertise and experience if required, without having to call out the same individuals too frequently. To do these, members completed specific training programs and took part in exercises both on site and at the crisis team premises. The number of people involved should increase further over the coming months.

C. A PRELIMINARY ANALYSIS OF RISKS RELATING TO EPITAXY EQUIPMENT

Following on from the risk analysis completed in 2018-2019, work has been carried out to improve safety: conduits for the removal of waste products from epitaxy equipment on the Bernin site have been reconfigured to make them independent from the other waste removal systems and to avoid any risk. Safety chains have been modified in order to guarantee redundancy and independence in case of emergency.

7. Management of the Covid-19 crisis at Soitec

Since the start of the pandemic in January 2020, Soitec has organized so as to assess the impacts of this crisis on its sites and business; first of all, in Asia, then in the rest of the world.

A gradual response plan was prepared, comprised of 4 levels based on the activity of the virus. The plan has been implemented across our Group's different sites, based on the changes to the level of risk.

In the context of Soitec's business continuity plan, crisis management teams were set up, focusing both on health and communication issues and on production, accompanied by a network of local crisis management teams.

The action plan has been coordinated by the Corporate crisis management team whose daily meetings have enabled the way in which the public health situation has developed to be monitored in real time, and allowed rules on prevention and protection to be updated constantly and deployed in advance, and the actions defined to be monitored.

Soitec made significant resources and means available in order to monitor and plan for this crisis early on, and then put adequate measures in place to protect the health and safety of its employees and subcontractors.

To date, business has continued across all of our Group's sites, in the strictest possible accordance with stringent health measures.



A. ON-SITE PREVENTIVE MEASURES

As far back as in January 2020, the initial measures were put in place within our Group, in particular in terms of limiting travel to highrisk areas. These measures were systematically adapted within each entity based on the situation in the country in question. Most often, Soitec has acted in advance, with greater prudence that the rules implemented by government.

Starting from mid-March, as the spread of the virus intensified in particular in Europe, measures were widely reinforced both for employees and external companies, including in particular: the widespread use of teleworking for all activities other than clean room activities, the strict application of protective measures, the introduction of rules on movement within the site, the reorganization of workspaces, breaks and meal options to guarantee a distance of at least 1 meter between individuals, the generalized use of masks, increased disinfection of all shared areas and the provision of cleaning kits for individual workspaces, temperature checks upon entering the site, a ban on meetings involving more than 2 individuals, segregation into half teams to avoid mixing between groups, the installation of a large number of hydroalcoholic sanitizer stations, etc.

To support the acceptance of these new rules, more notices have been displayed across the sites and managers have been made aware of the measures taken. Pages have been added to the intranet with links to a large number of resources and details concerning each rule, and a special Covid-19 booklet has been published and distributed to all employees.

B. MANAGEMENT OF INDIVIDUALS PRESENTING WITH SYMPTOMS

A protocol has been put in place for the management of individuals presenting with symptoms of Covid-19 and contact tracing has systematically been carried out. Case reviews attended by the HR Department and the occupational health team were organized daily, with, as a precaution, the systematic removal of relevant individuals for a period of 25 days during which their workstation has been maintained.

C. CLOSE MEDICAL SUPERVISION

During this period, the medical team presence on site has more than doubled.

In Bernin, all employees who show symptoms have been monitored remotely each week by the healthcare team.

This team has also taken part in daily crisis team meetings.

D. SUPPORT WITH TELEWORKING

Specific support has been put in place so as to provide the best possible support to employees working remotely, for whom this method of working, usually chosen, has now become mandatory, with the constraints that this may have generated both in terms of equipment and balancing personal and professional duties.

Newsletters have been sent out to employees. Help has been offered with organizing an ergonomic workspace. A remote management guide has been circulated to managers.

To ensure the best possible management of the psycho-social risks potentially linked to the current situation, a member of the Working Life and Social Relations commission attached to the HSE has joined the daily health crisis team meetings.

E. TWO SUPPORT TEAMS

An HR hotline:

Acutely aware of the difficult working conditions having to be faced by employees and the large number of questions and uncertainties which have been created by the situation, our Group has set up a telephone hotline for employees open during hours compatible with all teams and staffed, at the request of the elected employee representatives, by an HR partner or HR manager.

Psychological support team:

In addition, to support all employees experiencing difficulties, either working remotely or on site, a psychological support team, led by professional psychologists and coaches, has also been set up. Upstream, a webinar was offered to managers in order to give them all of the tools necessary to manage this highly unusual situation and to support them in their role with regard to employees in this specific context.

F. INDUSTRIAL RELATIONS

Faced with the Covid-19 pandemic, the representatives of the Bernin Social and Economic Committee (SEC) have been rapidly and very regularly informed about the changing situation and the prevention measures put in place. They have been involved in defining and overseeing the development of these prevention measures through the appointment of one representative of the Health, Safety and Working Conditions commission (CSST) to the health crisis team set up in late February 2020.

The representative from this commission has therefore taken part in 14 ⁽¹⁾ meetings of the health crisis team and 5 extraordinary meetings of the SEC have taken place in March 2020 alone.

For Dolphin Design, an even closer dialog was introduced with a special Covid-19 daily meeting involving the head of the Human Resources Department and the secretary of the SEC, to monitor actions and escalate any issues encountered in the field.

G. COMMUNICATION WITH EMPLOYEES

To support employees during this period, close, very frequent, corporate or establishment-based communication has been introduced. Its purpose was to provide information on the health, economic and social situation of the business, to promote any new measures, to support those working remotely, to circulate advice, etc.

At Dolphin Design, a weekly questionnaire has been rolled out in order to survey employees on subjects such as the ease of keeping in touch with your team, the possibility of working despite the mandatory teleworking, the option of arranging your workstation, the amount of information received regarding the current system and the level of morale. The results have enabled internal communication methods to be adapted and individual problems to be escalated and therefore dealt with.

B. Seeking to achieve "Zero Accidents"

1. Monitoring frequency rate and severity rate

The frequency rate (FR) and severity rate (SR) are tracked and released to employees on a monthly basis. They are calculated on a rolling year basis, to monitor changes over time. Improvement of the frequency rate is a criterion which is taken into account for the variable part of the compensation paid to managers.



On a Group scale, the workplace accident frequency rate has fallen significantly over the year, down from 5.26 at the start of the period to 3.0 at the end of the fiscal year. This decrease comes against a background of an increase in business.

Regarding the annual severity rate, it has fallen from 0.19 to 0.05.

Concerning the Bernin site, a considerable improvement in performance has been recorded with a significant drop in the frequency rate which fell from 6.6 at the start of the period to 3.6 at the end of the fiscal year, and a severity rate which fell from 0.23 to 0.07. This fall exceeds the progress target for the year which corresponded to a frequency rate of 5 for the fiscal year. Our Company has therefore returned to 2017 levels which places Soitec at a very high level in comparison with other companies in the sector: for an equivalent level of business, the frequency rate is 6 in the sector and the severity rate is 0.3, according to the latest statistics published by the French public health insurance body Assurance Maladie (for 2018).

This exceptional result is the fruit of multiple actions:

- a highly proactive approach to the monitoring of safety training: socalled critical training courses are listed and a goal of 0% late attendance has been set;
- the eradication of significant residual risks with, once again, a more proactive approach to the monitoring of actions resulting from the risk analysis;
- targeted actions on the risks relating to chemicals, considered as high:
 - a tool to help with decision-making when choosing personal protective equipment, for all facilities and maintenance staff concerned by action which involves any kind of risk from chemicals. This is a matrix which has been prepared according to the hazardous nature of the substance, the number of barriers in place, and specific work situations. It simultaneously both provides clear instructions and asks employees to think about their analysis of the risks before taking any action, helping them take genuine responsibility for their safety,
 - online training modules have been improved and "site" training sessions put in place.

For all accidents leading to lost time, any other significant accident or accident narrowly avoided, a systematic analysis is carried out using the 8D methodology and causes tree, *via* a working group, in the presence of the victim if possible, of a representative of the CSSCT, of the occupational health team, and the HSE Department.

This is led by the manager and is aimed at:

- precisely identifying the root causes of accidents;
- determining and implementing preventive and corrective actions;
- maintaining traceability of all of these events and monitoring improvements of the system;
- providing feedback to staff regarding these accidents.

The analysis report is then sent to the CSSCT (defined above), the occupational health team, the victim, and his or her management. A summary is then circulated to all employees *via* the monthly "Safe" bulletin to provide information on the feedback obtained.

Concerning external contractors working on site, analyses of accidents (involving 8D analyses for lost-time accidents) are systematically requested from the companies concerned *via* their clients.

A report on all lost-time accidents, or of all other significant accidents or near misses, is made by a working group with the participation of Soitec's client, the manager of the subcontracting company, the HSE Department, and a representative of the CSSCT.

2. Analysis of accident type and care provided

A triennial analysis of accidents and the care provided was completed on the Bernin site in December 2019 in order to identify accident types as well as recurrent causes. This study focused in particular on identifying key causes related to human factors. This analysis reveals that most accidents and need for care are linked to individual issues, ergonomics, risk identification, or other human factors. This analysis will be used as a support in the preparation of the 2020-2021 prevention program.

3. Two commission created within the SEC to better address subjects related to health and safety in the workplace

At the Bernin site, during the negotiations on the creation and functioning of the SEC, management and labor unions expressed a joint wish to strengthen the role and involvement of employee representatives with regard to the prevention of industrial accidents and the reduction of risk at the workstation. This wish led to the doubling of the number of elected employee representatives working on issues relating to health and safety, and their specialization *via* two separate commissions:

- the Life at Work and Industrial Relations commission (VTRS), which handles situations involving psychosocial risks and the monitoring of the Quality of Life at Work;
- the Health and Safety and Working Conditions commission (CSSCT), which focuses on safety in the workplace and industrial safety. The 6 elected members of the CSSCT can therefore devote themselves fully to carrying out surveys on the subject of accidents in the workplace, analyzing professional risk, monitoring safety indicators, the conduct of quarterly inspections relating to health and safety and working conditions, and proposing preventive measures.

2.5.4.3 Establishing the conditions necessary for the well-being of employees in the workplace

Over several years, our Group has placed well-being in the workplace and the continuous improvement of working conditions at the heart of its social policy, convinced that the quality of working life has a direct impact on the quality of the work itself. This is an ongoing concern and an area for priority action. For each employee, working within our Group must be a pathway to professional and personal development, while being in keeping with a good work-life balance. For several years now, all our employees have been provided with the means of expressing themselves and taking action to identify areas for improving the workplace environment and organization. In 2019, a company-level agreement was signed with labor unions on quality working life. Everyone has a role in preventing risks and introducing conditions which guarantee well-being in the workplace, and everyone has its own point of view and means of taking action.

A. Quality of working life

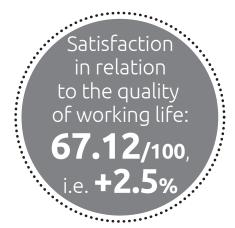
1. The quality of working life approach involves everyone

A tool for the steering of quality of working life was created in 2018 and is today used in all Group sites. This involves a questionnaire completed periodically aimed at measuring and monitoring the way in which employees perceive their working conditions. The latter are invited to answer anonymously some twenty questions drawn up collectively with the help of volunteer employees and relating to autonomy, the quality of relations with management, colleagues, cooperation between departments, the working environment, workload, work-life balance, and also communication.



The response rate, which has remained high over time (86% this year) shows that our Group's employees are interested in the collective approach which has been established. The answers given mean that weak signals can be detected and, therefore, a response provided more rapidly to avoid situations getting worse. Moreover, the issues which are clearly identifiable enable corrective action or improvements. The answers given to the questions are analyzed collectively, at debriefing meetings led by managers: the aim is to discuss areas for improvement and identify specific actions to be taken. Our Group wants to make quality of working life a key focus for team management. The challenge is to get employees themselves involved in and committed to improving the quality of working life within their own teams.

Around one hundred examples of concrete and achievable actions have therefore been identified by the teams after each questionnaire. Work has also been carried out to provide support for managers in monitoring the state of progress of the action plans. This year, to achieve this, a cooperative platform was set up *via* "Wedo", an internal task management tool. Managers and employees are now able to create and easily update their OWL action lists.



Over the 2019-2020 fiscal year, 4 QWL questionnaires were sent out to our Group's employees, thereby reaching over 1,200 individuals. While the number of completed questionnaires returned increased over the period by 84%, by rolling it out to almost all Group entities with a wide range of cultures, the level of quality of working life at Soitec remained the same and even saw a slight improvement with a score of 67.12 out of 100 (compared to 65.5 for the previous period).

In total, 301 actions for improvement were identified, 51% of which were completed before the end of the fiscal year.



2. Teleworking, appreciated and easy to access

Teleworking is standard practice within our Group. Concerning the Bernin site which has the largest workforce, an agreement was signed with the social partners in 2018 in order to establish the methods to be used.

This year, prior to the specific context of the confinement from the Covid-19 pandemic, no less than 169 employees had been working remotely on a more or less regular basis. The success of this method of working can be measured by the renewal of 120 teleworking contract amendments and by the filing of 49 new applications, all accepted.

For 25% of those working remotely, teleworking follows a fixed, regular pattern, involving 1 day a week on average. But, for most employees, the occasional use of teleworking offers more attractive flexibility and is easy to activate. In this case, employees can use up to 12 days of teleworking to be organized at their convenience over the year.

For the Dolphin Design site, a teleworking charter was established in January 2020 in partnership with the SEC. This details the eligibility criteria, the way in which the work is organized, equipment, data security, health and safety at work, and the protection of privacy.

However, the Covid-19 crisis and the confinement measures imposed in the various countries in which our Group has a presence have caused a profound change in the practices used, making teleworking not a chosen method of organization but an obligation, within a restrictive environment imposed by social isolation and family obligation. Against this background, Soitec has put in place support for teleworking and provided employees with a certain number of resources.

3. Moving, an opportunity to improve working conditions

The teams at Dolphin Design Meylan moved in early 2019, bring all employees together in one single location, in brand new premises filled with natural light, located not far from the previous office so as to avoid generating complications regarding travel from home to work.

This change provided an opportunity to review working methods by rolling out cooperative working measures and WiFi across the site to enable employees to be more mobile around the site.



In parallel, a process for making HR tools and processes digital was put in place *via* a change in the payroll/HR software used: payslips are now virtual (with the creation of an electronic secure space) as are vacation requests and annual and professional interviews. This allows employees to have easier access to their information and documents, thereby making them more autonomous and proactive in the way their career is managed.

4. Rationalizing work processes

Through the deployment of the Dolphin Product Development Process, it has now become easier to focus on profitable developments connected to the strategy used to select development priorities, identify risks well in advance, and have better management of priorities and the allocation of teams. This meets a need to give meaning by providing transparency in relation to decisions made and encouraging employees to make a contribution to projects related to strategy.

5. A SEC commission dedicated to quality of working life

During the negotiation of the agreement to create the Soitec SEC, management and the labor unions wanted to reinforce the role played by elected representatives in Quality of Working Life measures.

Working Life and Social Relations commission (VTRS) has been set up at the initiative of management to enable a team of dedicated elected members, separate from the Health and Safety and Working Conditions Commission, to be able to dedicate itself fully to these challenges. Composed of 6 elected members of the SEC, the Commission monitors and analyzes the results of the quality of working life questionnaires and also monitors the actions taken within teams and across departments.

Members of this commission are also involved in analyzing and preventing situations liable to generate psychosocial risk.

6. A dedicated area for use by women returning from maternity leave in Singapore

In Singapore, a nursing room has been set up for use by women returning from maternity leave. This area provides them with privacy.

7. Leisure space in Singapore to improve the quality of working life

In 2019, a break room known as "The Corner" was fitted out on the Singapore site with a range of leisure equipment. This area with unrestricted access enables all employees to relax for a while during the course of their day.

B. Report on our company-wide collective agreements

1. Incentive agreement

To continue to guarantee that employees share in the success that comes from growth, in line with our Company's profitability priority from the perspective of growth that is vital to our Company's sustainability, a new incentive agreement was signed in June 2019 for three years with all the trade union organizations represented at Soitec, in keeping with the previous agreements. This new agreement covers fiscal years 2019-2020, 2020-2021 and 2021-2022, and allows for a 25% increase in the amount of the maximum envelope for incentive awards, which may now be up to 15% of the payroll of basic salaries. This incentive comprises:

- an annual envelope for incentive awards, which may be up to 12% of the payroll of basic salaries, and is based on a criterion of EBITDA as a percentage of revenue;
- and two envelopes for a half-year incentive award, based on operating criteria such as quality and quality of working life. Employees are thus directly involved in the quality performance delivered to customers, measured in Ppm, and in the efforts to make the QWL process vigorous and principled, through numerous concrete actions implemented in the field by all the teams.

To guarantee that the results of our group effort are shared more equitably based on each individual's contribution, one half of the employee's incentive payment is allocated in proportion to the employee's actual continued employment during the fiscal year and the other half is allocated in proportion to their basic salary.

2. Profit-sharing agreement

For the first time in its history, Soitec paid a profit-sharing award in respect of the results of fiscal year 2018-2019. The trade union organizations and management met to adjust the agreement implemented in 2001. The terms of distribution of the profit-sharing reserve were therefore amended to ensure that the success of our group effort is shared more equitably, and to be identical to the terms of distribution of the incentive award: starting in fiscal year 2019-2020, the profit-sharing reserve will be distributed based half on the employee's continued employment during the fiscal year and half on their basic salary.

3. Annual salary agreement

Every year Soitec is committed to ensuring that our salary policy, and in particular the resources granted to merit raises and promotions, is consensual and supported by employee representatives. Hence special attention is given to the annual salary negotiations with the trade union organizations. In June 2019, this agreement, building on a responsive salary policy, was signed unanimously by all four trade union organizations.

4. Agreements for the creation of the Soitec Lab entity

Wishing to offset the human resources impact of Soitec Lab's spin-off into a subsidiary, as soon as this project started, Soitec recommended to the trade union organizations that an Economic and Social Unit (ESU), comprised of Soitec and Soitec Lab, be created, and that a novation agreement be signed to continue within Soitec Lab all the benefits stemming from existing collective agreements or unilateral decisions within Soitec. The signature of the agreement establishing the ESU and of the novation agreement makes it possible to:

- uphold the employment status of the employees who are transferred to Soitec Lab upon the its spin-off or when they are transferred in the future.
- continue employee representation within the ESU and preserve the offices of Soitec Lab employee representatives.

5. The first incentive agreement for Dolphin Design, Meylan

In order to share the benefits of growth, the first incentive agreement in Dolphin's history was signed in September 2019. It is based on an EBIT and revenue criterion. The distribution formula, based 50% on the criterion of continued employment, favors to the lowest pay grades.

2.5.4.4 Inclusion in the workplace

Soitec has long been dedicated to making our Company a good place to work, regardless of age, origins or gender. Soitec's HR policy focuses on fighting all stereotypes and unequal treatment, and on making Soitec an inclusive organization.

It revolves around three tenets:

- promoting gender equality;
- recruiting and including employees with disabilities;
- eliminating all forms of discrimination.

A. Promoting gender equality



Thanks to efforts made over a number of years, the proportion of women Group-wide increased once again this year, to 33.7% from 32.9% the previous year.



1. Bernin index

Since law no. 2018-771 of September 5, 2018, on the freedom to choose one's professional future, companies with more than fifty employees are required to measure and correct pay gaps between men and women.

The index for 2019-2020 published on March 31 was 89/100. The rating out of 100 is based (for 40%) on the measurement of any pay gaps recorded within each age group for each job grade, gaps regarding access to individual pay rises (20%) and to promotions (15%) between men and women, compliance with obligations for the re-valuation of salary during maternity leave (15%) or adoption leave, and the proportion of the ten highest paid positions held by women (10%). For 2019-2020, the Soitec score highlights the equal treatment afforded to men and women during the process for the 2019 individual pay raises (20/20), virtually equal pay for comparable levels of responsibility and ages (with a score of 39/40), and complete compliance with the law on pay raises applied upon the return from maternity leave (15/15). In addition, thanks to targeted

efforts, women had greater access to promotions. However, women are still underrepresented at the highest levels of the pay scale, and this is a major area for improvement for Soitec in the coming years.



2. Dolphin Design Meylan Index

For the first time, Dolphin Design's site in Meylan published its index in March 2020, with a score of 79/100. This result highlights gender equality in terms of pay raises (35/35) and a lack of discrimination against employees returning from maternity leave. The score of 29/40 for the pay gap may be explained by the fact that there are few women in the entity's expertise and management positions, where the highest revenues are concentrated, compared to the support positions and the fact that the represented population is small (20 women). There is still room for improvement at the highest levels of the pay scale even though there is only one woman on the Management Committee.

3. 2019 Mandatory annual negotiation agreements for gender equality

In order to increase the number of women promoted in the managerial levels and to narrow the pay gaps in the job grades and age segments where gender discrepancies still exist, an additional budget was allocated during the 2019 Bernin mandatory annual negotiation agreements.

Inn.0Tech, a program to promote diversity starting with teenagers

For the last 13 years, Soitec has been involved in Inn.0Tech, an initiative that introduces high school students to jobs in science and technology. This program aims to help young people in their future career choices and to draw attention to the careers of technician and engineer. During the participant selection process, Soitec and the other program partners are diligent about maintaining a gender balance, as they are aware of the impact of stereotypes on the career choices of young people, particularly girls.

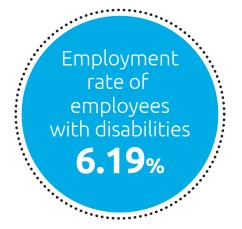


B. Recruiting and including employees with disabilities

Soitec's commitment to employing people with disabilities dates back many years, to the signature of the first agreement to this effect in 2000.

1. Percentage of employees with disabilities

For 2019, 6.19% of the employees at the Bernin site had disabilities. During fiscal year 2019-2020, three people with disabilities were hired and five RQTH (Recognized Disabled Worker Status) applications were submitted.



Continuing actions promoting the inclusion of employees with disabilities

A. PARTICIPATION IN LINKDAY®:

Soitec believes strongly that LinkDay® can help it diversify its teams, and it recommitted to this initiative in 2019. LinkDay® is a job fair organized by Execo specifically for people with disabilities. It is an opportunity to introduce recruiters, managers and candidates to one another in a welcoming environment that is conducive to having career-related conversations.

This event is a chance for Soitec to speed up and galvanize its current or future recruitment as it gets to make initial contact in a setting that encourages meaningful dialogue with candidates.

B. DISABILITY WORK-STUDY PROGRAM

This year, Soitec again used the services of the disability work-study program (PAH) from March to June 2019, with its partner Ohé Prométhée Isère. The aim is to provide support for people with disabilities (young people or those making a career change) with their search for a work-study program, offering them priority access to five partner companies, including Soitec. Through this initiative, Soitec hired one work-study student for two years.

C. FITTINGS AND FIXTURES TO RETAIN EMPLOYEES

In 2019-2020, new actions to retain employees with disabilities were implemented, including the installation of exterior fittings and fixtures (automatic gates, access ramp) and purchases of adapted equipment (ergonomic chairs, adjustable-height chairs and electric adjustable desks, central ergonomic keyboards).

Dyslexia was the subject of a particular effort, with the purchase of special software (French/English) and the organization of a lecture on the "DYS" disorders: dyslexia, dysphasia, dyscalculia, dyspraxia.

C. Eliminating all forms of discrimination

1. Mutual aid culture, a program to foster group spirit and inclusion

To make the most of human relationships and prevent interpersonal situations from breaking down, Soitec set out to cultivate mutual aid, group spirit, inclusion of everyone, goodwill and the ability to self-assess by implementing a training for production operators and logistics agents and their managers. During 2019-2020, the trial year, 32 people, including 10 managers, took part, and 140 people are expected to participate next year.

The common theme is the ability to experience interactions in different situations and at different scales, gain perspective on one's emotions and behaviors, develop interpersonal flexibility and assertiveness and cultivate strong workplace relationships by learning to manage disagreements and thus prevent conflicts.

This also entails supporting managers in their role and helping them build rapport within their teams and learning how to regulate it so it is a source of prevention and effectiveness. This training also enables them to help employees think about what they learned after the sessions so they can implement best practices within their teams.

This program aims to help participants create an interpersonal space of constructive collaboration within the team and cross-functionally, adjust their behavior based on individual situations, hone their ability to provide feedback, and use the appropriate tools to effectively work on relationships. Participants engage in role-playing to cooperate, ponder the importance of relationships, health risks and group effectiveness so they can understand that the problem is not the individual but rather the relationship one has with the individual, and that this relationship must be worked on like a work tool.

At the end of these training sessions, employees will create a cooperation charter on the values and behaviors that form the basis of the cooperative spirit at Soitec.

2. An online recruitment module for managers

To guarantee that all candidates experience an inclusive recruitment process, a recruitment e-learning module has been created for managers. The module covers topics such as nondiscrimination and fairness in processing applications to ensure that all managers are aware of and committed to best practices in recruiting, particularly when it comes to interviewing and onboarding future employees.

3. Dolphin Design Meylan, signatory to the Isère Club of inclusive businesses

The Dolphin Design subsidiary belongs to the Isère Club of 100 inclusive businesses. In partnership with the French Labor Ministry as part of the *Plan 10 000 entreprises pour l'inclusion et l'insertion professionnelle* (10,000 Businesses for Inclusion and the Vocational Integration Plan), this association brings together local businesses that are committed to inclusion, and it enacts initiatives in 13 areas: internships for ninth graders from high-priority neighborhoods, assistance with preparing for job interviews, help putting together job applications, etc.

2.5.4.5 Attracting and retaining talent

Given that an organization's greatest asset is the set of diverse skills and individual talent that make it up, Soitec endeavors to recognize skills internally and attract new people. As such, alongside its ambitious promotion policy, Soitec offers employees trainings that focus on the future, on topics such as Industry 4.0, leadership and co-development. And because talent must not only be attracted but also retained by creating conditions that allow for growth, the People Review system was rolled out this year across the whole Group.

A. An ambitious promotion policy

This year, 16% ⁽¹⁾ of Group employees received a promotion; this is a powerful recognition of their contributions and performance and offers them an opportunity to expand their scope of responsibility.



In 2019-2020, a budget of 0.7% of the payroll at Soitec was earmarked for promotions, with a minimum pay raise of 5.5%.

In addition, the bonuses for objectives were raised. They are now:

- 4.5% (2) of the gross basic salary for technicians beginning from coefficient 335;
- 4.5% $^{(2)}$ to 5.5% $^{(2)}$ of the gross basic salary for C2 managers (job grade 110):
- 5.5% $^{(2)}$ to 6.5% $^{(2)}$ of the gross basic salary for C3 managers (job grade 130).

B. A forward-looking training policy

1. An Industry 4.0 Learning Trip

Industry 4.0, or the Industry of the Future, is a topic of great concern for industries around the world. Because Soitec's innovations play a direct role in this transformation, Soitec opted to broach this topic within our Company by organizing a Learning Trip. A group of 11 engineers from the Manufacturing and IT Departments went to Normandy to visit the Bosch plant to learn about the Industry 4.0 approach. Soitec firmly believes that open-mindedness and sharing experience with other industries are vital to enhancing skills and practices.

2. Creation of the Level 4 Operator Training Management program

Five level 4 operators were chosen internally to take on a position focused on training topics and to help operators boost their skills.

A customized training course lasting more than 50 hours was devised and tested internally to implement this new position within the organization.

This position has received positive reviews, both by the new N4 level and training staff and by the people they support.

⁽¹⁾ Automatic changes in the coefficient are not taken into account in this calculation.



3. A co-development program for managers

11 managers volunteered to join a group created to participate in codevelopment sessions.

These short sessions enable managers to continually train with peers on their managerial practices and compare them. This stimulates interdepartmental collaboration and capitalizes on participants' experience.

4. Manager training in Singapore to create a common management culture

With the aim of creating a management culture that is shared by all of Soitec's entities, manager trainings were introduced at the Singapore site to inspire practices, particularly performance management, talent management and project management. This training also promoted our Company's leadership pillars and values, which had been presented to the rest of our Group's managers in 2016.

C. The scope of the People Review is expanded worldwide

The goal of Soitec's People Review is to share an annual analysis of the strengths and weaknesses of each organization and to individually review personal career paths to pinpoint certain skills gaps and to identify and guide high-potential employees.

These reviews provide a complete overview of Soitec's population in terms of skills and potential in order to help make strategic decisions related to talent management and to build up a reservoir of future talent.

This year, the scope of the People Review was expanded to almost all of the organization's levels of authority, doubling the number of reviews compared to last year. Our Company, its structure and employees are in perpetual movement, and this means that needs, challenges and risks change throughout the year. The potential, criticality of the position and the risk of retention of employees was assessed, and personalized development plans were devised. This program helps speed up talent development at Soitec so as to align it completely with our Group's strategic objectives.

Stronger employer brand for Dolphin Design

After the Dolphin Design subsidiary was purchased in 2018, it wished to rework its employer brand image and convey a more positive image. The result was an overhaul of the visual identity and the implementation of quarterly information meetings for all employees on Dolphin Design's strategy, results and projects. Two candidate experience and onboarding indicators are now tracked every quarter. The annual average this year was 8.5/10.

E. Focus on employee onboarding at the Singapore site

Following a survey of all the employees in Singapore, the members of the Recreation Committee organized a teambuilding event that best met their expectations. This latest edition, which was held at a recreation park, included games to unite our group and bolster team spirit and cohesion.

In a fast-growing group, this event was an excellent way to bond and strengthen the sense of belonging. The organizers made a special effort to include new employees.

For all the participants, this event was first and foremost an occasion for sharing, meeting people, laughing and bonding.



2.5.4.6 Improving Indutrial Relations

A. Promoting constructive dialog

1. Agreement offering more mechanisms than the legal framework

After setting out in March 2019 to work with the trade union organizations to assess the existing social dialog and the challenges the new mandatory legal framework presented our Company with, the management of the Bernin site embarked on negotiations with the trade union organizations to determine the scope of the future Social and Economic Committee (SEC) and its operating procedures.

At the end of 10 meetings, an agreement was signed unanimously by the trade union organizations. This agreement strengthens the mechanisms granted to the SEC by going well beyond those set forth in the legal framework:

- the total number of elected representatives was raised to 42 from 34, with 8 additional permanent post holders and alternates;
- the number of hours of assignment was increased by 50% from the number of hours the elected representatives of the Works Council, employee representatives and CHSCT had previously.

To better address the complexity and diversity of the topics that fall within the purview of the SEC, the management and the trade union organizations agreed to create seven special commissions that are tasked with working on specific issues:

- an economic commission;
- a training commission;
- a social protection and save-as-you-earn scheme commission;
- a gender equality commission;
- a social and housing commission;
- a Health, Safety and Working Conditions (CSSCT) commission;
- a Working Life and Social Relations (VTRS) commission.

The process for reporting questions asked by employees was retained; it involves appointing one field representative per trade union organization responsible for conveying employees' questions during monthly meetings.

Employee elections were held in December 2019, with a participation rate of 76%.

Dolphin Design in Meylan also elected its own SEC on December 3, 2019. The participation rate was 66%.

2. Increased dialog with the social partners during the Covid-19 epidemic

Amid the Covid-19 pandemic, dialog with the employee representatives was increased

B. Internal events organized by and for employees

Involving employees upstream in event planning boosts pride in belonging to our Company. With this in mind, the year's three largest Company events, at the Bernin and Singapore sites, were spearheaded by some 15 volunteer employees.

- the annual evening gala in December 2019 was entirely organized by Company employees. They put forward, organized and steered the evening and entertainment for the event, which brought together nearly 750 participants and obtained a record satisfaction level of 96.7%;
- two Open Houses for employees' families were organized, one in Bernin in May and the other in Singapore in November. These Open Houses welcomed more than 1,000 people Soitec employees and employees of outside companies and their families to a day of fun and socializing, featuring educational workshops about Soitec, its activities and its businesses, which were planned and led by employees.





The high satisfaction rate reported for these events confirms Soitec's belief that involving employees in the planning process is key to the success of such events.

2.5.4.7 Turning its employees into shareholders

A. Two new innovative employee shareholding plans to involve employees in our Company's growth

Jade

To share in the results of Soitec's future performance, and in keeping with the three free share allocation plans for all that were implemented in 2018, our Company's shareholders decided to offer all Group employees in France (Soitec, Frec|n|sys and Dolphin Design) and Singapore a new employee shareholding transaction, which was named Jade 2020.

This offering, which was established as part of the advantageous save-as-you-earn scheme (Company Savings Plan or International Group Savings Plan), allowed employees to invest in Soitec's share capital under beneficial conditions, through a company mutual fund. With the consent of the Board of Directors, a shareholding formula with a guaranteed discount and leverage, capital and minimum yield was chosen.

Through this plan, employees:

- were eligible for a 30% discount (new limit instituted by the PACTE law) on the purchase of shares at the reference price;
- are guaranteed to recover 100% of their personal contribution upon expiry of the five-year holding period or in the event of an early release;
- receive a minimum yield of 3% per annum (i.e., 15.9% after five years) if the average change in the stock market price is lower than this gain;
- benefit from a performance tied to the average change in Soitec's stock price during the five-year freeze, with an override of the capital loss and multiplier ratio applied to this average.

This transaction was a resounding success, as 1,053 employees, or more than 70% of those eligible, invested in the Jade offering in France and Singapore.

Topaz

In parallel with the Jade offering, Soitec's shareholders decided to implement a co-investment plan for our Group's corporate officers and employees.

The Extraordinary Shareholders' General Meeting of July 26th, 2019 created a new category of preferred shares (PS 2) convertible into ordinary shares 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 (resolution n°33).

Based on the delegation granted by the Extraordinary Shareholders' General Meeting of July 26, 2019 (resolution n°34), the Board of Directors decided on December 18th, 2019 to grant Topaz's participants with PS 2.

Subject to a presence condition, such PS 2 granted for free will be definitively acquired by each Topaz's participants at the end of three acquisition periods:

- 40% of the PS 2 granted on December 18th, 2019 will be definitively acquired on December 18th, 2020;
- 30% of the PS 2 granted on December 18th, 2019 will be definitively acquired on August 1st, 2021; and
- 30% of the PS 2 granted on December 18th, 2019 will be definitively acquired on August 1st, 2022.

Based on the delegation granted by the Extraordinary Shareholders' General Meeting of July 26th, 2019 (resolution n°35), the Board of Directors decided on December 18th, 2019 a share capital increase of our Company through the issue of PS 2. In this context, Topaz's participants subscribed for PS 2 (at a unit price of €84.17, as determined by an external independent accountant).

The investment made as part of the Topaz co-investment plan is as at risk since participants may incur a capital loss if the performance conditions are not met.



B. Liquidation of the Share Plans for All (PAT) no. 1 and no. 2

After several difficult years and a remarkable turnaround in our Group's economic and financial position, in 2018 the Board of Directors decided to implement 3 free ordinary share allocation plans for all Company employees, for the purpose of involving them in our Group's growth and acknowledging and rewarding their role in creating value.

Two of the three free Share Plans for All that were implemented in March 2018 (known as PAT no. 1 and PAT no. 2) nad expired on March 28, 2020

On that date, 859 employees had their ordinary shares in Soitec vest. Under these two plans, part of which was contingent on seniority in our Group, employees who had been working at Soitec in 2017 had 138 shares vest, while employees who had been at Soitec since March 2012 had up to 229 shares vest.

C. Implementation of a company savings plan to include employees of subsidiaries in the share plans

Under the Jade offering, our Company Savings Plan was expanded within our Group:

- Soitec established an International Group Savings Plan, which Soitec Microelectronics Singapore joined;
- a Company Savings Plan was implemented through a unilateral decision at Frec|n|sys.

With our Company Savings Plan negotiated at Dolphin Design, 98% of Group employees are therefore eligible for this plan.

2.5.5 PLANET

Our Group has long been committed to protecting the environment. Every year, Our Group makes an effort to improve its facilities and processes to better take into account the impact of its activities on climate change.

In 2001, it implemented an Environmental Management System (EMS) at the Bernin site. Thanks to this EMS, Our Group was able to achieve ISO 14001 certification in 2001, and this EMS is currently being put in place in Singapore with certification expected in 2020-2021.

In order to organize and sustain our Company's continuous improvement, and to be able to communicate its environmental performance, the EMS was revamped to comply with the 2015 version of ISO 14001.

The major principles of this EMS are:

- compliance with legal and other requirements related to the environment;
- reduction of our environmental impacts (waste, air pollutants, aqueous discharges, etc.) by monitoring processes and facilities and preventing pollution.

This new working methodology enables continuous improvement of environmental performance: identification, anticipation, improvement and management of the site's impacts on the environment.

Since the environmental management system was implemented, no audits have found any instances of major noncompliance. Operational reviews by the management are done every quarter and a more general system review is conducted once per year.

The Bernin site's commitment for 2019-2020, which was determined as part of the QHSE policy, is based on the following objectives:

- objective no. 1: Prevent environmental impacts;
- objective no. 2: Reduce waste and improve its recycling;
- objective no. 3: Optimize the use of natural resources;
- objective no. 4: Guarantee the management and origin of substances.

The commitment quantifies each of these objectives and describes them in detail.

An energy management system has also been implemented at our Group's industrial sites, following the ISO 50001 reference framework. The Bernin site was certified in November 2015 and renewed this certification based on the new reference framework in November 2019.

The Singapore site will start this process after implementing the ISO 14001 reference framework, but it has already taken steps to reduce energy consumption.

2.5.5.1 Reducing and optimizing the use of natural resources

A. Controlling water consumption

Within our Group, water is used by the industrial sites for two main needs:

- provision of industrial water:
 - production of ultra-pure water,
 - production of iced and hot water,
 - cooling systems using cooling towers,
 - gas discharge cleaning: gas scrubbers;
- provision of drinking water (sanitary facilities, kitchens).

Our Group's business is rather water intensive, so this issue is important in its strategy for reducing environmental impacts.

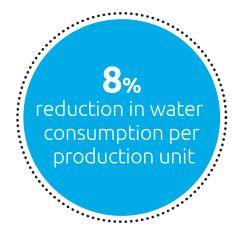
This is manifested in the formulation of a plan to control and reduce water consumption at the Bernin site, and it will be determined at the Singapore facility as part of the implementation of ISO 14001 during 2020-2021.

The first step of this plan was to take an inventory of the equipment that consumes the most water in order to determine which actions to put in place. This inventory was depicted in a Sankey diagram that is updated annually. After the major contributors were identified, a working group consisting of the process and maintenance engineers who are responsible for this equipment was formed. They scrutinized consumption in standby mode in order to improve it.

This helped to reduce some flow rates in the equipment and reduce water consumption:

- reduction of water flow rates in certain parts of so-called "megasson" equipment in wafer-cleaning equipment: reduction of 1.5 m³/h;
- reduction of water recirculation flow rate in one piece of cleaning equipment: reduction of 1.1 m³/h;
- elimination of water mixing before discharge in several pieces of cleaning equipment: reduction of 2.8 m³/h;
- setup of a new ozone generator incorporating high/low flow rate management: reduction of 0.7 m³/h.

Thanks to all these actions, more than $80,000~m^3$ of water at Bernin were conserved in 2019-2020, or almost 5% of the site's total consumption and an 8% reduction per production unit Group-wide.



B. Improving energy performance

The energy performance of our Group's industrial sites is a major factor in Soitec's economic competitiveness given its positioning as a manufacturer of innovative materials for less energy-intensive electronic products, the size of the Bernin site in the Grenoble ecosystem, with our Group standing as a good example in energy efficiency, and the need to control the site's operating costs.

To address these issues, an Energy Management System was established to structure the continuous improvement of its energy performance and make it sustainable, and to reduce the consumption of natural resources.

Soitec uses electricity and gas at the Bernin site and electricity at the Singapore site.

An annual energy review helps identify the major uses of energy.

Improvement actions were implemented in 2019-2020:

At the Bernin site:

- Soitec invested in several cooling systems whose performance coefficient
 is double that of the unit they replaced. In addition to its efficiency, this
 unit is the first in France to operate with hydrofluoroolefins (HFO), a gas
 that replaces traditional refrigerants and has virtually no impact in terms
 of greenhouse effects. All of the site's cooling systems will be replaced
 within the next three years;
- several implanters were connected to exhaust recirculation systems, leading to savings of 550 MWhep new air per year and per implanter;
- the flow rate was reduced in wafer-cleaning equipment, improving consumption of ultra-pure water by 2.1 m³ per hour;
- an analysis of energy reduction potential and operational control was done on some ovens, and technical choices were approved. They will be implemented over the next year;
- the improvement of speed variation, which began last year on air recirculation devices, continued, and this reduced electricity consumption by 10% in recirculation devices whose technical efficiency improved;
- to track its consumption in real time, Soitec has set up an online platform that helps improve energy performance for cold and hot production;
- the coefficients of performance of the cooling systems improved, jumping from 6% to 30% for the best performance recorded.

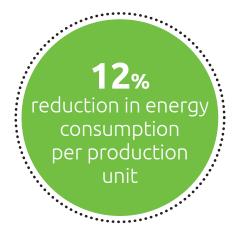


At the Singapore site:

- a cooling system was replaced this year with a newer, more energyefficient unit identical to those installed at the Bernin site. This system
 will help reduce greenhouse gas emissions through a better abatement
 system that works on hydrofluoroolefins (HFO). More efficient variable
 speed drives (VSD) and monitoring systems will help conserve around
 1.86 GWh of energy per year;
- second, a high-voltage processor was fitted with harmonic filters to adjust the processor's power and improve control of its transmission of final energy. This improved its performance coefficient, raising it from 0.4 to 0.75; the goal is to reach 0.8 in order to obtain the best yields possible on this unit.

The performance indicator that was used and that is tracked regularly is energy consumption per production unit.

The energy commitment signed by the management of the Bernin site and renewed annually identifies the fiscal year objectives that will make it possible to achieve a negative slope for this performance indicator.



Overall at these two industrial sites, these improvements helped to reduce electricity consumption by almost 12% on the basis of the number of wafers produced compared to 2018-2019.

2.5.5.2 Regulating impacts on climate change

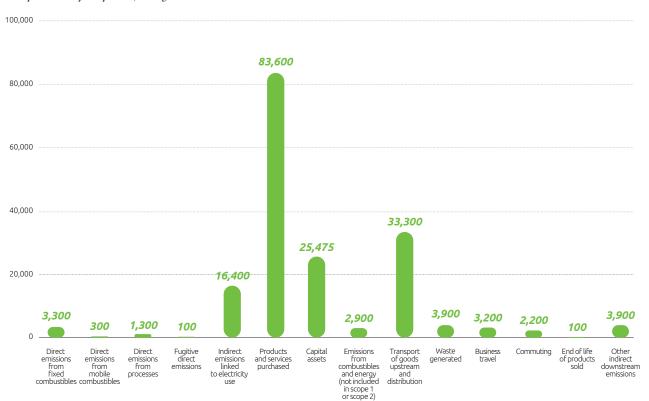
Well aware of the impacts of industrial activity on climate change, Soitec has made this topic a priority, which is now manifested in terms of reduction targets, specifically for greenhouse gases.

A. Scope expanded for the new carbon assessment

Our Group completed a Carbon footprint in early 2020. It applies to the business data from calendar year 2019. It recognizes regulatory scopes 1 and 2 greenhouse gas emissions, which are generated by Soitec's direct activities, and indirect scope 3 emissions (excluding use), which result from its activities.

The total Carbon footprint (scopes 1, 2 and 3) for 2019 was 180,000 t CO_2e .

) Group carbon footprint (in kCO₂)



In descending order, the main sources of greenhouse gases created directly or indirectly by Soitec's activities were the items relating to the purchase of products and services (46%), transport of goods (19%), capital assets (14%) and on-site energy consumption (13%).

In light of these results, an action plan will be formulated for 2020-2021.

B. A diversified mobility plan

Our Group is dedicated to fighting climate change through a range of actions related to employee mobility. At our Company level, Soitec promotes sustainable transport, thus playing a role in reducing the greenhouse effect and the average time spent in traffic jams.

Fiscal year 2019-2020 is a good example to illustrate our Group's position on adopting practices that use less fossil energy. Soitec's drive to support behavioral changes has been put into action in different settings, particularly at the Bernin site.

Electric bikes for employees

As it does every spring, Soitec made free electric bikes available to its employees to use for their commutes. At the end of the initiative, employees can purchase the bikes at a 50% discount thanks to a partnership. Six electric bikes equipped with accessories (helmet, basket, lock, etc.) and 22 used bikes were sold to employees in 2019.

Soitec, the Grésivaudan Region Coup de Coeur in the Auvergne-Rhône-Alpes Mobility Challenge

In June 2019, Soitec participated in the Auvergne-Rhône-Alpes Mobility Challenge and won the Grésivaudan Region *Coup de Coeur* awarded by the Auverge-Rhône-Alpes Region. This award recognized the commitment of Soitec employees during this event, which advocates for sustainable transport, and particularly a Soitec team's initiative to take the Saint-Hilaire du Touvet funicular to work. This year's participation rate was 26% (*i.e.*, 225 employees), up from 14% from last year.

> Soitec's participation in the Mobility Challenge in numbers:



A carpooling charter for events

A carpooling charter was established for internal and external Company events, such as seminars and other sporting activities. Our Company's first Carpooling speed dating was a great success and led to the creation of an internal carpooling tool.

Signature of a mobility plan for Dolphin Design

The Dolphin Design subsidiary implemented a mobility plan that was signed in April 2019 and led to a three-year plan. A mobility day that included an opportunity to try out electric scooters was held in June 2019, and in October, Dolphin Design raised its subsidy of public transportation passes from 50% to 60%.

Shuttle in Singapore

At its Singapore site, our Group started a shuttle service that employees without transport and employees looking to reduce the environmental impact of their travel can use for necessary trips.

Soitec is dedicated to partnerships with players in the nonprofit sector, business, politics and the general public working on initiatives and events related to mobility in order to promote shared car use, avoid fossil energy and reduce pollution, make mobility a universally accessible right and support changes in habits at all scales.

2.5.5.3 Limiting industrial pollution

A. Limit air pollution

Most of the air pollutants emitted by our Group are volatile organic compounds, chlorides, fluorides, ammonia and other compounds released by various chemicals used in the semiconductor fabrication process, or nitrous oxide, carbon monoxide and carbon dioxide emitted by boilers.

Aware of the impact these pollutants have on the environment, Soitec has for several years followed a three-pronged preventative approach:

- the collection of acidic and basic effluents with extraction networks. The gases are then processed using gas scrubbers specific to the type of gas;
- processing either through leaning or incineration of pollutants. Different facilities generate different air pollutants depending on the nature of their operations. But in all cases the strategy of reducing pollution before atmospheric emission is the same;
- close monitoring and measuring of pollutants at varying intervals depending on the facility.

No excess pollutants from boiler vents were measured at the Bernin facility, but excess fluoride from one of the flue stacks of a gas scrubber was measured there.

No excess pollutants were measured at the Singapore facility.

As part of general improvements to the performance of preventative systems and in particular to gas scrubbers, this year an acid gas scrubber at the Bernin facility was converted to alkaline gas scrubbing in order to remove certain alkaline pollutants.

B. Limit water pollution

The different water pollutants from the site are sewage water (effluents from toilets and kitchen facilities), industrial effluents (effluents from production and technical facilities) and rainwater discharges. Various prevention methods are in place according to the type of discharge.

Sewage water discharge

Sewage wastewater is collected and conveyed in a facility's own sewage system connected to the municipal sewage system from where it is taken to a wastewater treatment plant.

Industrial wastewater discharges

Industrial wastewater is a byproduct of the production processes using water and chemicals at the Bernin and Singapore facilities. The wastewater is either collected and treated at the facility itself or neutralized before discharge Before disposal the wastewater's pollutant content is checked to ensure compliance with regulatory thresholds.

Ammonia and fluoride levels in excess of regulatory thresholds were measured at the Bernin facility in 2019-2020, but they were below local thresholds. In both cases the causes of the excess pollutant levels were found and remedied, after which measured levels fell below regulatory thresholds.

No excess pollutants were measured at the Singapore facility.

In order to better measure and thus reduce pollutants – especially fluoride – three samplers were installed at the Bernin facility to track levels in the three main sources:

- B2 clean room wastewater;
- BK/B2 acid scrubbers;
- vacuum evaporators.

As part of complying with ISO 14001, steps will be taken at the Singapore facility throughout 2020-2021 to continually improve wastewater treatment systems.

Rainwater discharge

At the Bernin facility rainwater from rooftops and car parks is collected separately. Hydrocarbon separators have been installed to filter rainwater from car parks and traffic areas. Rainwater is then discharged into the site's three storm basins before joining the communal network or seeping into the ground. Analyses of hydrocarbon concentration, water temperature and pH are carried out once a year on each of the two networks.

C. Managing waste better

Soitec goes far beyond sorting and collecting waste by seeking above all to reduce the amount of waste produced at the source.

The main types of waste generated at Soitec production facilities are:

- non-hazardous waste (NHW): cardboard, paper, wood, plastics, glass, etc.;
- solid hazardous waste (SHW): batteries, solids contaminated by chemical products, etc.;
- liquid hazardous waste (LHW): hydrofluoric acid, ammonia, isopropyl alcohol, etc.



No more plastic cups

After 18 months of consideration, all plastic cups at the Bernin facility were eliminated in 2019-2020. Before then 500,000 cups were being thrown away and incinerated every year. As part of the initiative, collapsible cups were given to employees as well as contractors, to keep and reuse, and lent to visitors, to be washed after use.



Océans Plastifiés **exhibit**

In the context of its elimination of disposable cups and as part of its efforts to curb pollution, Soitec is proud to be the first company to host the Océans Plastifiés science exhibit on plastic in the ocean, from January to March 2020. The exhibit is put on by EXPEDITION MED, a crowd science association active throughout the world. The goal of hosting the exhibit was make employees, partners and visitors aware of marine pollution and mark a new phase in Soitec's waste management and environmental protection approach.

Next-generation printers

As part of efforts to reduce waste, all printers were replaced with nextgeneration models. These printers require a user ID to confirm printing, which has substantially reduced the amount of paper used and avoided sheets being left in the machine.

Food waste awareness

Every year the caterers to the Bernin facility hold a number of sessions on limiting food waste, paying particular attention to bread (only one free helping), cooking without wasting and dishing out portions based on appetite.

Once it is ISO 14001 certified, the Singapore facility will also commit to this approach. In the meantime, it set up a paper and aluminum waste collection system in 2019-2020.

Reducing hazardous waste

In recent years several steps have been taken to significantly reduce the volume of hazardous waste generated. In particular, a vacuum evaporator was installed in 2018 to reduce bulk hazardous waste containing ammonia or fluoride. This has resulted in hundreds fewer trucks on the road transporting such waste every year.

2.5.5.4 Maintaining a healthy and balanced ecosystem in which Soitec acts to protect biodiversity

Preserving biodiversity is a real environmental issue for our Group. Every year it leads initiatives to reduce the impact of its industrial activities on ecosystems, continue protecting local and regional biodiversity, and foster awareness for the environment among employees.

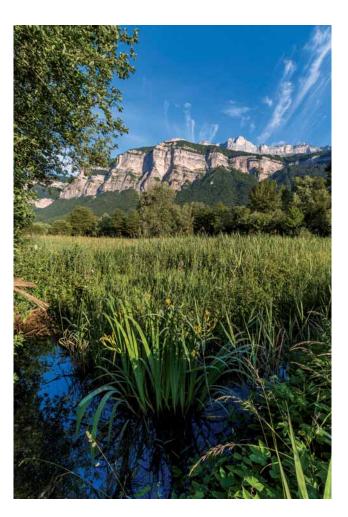
In these initiatives, Soitec draws on long-term partnerships with local and regional charities, NGOs, citizens and scientists. In 2019-2020 these partnerships resulted in various memorable accomplishments.

Awareness of vulnerable natural spaces and their environmental challenges

Under its partnership formed in 2018 with the Isère department, in 2019 Soitec drew attention to the environmental challenges of two vulnerable natural spaces (ENS) in the Grésivaudan [a valley in the Alps].

In May 2019, Soitec helped promote the Marais de Montfort ENS by holding the M Comme Marais exhibit at its premises. The exhibit was Soitec's response to the call for cultural projects issued by the Isère department to make the rare species sanctuary known to local residents and Company employees.

In July 2019, Soitec organized an e-bike ride on a guided tour of the Bois de la Bâtie ENS near Grenoble. The bike ride and tour were meant to discover the remarkable ecological diversity of a unique natural area, create awareness of the need to protect wildlife and plant life, and demonstrate sporting and other activities in such places.



Seed library at Soitec

In September 2019, Soitec opened its first seed library, where sharing seeds becomes an economical, free and supportive way to (re) discover the treasures of nature. Seed libraries facilitate biodiversity and supply seed varieties suited to the local habitat. They also offer a cheap way to grow one's own fruits and vegetables and thus, have access to healthy, local food. Alongside the opening, Soitec worked with MAKSIKA, an association for the protection of bees, people and their habitats in the Isère region of France, to act as a one-day consultant for the sustainable and ecological development of private gardens.

Urban green spaces in Singapore

In Singapore this year, Soitec showed its commitment to biodiversity by turning the area around its site into an urban green space. In 2019, our Company decided to devote more land to open spaces for the sake of local flora and to support ecosystem services such as temperature regulation and clean air. Our Company also built a freshwater pond has also increased the potential for ordinary biodiversity on the site by developing aquatic life. Biodiversity will remain an environmental priority at the Singapore premises for several years to come.



ZOOM in on the hives

In efforts to encourage local pollination and make staff and local residents more aware of the importance of biodiversity, the Bernin facility now has two beehives kept by eight employees on a voluntary basis.

In April 2019, Soitec held visits for 8-9 year old primary school children to learn about beekeeping and the microelectronics industry.

In July 2019, 47 kg of honey was harvested and given away to employees at our Company's annual biodiversity day. This year's theme was "Biodiversity is vital and fragile: understanding leads to better actions". The day was marked by events such as the photo exhibit by the *Syndicat apicole dauphinois* on the importance of pollination to the world's ecological balance and the impact of human activity on the survival of pollinators, and lessons on how to make natural cosmetics to promote sustainable consumption.

2

2.5.6 ETHICAL BUSINESS

The products developed by Soitec are at the heart of the changes to daily life on the planet in the medium-term, and this raises our awareness of a complex ecosystem, involving a large number of clients, a position which is a long way upstream in the value chain, comprised of state-of-the-art productions made using rare resources. In its interactions, Soitec strives to act globally in accordance with demanding social and ethical principles.

2.5.6.1 Acting globally in accordance with high social and ethical standards

A. Code of Good Conduct

Over several years, Soitec has acted on a global level, in line with demanding social and ethical principles. A Code of Good Conduct, adopted in 2013, outlines the broad principles and guidelines of our Group's business practices and internal relationships.

This Code defines a corpus of rules that, in accordance with the legal, regulatory and cultural framework of the countries in which our Company operates, are expected to govern the daily individual and collective actions carried out on Soitec's behalf.

It also provides useful guidance for Soitec employees so that they can make the right decisions and take the appropriate action at work, and in general conduct themselves in the most upright and exemplary manner possible.

It is appended to our Company's internal regulations and is communicated to all employees. Staff are quickly familiarized with the Code of Good Conduct through an online course. As of March 2020, 77% of our Group's employees completed this training.

Our Code of Good Conduct is sent to all the employees of newly-acquired entities, mergers or those companies in which Soitec holds an equity investment.

The Code applies to all countries where our Group's entities operate. It is aimed at all Soitec employees in their dealings with each other and with shareholders, investors, government agencies, authorities, customers and suppliers. Dolphin Design (held 60% by Soitec) has its own rules and is the only subsidiary not covered by the Code.

In the same spirit as Soitec's Code of Good Conduct, Dolphin Design's Code of Ethics defines key operating and development principles. It clarifies how employees ought to think about particular situations they may find themselves in internal and external relationships. All employees undertake to carry these principles and observe the spirit and letter of the Code.

B. Respect for human rights

Soitec is a partner of the Responsible Business Alliance (RBA, formerly EICC) which sets standards to ensure a safe working environment and conditions within the Electronics supply chain or sectors where electronics is one of the main components. This approach focuses on respectful treatment of staff, health, safety, the environment and business ethics.

C. Anti-Corruption

Soitec attaches the utmost importance to complying with the rules banning corruption, influence peddling and money laundering. Our Group adheres in particular to the principles of the OECD Convention, which ban any form of corruption. Soitec's commitment to this point is highlighted in its Code of Good Conduct: "Soitec supports international action in favor of preventing corruption. It adheres fully to the principles of the OECD convention on the fight against the corruption of foreign public officials in international business transactions and to the 2009 Recommendation

of the OEDC that aims to strengthen the fight against the corruption of foreign public officials in international business. Soitec prohibits corruption in all forms in trade relations and complacent behavior with regard to this violation whatever the country in which business in conducted". Soitec also attaches the utmost importance to compliance with rules prohibiting money-laundering.

Our Company also complies with French anti-corruption legislation in the form of law 2016-1691 (the Sapin II law). In 2017, Soitec began to implement the eight anti-corruption measures defined in this French law, in effect since June 1, 2017, establishing an anti-corruption system at Group level including procedures, risk analysis, assessments of third parties and specific communication.

To support the anti-corruption system, in 2018 our Group carried out a training campaign to raise awareness of the employees most exposed to corruption risks in their business relations.

The new entities Soitec acquires, merges with or takes an equity investment in are introduced to and integrated into the anti-corruption system.

1. Gifts and Invitations Policy frames best practices

Soitec's Gift and Invitations Policy was published in May 2018 and applies to all employees of our Group and its subsidiaries.

It adds to Chapter IV "Relationships with third parties" of the Code of Good Conduct and aims to support employees in their ethical business relations.

This guide aims to present the good practices to use when offering or accepting gifts or invitations on behalf of Group.

2. Whistleblowing system

Within the framework of the Sapin II law and Soitec's adherence to the standards of the Responsible Business Alliance (RBA), an internal whistleblowing process is in place.

It enables employees or external service providers to report the existence of conduct or situations contrary to our Company's Code of Good Conduct or in breach of current regulations on fraud, corruption or influence peddling.

It also guarantees confidentiality with regard to the identity of the whistleblower and the report content in accordance with local legislation and in particular the Sapin II law.

Dolphin Design has its own whistleblowing system, which is described in the appendix to its Code of Ethics and on the subsidiary's intranet.

The fight against tax evasion and restrictions on intra-Group transactions

Soitec strives to comply with the tax regulations in each country in which it operates.

In compliance with local legislation, each legal entity fulfills its obligations of declaration and payment of tax.

Transparency and collaboration of its legal entities and departments with regard to the tax authorities is encouraged in the event of requests for documents or tax audits.

Intra-Group transactions are governed by a transfer pricing policy that builds on OECD recommendations and in particular the principle of "full competition pricing". Our Group relies on its business model to define a policy that covers all of its intra-Group transactions and to set the applicable transfer prices.

Compensation rates for intra-Group transactions are subject to a comparative study on a global level to ensure compliance of these practices.

1. Soitec, Authorized Economic Operator (AEO)

Since 2008, Soitec has undertaken to be an AEO, a process renewed every three years, in cooperation with French Customs.

AEO status identifies Soitec as a safe and reliable company that has taken the necessary steps to simplify customs procedures and ensure the safety and security of information as part of enhancing the security of the international supply chain.

In 2019-2020, management and the Human Resources Department carried out a major review to determine and strengthen requirements and guidance for hiring and managing staff holding sensitive positions from a security point of view.

2. Social and environmental issues of procurement and relations with suppliers and subcontractors

Soitec applies a Quality Policy to its major suppliers and to subcontractors sending employees to work at Soitec facilities. It maintains a list of requirements for ethics, safety, health and sustainable development. With a view to sustainability, Soitec continuously seeks to streamline its logistics flows and rationalize its shipping containers. Soitec suppliers and subcontractors are systematically involved in such initiatives.

Production stages carried out on the raw material upstream of SOI manufacturing are made by American and Japanese subcontractors, in particular for so-called Refresh stages during which silicon wafers from the manufacture of SOI are regenerated as raw material and are thus reused.

Soitec applies strict selection and monitoring criteria for its critical suppliers with regard to energy use, the environment and especially waste removal. On-site service providers are selected and assessed on the basis of safety performance criteria.

Applying the EU's Conflict Minerals Regulation

Regulation (EU) 2017/821 (Conflict Minerals Regulation) aims to help stem the trade in four minerals – tin, tantalum, tungsten and gold – which sometimes finance armed conflict or are mined using forced labor.

The regulation requires European firms operating in the minerals supply chain to make sure they import such minerals and metals from responsible sources only that are not part of conflicts.

Soitec carries out its due diligence in a responsible manner by making sure that its suppliers of raw materials containing one of these minerals can trace their origin.

E. Protecting consumer health and safety

1. Applying the RoHS 3 Directive

Soitec complies with Commission Delegated Directive (EU) 2015/863, also known as Restriction of Hazardous Substances (RoHS) Directive, which aims to restrict the use of 10 hazardous substances in electrical and electronic equipment to help protect the health of consumers and the planet.

Soitec is a certified Sony Green Partner, meaning it meets the corporation's standards in line with the Japan Green Procurement Survey Standardization Initiative (JGPSSI), RoHS 3 and the Joint Industry Guide.

Green Partner certification is confirmation that products and manufacturing processes exclude or restrict certain chemical substances that are banned or hazardous or harmful to the environment.

Soitec undertakes to meet the environmental requirements set out in the general specifications of its international customers.

Soitec requires its suppliers of wafers, primary packaging and secondary packaging (*i.e.* anything shipped to customers) to make sure their products meet Green Partner standards and thus all the environmental requirements of its customers.

In addition to these requirements, secondary packaging suppliers are encouraged to use recyclable materials.

2. Applying REACH Regulation

In the interests of protecting the health of workers and consumers, legislators are placing restrictions on the use of hazardous substances in the workplace and in products. Since coming into force in 2007, Regulation (EC) No 1907/2006, or REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) has improved knowledge of chemical risks and led to increased restrictions and precautions on use.

Soitec integrates European Regulations related to chemicals such as REACH, ROHs, CLP into its operations to not only fulfill its obligations, but also to anticipate changes in these regulations.

The HSE Department works with the Occupational Health Department to control the movement of chemicals into facilities *via* material safety data sheets.

Our Company makes hazardous substances regulations an integral part of its daily processes in order to fulfil the disclosure and transparency requirements of REACH, especially with regard to monitoring and controlling substances of very high concern (SVHC) by analyzing production and the items purchased from suppliers.

Decision-making software to check that all new raw materials that may be added to production are not on the list of regulated substances is under development.

2.5.6.2 Building communities

A. Time off work to help Écoles de NOA

In 2018, two Soitec employees, one of whom is Argentinian by birth, set up Écoles de NOA, a charity that seeks to provide schooling for indigenous children living in the Argentine Northwest.

Their initial goal was to renovate a rural school in a very remote area high in the Andes Mountains over 3,500 m above sea level.

Soitec supported their efforts by granting one of them unpaid humanitarian leave with complete job security from March to August 2019. He was thus able to go with his family to the school and devote himself entirely to the project.

Soitec also financially sponsored the project, adding to donations made by many of its employees.

To date the charity has managed to renovate 40% of the school's buildings and has the necessary funds to continue the work in 2020.

B. Solidarity actions in the time of the Covid-19 pandemic

1. Donation of protective equipment

To play its part in collective efforts to respond to the Covid-19 pandemic, Soitec donated necessary equipment that it had on hand to medical personnel. Out of a desire to avoid arbitrary decisions and instead give conscientiously and make a difference in the local community, the equipment was donated *via* the VOC-COV initiative.

Social and environmental information

Volonté d'Organiser, Contre le Covid-19 (VOC-COV) is a group of Grenoble businesspeople who teamed up spontaneously to coordinate the donation of personal protective equipment in the Isère department in collaboration with regional health authorities to respond to the pandemic emergency. As soon as a national epidemic was declared and confinement measures were imposed, Soitec moved to donate face masks, scrub caps and full protective suits via the initiative.

It also donated batches of isopropyl alcohol to the *Laboratoire des Eaux Claires* de Grenoble to help make hydroalcoholic sanitizer gel.

2. Donation of computers to support continued learning

During the confinement, Soitec sought to help bridge the digital divide. As such it came to the aid of families in need by giving 30 PCs to pupils of the Vercors junior high school in Grenoble who, due to a lack of suitable equipment, may have encountered difficulties in continuing their learning in the right conditions. The initiative was supported by Camille Galliard-Minier, the representative for Isère's 1st district, and the Isère education department, which picked the school and the family beneficiaries.

In the same spirit, Soitec gave PCs to the children of its employees in need.

C. Supporting youth

1. Inn.0Tech

For several years a lack of interest in manufacturing and industry has been observed among students entering university. Those in their first year of high school (16-year old) are keen on science but less so on technology and by extension on semiconductors, which are not well known despite our increasingly digital society. To inspire students to study high technology at university, Soitec partnered with STMicroelectronics and Grenoble-INP to launch the Inn.0Tech program, later joined by other firms in the sector.

The program builds on the "taking kids to work" concept by organizing outings of 36 students equally divided into boys and girls from high schools in the Grenoble area. Every year, two sessions are organized for four high schools. Each session lasts three days, and each day takes place at a different site, allowing students to experience a variety of industrial and university environments: at STMicroelectronics Crolles, at Grenoble-INP and at Soitec's Bernin site. Each day features fun workshops led by employees of the partner firms or by university students.

The end goal for Soitec and its partners is to aim to revitalize the pool of young graduates by stimulating career interest in technology and letting girls know that the field is wide open to them.

Inn.OTech's success is measured by the pupils' response in questionnaires completed at the end of every outing and by the teachers' interest in taking part in the program. Back at school the pupils report on their experiences, helping to generate excitement and interest among their peers and teachers and thus repeat the exercise from year to year.

The program is a way for Soitec to get involved in its local community and form fruitful partnerships with schools, engineering colleges and technological firms in its region.

2. Open days and other school visits

Soitec regularly hosts visits at its facility by groups of pupils and students who come to discover our Company, its clean rooms, its products and its know-how. When relevant they also have speed interviews with employees to better understand what it is like to work in the microelectronics industry. These interviews often offer valuable insights and receive a lot of very positive feedback from schools. Several classes visited in 2019:

- junior high pupils from the Collège La Moulinière de Domène, as part of school open days arranged with the Grenoble chamber of commerce;
- engineering students from *CentraleSupélec*, as part of an R&D immersion and problem-solving working session;

- applicants from the Isère job training center, as part of France's National Learning Week:
- junior and senior high school pupils of the Lycée Françoise Dolto du Fontanil Cornillon majoring in microtechnology.

D. Other initiatives

1. Blood donations

Every year Soitec arranges two blood donation drives at its Bernin facility in conjunction with France's national blood service. This allows employees to donate blood at work and during office hours. Their consideration and commitment help save lives. In 2019, the drives took place in February and September, with nearly 150 employees giving blood

2. Intercorporate cross-country run

For the sixth year running, Soitec held a cross-country run for its staff and employees of other local firms like Petzl and STMicroelectronics. Above all an occasion to spend time and have fun with colleagues, the run is also a chance for Soitec to sponsor one or more charities nominated by its employees. In 2019, Soitec lent its financial support to Les Fabulou's, a charitable wing of the Seyssins Rugby Club that enables children with disabilities to learn and play disability rugby.

3. Domestic worker credits co-funded by Soitec

On January 1, 2009, Soitec established domestic worker credits *via* a company agreement. In 2017, the scheme was renewed for a total amount of €45,000 a year. To be eligible, employees must have been with our Company for over six months and have a child under the age of four. Domestic worker credits are vouchers used to pay for work done by and for individuals at home. Soitec purchases them for its employees who are also parents to promote a positive work-life balance and foster local employment.

2.5.6.3 Managing digital risks

A. Data protection

Fully aware of the importance of data protection and the privacy of its employees, customers and other stakeholders, Soitec has been committed to protecting personal data for years:

- our first data processing survey was carried out in 1998;
- the rights and duties of each individual have been set out in our information security charter since 2007;
- at Soitec's request, the French Data Protection Authority (CNIL) performed an audit in 2012, when the confidentiality of personal data was enshrined in our Code of Good Conduct.

The entry into application of the General Data Protection Regulation (GDPR) was anticipated in 2016.

For instance, in accordance with the GDPR and applicable national data protection laws and regulations, Soitec has taken the following steps:

- keep its employees informed in connection with the processing of their personal data;
- making available a Data Protection Officer (DPO) to answer any questions they may have on this subject;
- retain their data securely and for no longer than necessary;
- take technical and organizational measures to avoid unauthorized data breach, access or dissemination.

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B. Controlling cybersecurity risks

Our Group increasingly conducts its business and relations with customers, suppliers, research communities and other stakeholders digitally. Most of its know-how is also hosted using encrypted, paperless, tools.

These operations rely on information systems and communication networks that are mutually dependent in terms of functionality, technology and users.

The digital transformation undertaken by our Group raises its exposure to risks related to data privacy and the availability of computer systems and applications.

Higher expectations and stricter requirements relating to data privacy and protection make regulatory noncompliance another risk to factor in. These risks, which affect all economic or political players, are all the more acute for the growing severity, frequency and nature of cyberattacks which are no longer limited to industrial espionage or data hacking but now also include cybercrime, malware and ransomware.

Such attacks have the potential to disrupt all of our Group's facilities and activities, with major negative impacts on the its production processes, communication ability and image.

In this rapidly and constantly evolving environment, Soitec must continually strengthen its preventative, monitoring and response mechanisms in its most important areas and activities.

Soitec's digital security policy and operational risk management program upholds best practices (based on standards set out in the ISO 27000-series) and allocates organizational technological and human resources to ensure the proper management and security of its information systems.

Overseen by a member of the Executive Committee, the policy sets out the basic rules to identify digital security aspects and concerns and to manage related risks, and specifies digital security roles and responsibilities based on a risk assessment which is regularly updated as and when threats evolve

Employees are also given information and training on data protection, IT use, the GDPR and business intelligence *via* online and in-person courses.

Nonetheless, our Company cannot fully exclude the occurrence of risks that may have a negative impact on its information systems, brand image, earnings, financial position or regulatory obligations.

France & Emea Asia (Singapore

2.5.7 CSR PERFORMANCE

2.5.7.1 Indicators

PEOPLE

	Unit	2019-2020 Group	France & Emea (France - Bernin, Besançon, Meylan, Israel, Belgium)	Asia (Singapore, Japan, South Korea, Taiwan, China)	Americas (United States, Canada)	Discontinued operations	2018-2019 Group
Workforce at March 31, 2020	Number	1,566	1,381	160	25	0	1,430
 of which fixed-term contracts 	Number	165	160	4	1	0	137
• men	Number	1,038	917	104	17	0	960
• women	Number	528	464	56	8	0	470
Breakdown by age (%)							
Under 25 years	%	7	7	6	0	0	6
• 25 - 35 years	%	25	24	30	20	0	23
• 36 - 45 years	%	37	37	41	20	0	41
 46 - 55 years 	%	25	26	17	40	0	24
• over 55 years	%	6	6	6	20	0	6
Breakdown by category (as a %)							
 Operators 	%	27	29	16	0	0	27
 Technicians and office workers 	%	29	29	26	8	0	30
Engineers and executives	%	44	41	58	92	0	43
Change in workforce in 2019-2020 (number)	Number	136	114	27	(3)	(2)	338
o/w operators	Number	34	32	2	0	0	52
 o/w technicians and office worker s 	Number	33	29	6	0	(2)	63
 o/w engineers and executives 	Number	69	53	19	(3)	0	223
New hires	Number	351	294	54	3	0	524
 of which permanent work contracts 	Number	177	123	51	3	0	345
 of which fixed-term contracts 	Number	174	171	3	0	0	179
Turnover rate	%	7.00%	5.30%	17.00%	19.30%	300.00%	4.10%
Resignation rate	%	4.90%	3.10%	15.00%	19.30%	300.00%	2.20%
Breakdown by activity (%)							
 o/w administrative personnel 	%	13	12	24	16	0	14
 o/w sales and marketing 	%	2	1	8	20	0	3
• o/w R&D	%	23	25	1	64	0	22
• o/w production	%	62	62	68	0	0	61
Breakdown of average workforce by activity, in positions held	Number	1,484.3	1,302.8	154.7	26.1	0.7	1,331.8
 o/w administrative personnel 	Number	195.6	153.7	36.4	4.8	0.7	175.4
o/w sales and marketing	Number	30.8	12.8	11.2	6.8	0	49.2
• o/w R&D	Number	338.8	322.7	1.6	14.5	0	301,3
• o/w production	Number	919.1	813.6	105.5	0	0	805,9

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	Unit	2019-2020 Group	France & Emea (France - Bernin, Besançon, Meylan, Israel, Belgium)	Asia (Singapore, Japan, South Korea, Taiwan, China)	Americas (United States, Canada)	Discontinued operations	2018-2019 Group
Rate of short-term/long-term absenteeism			3.85%	0.28%	0.12%	0%	
Average compensation gap by category	%						
• Operators	%	-	-0.77%	11.10%	-	-	-
Technicians and office workers	%	_	-0.75%	-0.80%	-	_	_
Engineers and executives	%	_	-11.84%	-25.50%	12%	_	_
Change in average compensation gap FY 20 - FY 19	Percentage point		11.0170	23.3070	1270		
• Operators	Percentage point		0	(0.2)		_	
Technicians and office workers	Percentage point		(0.5)	(4.7)			
Engineers and executives	Percentage point		0.7	(3.2)	9.9	-	
Pay equality index			Bernin: 89 Dolphin Design: 79	-	-	-	
Additional contribution							
Contributions to employee savings plans paid 2019-2020	€thousand	-	Bernin: 530	-	-	-	
Contributions to employee savings plans paid 2018-2019	€ thousand	-	Bernin: 511	-	-	-	
Contributions to employee savings plans paid	£ thousand		Parain: 930				
2017-2018 Profit sharing paid 2019 2020	€ thousand	-	Bernin: 829	-	-	-	
Profit-sharing paid 2019-2020		-	Bernin: 2,469	-	-	-	
Incentives paid 2019-2020	€ thousand	-	Bernin: 4,200	-	-	-	
Incentives 2018-2019	€ thousand	-	Bernin: 2,606	-	-	-	
Incentives 2017-2018	€ thousand	-	Bernin: 1,636	-	-	-	
Payroll	€ thousand	117,802	102,888	11,125	3,679	110	93,921
 o/w employer contributions 	€ thousand	32,988	31,655	956	371	6	26,956
Number of workplace accidents			6	1	0	0	10
Workplace accident frequency rate 2019-2020							
April 2019		6.1					-
May 2019		6.4					-
June 2019		6.3					-
July 2019		5.7					-
Aug. 2019		5.1					-
Sept. 2019		5					-
Oct. 2019		5					-
Nov. 2019		3.6					-
Dec. 2019		4					-
Jan. 2020		3					-
Feb. 2020		3					-
Mar. 2020		3					-
Workplace accident severity rate 2019-2020							
April 2019		0.18					-
May 2019		0.16					-
June 2019		0.14					_
July 2019		0.12					_
Aug. 2019		0.09					_
Sept. 2019		0.08					_
Oct. 2019 Nov. 2019		0.09					-
							-
Dec. 2019		0.07					-
Jan. 2020		0.05					-
Feb. 2020		0.05					-
Mar. 2020		0.05					-
			Bernin: 6.19% Dolphin Design:				
Percentage of workers with disabilities			1.3%				Bernin: 5.9%
Number of employees with disabilities			56				57
Tecinion haven account to			Bernin: 29.4	C!			Da: 3.5
Training hours per employee per year			Dolphin Design: 8.26	Singapore: 2			Bernin: 36
Promotion rate		16%					

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PLANET

	Unit	Bernin + Singapore 2019-2020	Bernin	Singapore	2018-2019 Group
Consumption kWh/production unit	Consumption kWh/ production unit	54.3	46.2	108.8	61.5
L/production unit	L/production unit	744,455.5	598.0	1,721.1	810,261.7

> Carbon footprint

	Unit	Bernin + Singapore 2019-2020
Direct emissions from fixed combustibles	tCO ₂	3,300
Direct emissions from mobile combustibles	tCO ₂	300
Direct emissions from processes	tCO ₂	1,300
Fugitive direct emissions	tCO ₂	100
Indirect emissions linked to electricity use	tCO ₂	16,400
Products and services purchased	tCO ₂	83,600
Capital assets	tCO ₂	25,475
Emissions linked to combustibles and energy (not included in scope 1 or scope 2)	tCO ₂	2,900
Transporting merchandise upstream and distribution	tCO ₂	33,300
Waste generated	tCO ₂	3,900
Business travel	tCO ₂	3,200
Commuting	tCO ₂	2,200
End of life of products sold	tCO ₂	100
Other indirect downstream emissions	tCO ₂	3,900

› Atmospheric emissions from scrubbers – Bernin

		Regulat	ory Limit Value	Number	Annua	al average	e	Number	of exceedances	2018-2019 Number of exceedances		
		Flow (g/h)	Concentration (mg/Nm³)	of measures	Discharge point	Flow (g/h)	Concentration (mg/m³)	Flow (g/h)	Concentration (mg/m³)	Flow (g/h)	Concentration (mg/m³)	
	Acidity	50	0.5			0	0	0	0	0	0	
	Alkalinity	850	10			234.98	1.065	0	0	0	0	
	NH_3	500	10	4	Chima au D1/D2	398	1.775	0	0	5	0	
	VOC	1.700	20	4	Chimney B1/B2	383.25	1.705	0	0	0	0	
	HCl	300	5			11	0.051	0	0	0	0	
	HF	110	1			62.75	0.27	1	0	1	0	
	Acidity	10	0.5			0.04	0.003	0	0	0	0	
	Alkalinity	100	10		Chiesa su buildina K	0	0	0	0	0	0	
	NH_3	100	10	4		2	0.083	0	0	0	0	
	VOC	350	20	4	Chimney building K	167.5	6.778	0	0	1	1	
	HCl	100	5			0.75	0.018	0	0	0	0	
	HF	30	1			5.2	0.218	0	0	0	0	
2019-2020	Acidity	30	0.5			0	0	0	0	0	0	
2017 2020	Alkalinity	500	10			37.99	0.48	0	0	0	0	
	NH_3	1.000	10	4	Chimpay huilding 2	66.5	0	0	0	0	0	
	VOC	900	20	4	Chimney building 3	177.5	2	0	0	0	0	
	HCl	300	5			0.013	0.015	0	0	0	0	
	HF	50	1			1	0.048	0	0	0	0	
				4	MOCVD01 heat extractor		Equipment no	t functio	ning			
	Acidity	10	0.5			0.02	0.01	0	0			
	Alkalinity	130	10			0	0	0	0			
	NH_3	100	10	4	MOCVD02 heat	0	0.005	0	0	Equ	ipment not	
	VOC	270	20	4	extractor	5.25	2.44	0	0		nctioning	
	HCl	60	5			0.013	0.015	0	0			
	HF	10	1			0.025	0.021	0	0			

 $^{* \}quad \textit{VOC: volatile organic compounds; NH3: ammonia; HCl: hydrochloric acid; HF: hydrofluoric acid.} \\$

Social and environmental information

) Air pollutants from boiler – Bernin

		Bernin 1						Bernin 2					Bernin 3			
Date	Parameters	Boiler water 01	Boiler water 02	Boiler water 03	Boiler steam 01	Boiler steam 02	Boiler water 201	Boiler water 202	Boiler water 203	Boiler steam 201	Boiler steam 202	Boiler water 501	Boiler water 502	Boiler steam 501		
	Smoke temperature <i>(°C)</i>	143.3	43.3 171.3 ¹⁴⁴ 100.7 172.8 171.8 173.5 133.1			155.6	139.6									
December	Oxygen content (dry gas)	5.67%	5.82%	6.37%	14.70%	9.81%	1.69%	1.99%	1.61%					5.75%	4.74%	
	CO ₂ content (dry gas)	8.60%	8.50%	8.20%	3.50%	6.30%	10.80%	10.70%	10.90%	Boiler "out of	Boiler "out of	8.60%	9.10%			
2019	Flow rate (m/s)	3.6	4.4	14	4	5.7	3.4	3.2	3.4	action"	action"	2.7	4.3			
APAVE	Rate m³/h	817	926	628	483	546	1,185	1,125	1,125 1,078	since 2012	since 2010	1,060	840			
	Carbon monoxide <i>(mg/</i> <i>m</i> ³ <i>)</i>	0	17	0	121.7	19.7	0	0	4.3	2012	2010	0	0			
	NO _x (nitrogen oxide) (mg/m³)	116.9	124.5	122.3	93.5	100.7	72.6	70.1	69.2			112.5	144.9			

) Air pollutants - Pasir Ris

Acid and basic air pollutants - Singapore

	Results (m	Regulatory Limit Value	
Parameters	Acid exhaust	Basic scrubber	(mg/Nm³)
Ammonia (NH ₃)	4.2	26.1	76
Carbon monoxide (CO)	< 1.0	< 1.0	625
Nitrogen oxide (NO _x)	< 1.0	< 1.0	700
Chlorine (Cl ₂)	< 0.5	< 0.5	32
Hydrogen chloride (HCl)	< 0.5	< 0.5	200
Hydrofluoric acid (HF)	< 0.5	< 0.5	10
Speed	3.40 m/s	3.40 m/s	N.A.

Air pollutants from implanted exhausts in 2019

	Results (n	Regulatory Limit Value	
Parameters	New AEX Acid Exhaust (EPI -1)	New AEX Acid Exhaust (EPI -2)	(mg/Nm³)
Ammonia (NH ₃)	0.2	0.1	76
Hydrogen chloride (HCl)	< 0.5	< 0.5	200
Sulfur trioxide (SO ₃) Sulfuric acid (H ₂ SO ₄)	< 0.5	< 0.5	500
Speed	3.40 m/s	3.40 m/s	N.A.

Total air pollutants - Singapore

	Results (mg/Nr	Regulatory Limit Value	
Parameters	General Exhaust 3-CR-GETOEX-EHS-202	Exhaust 3-CR-GEEX-EHF-202	(mg/Nm³)
Ammonia (NH ₃)	0.02	0.60	76
Carbon monoxide (CO)	< 1.0	< 1.0	625
Nitrogen oxide (NO _x)	< 1.0	< 1.0	700
Chlorine (Cl2)	< 0.5	< 0.5	32
Hydrogen chloride (HCl)	< 0.5	< 0.5	200
Hydrofluoric acid (HF)	< 0.5	< 0.5	10

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) Aqueous discharges

Bernin

	Re	gulatory	Limit Value			Annua	l average	Number o	f exceedances	2018-2019 Number of exceedances		
	Flow (k	Flow (kg/d) Concentration (mg/l)										
	Monthly mean	Daily max	Monthly mean	Daily max	Number of measures	Flow (kg/d)	Concentration (mg/l)	Flow (kg/d)	Concentration (mg/l)	Flow (kg/d)	Concentration (mg/l)	
DBO ₅	32	78	10	20	51	3.27	1.37	0	0	0	0	
DCO	96	234	30	60	366	11.59	4.9	0	0	1	1	
Fluorides	22	46	7	12	366	15.01	6.32	0	5	0	2	
Hyd.tot.				0.1	12		0.1	0	0	0	0	
MES	16	39		10	366	5.5	2.48	0	0	1	1	
N-NH ₄	32	58	10	15	366	16.75	7.06	0	1	1	2	
Phosphorus	3	19	1	5	366	0.79	0.34	0	0	0	0	
рН	5.5	< pH < 8.	5		366	5.5 <	< pH < 8.5		0		0	

Singapore

	Sewerage and Drainage Regulations 2006 (Trade Effluent	Apr. 5,	May 8,	June 6,	lulu 2	Aug. 6, 2019	Sep. 3,	Oct. 8, 2019	Nov. 5,		Jan. 10,	Feb. 7,	Mar. 6,	Annual	Number of
Test parameter	Amendment), Max Limit	2019 1,045 hг	2019 1,400 hг	2019 1,200 hr	July 2, 2019		2019 1,130 hr		2019 1,400 hг	2019 1,400 hг	2020 1,000 hг	2020 1,000 hr	2020 0930 hr	Annual average	Number of exceedances
Discharge Temperature, <i>degC</i>	45	30	30	29	29	29	29	30	29	29	29	29	29	29.25	0
pH (pH units)	6.0 - 9.0	8.2	8.2	8.1	8.2	7.3	8.4	8.3	8.6	8.3	8.4	8.4	8.7	8.26	0
Biochemical Oxygen demand [BOD] @ 20 degC for 5 days, <i>mg/L</i>	400	< 2	< 2	< 2	< 2	< 2	< 2	7	< 2	6	< 2	< 2	< 2	6.5	0
Chemical Oxygen demand [COD] <i>mg/L</i>	600	46	57	56	31	83	54	85	86	63	76	54	55	62.2	0
Total Suspended Solids, <i>mg/L</i>	400	< 5	< 5	< 5	< 5	< 5	< 5	< 5	< 5	< 5	< 5	< 5	< 5	< 5	0
Total Dissolved Solids (TDS), mg/L	3,000	212	180	226	72	284	28	486	314	180	258	258	228	227.2	0
Chloride, Cl, mg/L	1,000	47	38	54	68	57	59	43	82	74	58	51	51	56.8	0
Sulphate, SO ₄ , mg/L	1,000	96	160	96	34	146	91	< 10	< 10	105	108	104	88	102.8	0
Sulphide, as S, mg/L	1	< 0.1			< 0.1									< 0.1	0
Cyanide, CN, mg/L	2	< 0.1			< 0.1									< 0.1	0
Detergent, as MBAS, mg/L	30	< 1			< 1									< 1	0
Grease and Oil (Hydrocarbon), <i>mg/L</i>	60	< 10	< 10	< 10	< 10	< 10	< 10	< 10	< 10	< 10	< 10	< 10	< 10	< 10	0
Grease and Oil (Non- hydrocarbon), <i>mg/L</i>	100	< 10	< 10	< 10	< 10	< 10	< 10	< 10	< 10	< 10	< 10	< 10	< 10	< 10	0
Arsenic, As, mg/L	5	< 0.1			< 0.1									< 0.1	0
Barium, Ba, mg/L	10	< 0.5			<0.5									< 0.5	0
Tin, Sn, mg/L	10	< 1			< 1									< 1	0
Boron, B, mg/L	5	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	0
Iron (as Fe), mg/L	50	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	0
Beryllium, Be, <i>mg/L</i>	5	< 0.1			< 0.1									< 0.1	0
Manganese (as Mn), mg/L	10	< 0.1			< 0.1									< 0.1	0
Phenolic compound (as phenol), mg/L	0.5	< 0.1			< 0.1									< 0.1	0
Cadmium, Cd, mg/L	1	< 0.1			< 0.1									< 0.1	0
Chromium, Cr, mg/L	5	< 0.2			< 0.2									< 0.2	0
Copper, Cu, mg/L	5	< 0.1			< 0.1									< 0.1	0
Lead, Pb, mg/L	5	< 0.1			< 0.1									< 0.1	0
Mercury, Hg, mg/L	0.5	< 0.01			< 0.01									< 0.01	0
Nickel, Ni, mg/L	10	< 0.1			< 0.1									< 0.1	0
Selenium, Se, mg/L	10	< 0.1			< 0.1									< 0.1	0
Silver, Ag, mg/L	5	< 0.1			< 0.1									< 0.1	0
Zinc, Zn, mg/L	10	< 0.1			< 0.1									< 0.1	0

Social and environmental information

Sewerage

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Test parameter	and Drainage Regulations 2006 (Trade Effluent Amendment), Max Limit	Apr. 5, 2019	May 8, 2019 1,400 hr	June 6, 2019 1,200 hr	July 2, 2019	Aug. 6, 2019 1.130 hr	Sep. 3, 2019 1.130 hr	Oct. 8, 2019 1,200 hr	Nov. 5, 2019 1,400 hr	Dec. 10, 2019 1,400 hr	Jan. 10, 2020 1,000 hr	Feb. 7, 2020 1.000 hr	Mar. 6, 2020 0930 hr	Annual	Number of exceedances
Total Metals, mg/L	10	< 0.1	•	•	< 0.1	• • • •	•	,	•	•	••••	•		< 0.1	0
Nitrate, NO ₃ , mg/L	Not Applicable		2.2	2.1		1.9	1.6	1.8	2.1	1.5	1.7	2.6	2.2	1.97	0
Fluoride, F, mg/L	15	0.1	< 0.1	0.7	2.6	0.3	0.6	1.7	0.3	0.3	0.3	0.2	0.3	0.67	0
IPA, mg/L			< 0.1			< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	0
Silica (SiO ₂)	NA		24	29		23	1.7	46	39	28	4.3	46	46	28.7	0
PBDEs (Polybriminated Diphenyl Ethers)	5	Not detected (< 5)		(Not detected (< 5)									Not detected (< 5)	0
Methylene chloride	0.05	Not detected (< 0.05)		(Not detected (< 0.05)									Not detected (< 0.05)	0
Tricholoroethylene	0.05	Not detected (< 0.05)		(Not detected (< 0.05)									Not detected (< 0.05)	0
1, 1, 1-trichloroethane	0.05	Not detected (< 0.05)		C	Not detected (< 0.05)									Not detected (< 0.05)	0
Tetra-chloromethane	0.05	Not detected (< 0.05)		C	Not detected (< 0.05)									Not detected (< 0.05)	0
1, 1, 2-trichloroethane	0.05	Not detected (< 0.05)		(Not detected (< 0.05)									Not detected (< 0.05)	0
Toluene	0.05	Not detected (< 0.05)		C	Not detected (< 0.05)									Not detected (< 0.05)	0
Styrene	0.05	Not detected (< 0.05)		C	Not detected (< 0.05)									Not detected (< 0.05)	0
Methyl tert-butyl-ether	0.05	Not detected (< 0.05)		C	Not detected (< 0.05)									Not detected (< 0.05)	0
Nonane	0.05	Not detected (< 0.05)		C	Not detected (< 0.05)									Not detected (< 0.05)	0
Decane	0.05	Not detected (< 0.05)		C	Not detected (< 0.05)									Not detected (< 0.05)	0
Ethylbenzene	0.05	Not detected (< 0.05)		C	Not detected (< 0.05)									Not detected (< 0.05)	0
Total-xylenes (o, m, p)	0.05	Not detected (< 0.05)		C	Not detected (< 0.05)									Not detected (< 0.05)	0
Hexane	0.05	Not detected (< 0.05)		C	Not detected (< 0.05)									Not detected (< 0.05)	0
Heptane	0.05	Not detected (< 0.05)		(Not detected (< 0.05)									Not detected (< 0.05)	0
Octane	0.05	Not detected (< 0.05)		(Not detected (< 0.05)									Not detected (< 0.05)	0
1, 2, 4-trimethylbenzene	0.05	Not detected (< 0.05)		(Not detected (< 0.05)									Not detected (< 0.05)	0
Furan	0.05	Not detected (< 0.05)		(Not detected (< 0.05)									Not detected (< 0.05)	0
THF (Tetrahydrofuran)	0.05	Not detected (< 0.05)		(Not detected (< 0.05)									Not detected (< 0.05)	0
DMF (N, N-Dimethylformamide)	1	Not detected (< 0.05)		(Not detected (< 0.05)									Not detected (< 0.05)	0
Benzene	0.05	Not detected (< 0.05)		(Not detected (< 0.05)									Not detected (< 0.05)	0

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Test parameter	Sewerage and Drainage Regulations 2006 (Trade Effluent Amendment), Max Limit	Apr. 5, 2019	May 8, 2019 1,400 hr	June 6, 2019 1,200 hr	July 2, 2019	Aug. 6, 2019 1,130 hr	Sep. 3, 2019 1,130 hr	Oct. 8, 2019 1,200 hr	2019	Dec. 10, 2019 1,400 hr	2020	Feb. 7, 2020 1,000 hr	Mar. 6, 2020 0930 hr	Annual average	Number of exceedances
Turpentine	0.05	Not detected (< 0.05)		C	Not detected (< 0.05)									Not detected (< 0.05)	0
Isobutanol	1	Not detected (< 1.00)		C	Not detected (< 1.00)									Not detected (< 1.00)	0
Methyl Ethyl Ketone	0.05	Not detected (< 0.05)		C	Not detected (< 0.05)									Not detected (< 0.05)	0
Methyl Isobutyl Ketone	0.05	Not detected (< 0.05)		C	Not detected (< 0.05)									Not detected (< 0.05)	0
Isopropyl Ether, mg/L	1	Not detected (< 1.00)		C	Not detected (< 1.00)									Not detected (< 1.00)	0
Diethyl Ether	0.05	Not detected (< 0.05)		C	Not detected (< 0.05)									Not detected (< 0.05)	0
Dimethyl Sulphide	0.05	Not detected (< 0.05)		C	Not detected (< 0.05)									Not detected (< 0.05)	0
Dimethyl Sulphoxide	5	Not detected (< 5)		C	Not detected (< 5)									Not detected (< 5)	0

) Waste

	Unit	Bernin + Singapore 2019-2020	Bernin	Singapore	Bernin 2018-2019
Total NHW	Metric tonnes		415.68	43,958 kg	396.82
Total HW	Metric tonnes		4467.18	1,031 m³	4469.16
NHW recycled	Metric tonnes		215.65		194.6
NHW used for energy production	Metric tonnes		144.9		147.08
NHW recovered	Metric tonnes		360.54		341.68
NHW not recovered	Metric tonnes		54.94		54.04
HW recycled/recovered	Metric tonnes		821.09		822.11
HW used for energy production	Metric tonnes		2,785.08		2,779.6
HW recovered	Metric tonnes		3,606.18		3,601.7
HW not recovered	Metric tonnes		861.36		867.82
% NHW recovered	%		87%		86%
% NHW recycled	%		52%		49%
% HW recovered + recycled	%		81%		81%
% HW used for energy production	%		62%		62%

ETHICAL BUSINESS

	Unit	Group 2019-2020	France & EMEA (France - <i>Bernin</i> , <i>Besançon</i> , Meylan, Israel, Belgium)	Asia (Singapore, Japan, South Korea, Taiwan, China)	Americas (United States, Canada)	Discontinued Operations	2018-2019 Group
Employees having completed the Code of Good Conduct online module	Number	1,009	-	-	-	-	-

2.5.7.2 Methodology

A. Verification and consolidation of information

The information presented in this report was checked by KPMG as the independent third party. Its conclusions is presented in paragraph 2.6. of the annual financial report.

B. Name of entities

Entities discussed in this section are referred to by their informal names. Their corresponding formal or legal names are given below:

Informal name	Formal (legal) name	
Bernin	Soitec Corporate Services SAS Soitec Lab SAS (ex Soitec Newco 1 SAS) Soitec Newco 2 SAS Soitec Newco 3 SAS Soitec Newco 4 SAS	
Singapore/Pasir Ris	Soitec Microelectronics Singapore Pte Ltd. Soitec Asia Holding Pte Ltd.	
Frec n sys	Frec n sys SAS	
EpiGaN	EpiGaN nv	
Asia	Soitec Japan Inc. Soitec Korea LLC Soitec Trading Shanghai Co., Ltd.	
United States	Soitec USA LLC	
Dolphin Design Meylan	Dolphin Design SAS	
Dolphin Design Canada	Dolphin Inc.	
Dolphin Design Israel	Dolphin Ltd.	

C. Scope

The scope of consolidation contains all the entities Soitec wholly or partially owns that are consolidated in our Group's financial statements.

However, some subsidiaries do not report all of their social, safety and environmental indicators. Action plans will be drawn up to obtain the relevant data for some of these indicators next year.

Either such entities were recently acquired, or their operations are not related to fabrication and thus certain indicators are irrelevant, or Soitec does not wholly own them (e.g. 60% in the case of Dophin Design).

The list of subsidiaries that do not report certain indicators depends on the indicators in question. Below is a list of each indicator's scope and changes in scope.

Topic	Scope by default	% workforce	Indicators	Exceptions	Restrict or extend scope	% workforce	Reason
	Group	100%	Workforce Workplace accident	Quality of Working Life questionnaire response rate	Group excl. Dolphin Design	89%	Dolphin Design is held 60% by Soitec
			frequency rate Workplace accident	Number of safety tours	Bernin & Singapore	86%	Only concerns industrial sites
PEOPLE			severity rate Promotion rate	Gender pay gap	Bernin & Dolphin Design Meylan	87%	The indicator is a French regulatory requirement. Because pay varies between countries, a consolidated figure is irrelevant.
				Percentage of workers with disabilities	Bernin	77%	Facilities outside France are not required to give this indicator. Dolphin Design Meylan was partially acquired less than three years ago, so it is considered a new entity and is not required to give this indicator.
				Profit-sharing awards Bonuses	Bernin	77%	Collective agreements specific to Soitec S.A. and Soitec Lab
PLANET	Main industrial sites	86%	Water consumption Electricity consumption Gas consumption	Carbon footprint	Bernin Singapore United States Asia	88%	Wider scope to accommodate environmental policy
(55)			Energy efficiency Emissions Waste	Participation in the Mobility Challenge	Bernin	77%	Local initiative
ETHICAL BUSINESS	Group	100%		Number of employees who completed the Code of Good Conduct online course	Group excl. Dolphin Design	89%	Dolphin Design has its own Code of Ethics and does not have access to Soitec's online learning platform.

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By "Group" means all of the entities, namely the facilities at Bernin and Singapore; Frec|n|sysand EpiGaN nv; the offices in Japan, South Korea and the United States; Dolphin Design Meylan, Dolphin Design Israel and Dolphin Design Canada.

Soitec's main industrial sites are Bernin and Singapore, which together account for 86% of its registered workforce.

Some data are not consolidated at this time due to data processing differences. Work is underway to consolidate all data in the future.

D. Calculation methods

Figures are given by fiscal year, unless otherwise stated. Soitec's fiscal year starts on April 1 and ends on March 31.

1. Employee data

Employee data are calculated based on the registered workforce and on the jobs held (not including suspended employment contracts): Staff on Soitec's payroll consist of employees with an employment contract and do not include interns, temporary workers or staff on secondments.

- registered workforce: breakdown of employees by age, geographical area, change in headcount, turnover rate, ratio of women to men;
- jobs held: breakdown of employees by job, resignation rate, absenteeism, hardship.

Fixed-term contracts include doctoral student employment contracts and apprenticeships (work-study or vocational training) but not internships or international work experience contracts.

The change in workforce is the difference between the numbers of employees who joined during the year 2019-2020 and those who left during 2019-2020.

Average workforce is the total number of employees over a 12-month period divided by 12.

The **turnover rate** corresponds to the sum of resignations, dismissals, terminations by mutual agreement and departures as part of the collective employee departure plans over the previous 12 months, relative to the average annual workforce under open-ended contract. It is calculated based on the size of the workforce.

The **resignation rate** corresponds to the sum of resignations over the last 12 months, relative to the average annual workforce on open-ended contracts. It is calculated based on the number of jobs held.

The **absenteeism rate** is the number of hours' sick leave divided by the number of hours worked.

The **gender pay gap** is calculated on employees at work throughout the year and does not count apprentices or team leaders/project managers from the following: (Average salary of women - average salary of men)/ average salary of men x 100.

The **frequency rate** corresponds to the number of lost-time accidents in the fiscal year multiplied by one million and divided by the number of hours worked over the period.

The **severity rate** is the number of calendar days off work multiplied by 1,000 and divided by the number of hours worked. It should be noted that days off for work accidents are no longer counted beyond 150 days of absence.

The frequency rate and severity rate indicators are tracked and published monthly. They are presented in graph form and calculated on a rolling year basis to capture their change over time.

These safety indicators are accessible to all staff on the internal portal as well as in the monthly "Safe" newsletter.

Lost-time accidents correspond to the number of accidents resulting in at least one day not worked, not counting the day of the accident.

The **share of workers with disabilities** is calculated based on the regulations in force in France.

QUALITY OF WORKING LIFE QUESTIONNAIRE RESPONSE AND EMPLOYEE SATISFACTION RATE

Over the course of the year, a questionnaire was sent on four separate occasions to different groups of employees, thus covering the entire workforce. The questions remain the same from one questionnaire to another so that each item may be followed up.

Because only Bernin employees answered the 2018 questionnaire, its results cannot be compared with those for 2019.

TRAINING HOURS PER EMPLOYEE PER YEAR

Because only Bernin reported these data in 2018, they cannot be compared with those for 2019.

2. Environmental information

ENERGY AND WATER CONSUMPTION

Energy and water consumption is based on invoiced consumption.

CARBON FOOTPRINT

Our Group's carbon footprint was measured using business data for the 2019 calendar year.

It is based on the Carbon footprint methodology and tools developed in 2004 by the French environmental agency (ADEME) and updated since 2011 by the Association Bilan Carbone (ABC) to its current version 8.4.

Most of the emissions factors used are from ADEME's carbon database with the addition of some factors from the EcoInvent database when more relevant.

The footprint measures the main greenhouse gases: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (NO_2) and the fluorinated gases (HFC, PFC, SF₆, others).

The methodology considers the following emissions items:

- energy consumption at sites;
- direct greenhouse gas emissions from non-energy sources (process gases and refrigerants);
- procurement of goods and services, including industrial subcontracting;
- transport of goods to, between and from sites;
- work commutes, business travel and outside visits;
- on-site waste collection and treatment;
- property, plant & equipment;
- end of life of products and packaging put onto the market.

Only one item – use of products put onto the market – is not considered due to methodological limits.

Soitec chose to publish the results according to the GHG Protocol Corporate Accounting and Reporting Standard to comply with international norms.

The associated uncertainty of the results is 15%.

AQUEOUS DISCHARGES

At the Bernin facility, samples and analyses are carried out by Abiolab.

At the Singapore facility, they are done by SETSCO.

AIR POLLUTANTS

At the Bernin facility, samples and analyses are carried out by APAVE.

At the Singapore facility, they are done by SETSCO.

RECYCLING RATE

Comparisons between 2018 and 2019 cannot be made because only the Bernin facility recorded these data while the Singapore facility did not.

Social and environmental information

3. Employee data

PERCENTAGE OF EMPLOYEES WHO COMPLETED THE ONLINE COURSE

This is an aggregate rather than annual indicator. It does not include employees who left the workforce as of March 31, 2020. The figure is calculated by dividing the number of people who completed the course by the total number of people who had the option of completing the course 1.318.

E. Methodological limits

Soitec does not consider that it has a major risk or opportunity in respect of the fight against food insecurity, respect for animal well-being and responsible, fair and sustainable food.

2.5.7.3 UN Sustainable Development Goals cross-reference table

	UN Sustainable Development Goal	Corresponding section in this document
5 ((MI))	Goal 5: Gender Equality	Promote gender equality
7 STEERING AND CLEAN CHEEK	Goal 7: Affordable and Clean Energy	Improve energy efficiency
9 hourses becorder	Goal 9: Industry, Innovation, and Infrastructure	Section 2.1.1 of this report.
10 SERVED LINES LI	Goal 10: Reduced Inequalities	Inclusion in the workplace
11 sections dis	Goal 11: Sustainable Cities and Communities	Managing waste better
12 standard Calcade Eth Ask-Hollocal Biol	Goal 12: Responsible Consumption and Production	Reducing and optimizing the use of natural resources Limiting industrial pollution
13 CLERK	Goal 13: Climate Action	Regulating impacts on climate change
14 seew auger	Goal 14: Life Below Water	Reducing and optimizing the use of natural resources
15 01 00 00 00 00 00 00 00 00 00 00 00 00	Goal 15: Life on Land	Maintaining a healthy and balanced ecosystem in which Soitec acts to protect biodiversity
16 PENCE JUSTINE AND DEPOND PORTUGE AND DEPOND PORT	Goal 16: Peace, Justice and Strong Institutions	Acting globally in accordance with high social and ethical standards

2.5.7.4 Report by one of the statutory auditors, appointed as an independent third party, on the consolidated extra-financial performance statement in the management report

For the fiscal year ended March 31, 2020

To the Shareholders' General Meeting,

In our capacity as the statutory auditor of your company (hereinafter, the «entity») appointed as the independent third-party, certified by the French Accreditation Committee (Comité Français d'Accréditation, or COFRAC) under reference 3-1049 (1), we hereby submit to you our report on the consolidated extra-financial performance statement for the fiscal year ended March 31, 2020 (hereinafter, the «Statement»), included in the group management report, in accordance with the provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

Responsibility of the entity

It is the Board of Directors' responsibility to prepare a Statement in accordance with legal and regulatory provisions, including a presentation of the business model, a description of the main extra-financial risks, a presentation of policies applied to mitigate these risks and the outcomes of those policies, including key performance indicators.

The Statement has been prepared applying the procedures of the entity (hereinafter the "Guidelines"), the most significant aspects of which are presented in the Statement and available upon request at the entity's headquarters.

Independence and quality control

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the French Code of Ethics for statutory auditors (Code de déontologie). Moreover, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with the applicable laws and regulations, ethical rules and professional standards.

Management report Social and environmental information

Responsibility of the Statutory Auditor appointed as independent third party

On the basis of our work, it is our responsibility to express a limited assurance opinion about whether:

- the Statement complies with the provisions of Article R. 225-105 of the French Commercial Code;
- the information provided in application of Article R. 225 105 (3) I and II of the French Commercial Code, i.e. policy outcomes, including key performance indicators and actions relating to the main risks (hereinafter the «Information»).

We are not however responsible for issuing an opinion on the entity's compliance with other applicable legal and regulatory provisions, particularly relating to the prevention of corruption and tax evasion, or on compliance with the applicable regulations of the products and services.

Nature and scope of our work

Our work as described below has been carried out in accordance with the provisions of Articles A. 225-1 et seq of the French Commercial Code, with the professional standards of the French national auditing body (Compagnie nationale des commissaires aux comptes) in relation to this assignment, and with international standard ISAE 3000 ⁽¹⁾:

- We reviewed the business carried out by all of the entities included within the consolidation scope and the statement of key risks;
- We assessed the appropriateness of the Guidelines in terms of their relevance, completeness, reliability, neutrality and clarity, by taking into consideration, where relevant, the sector's best practices;
- We verified that the Statement covers every category of information required under Article L. 225-102-1, Paragraph III concerning social and environmental matters as well as respect for human rights and the fight against corruption and tax evasion;
- We verified that the Statement presents the disclosures required under Article R. 225-105, Paragraph II, where relevant with regard to the main risks, and includes, if applicable, an explanation of the reasons justifying the absence of the information required by Article L. 225-102-1, III, paragraph 2;
- We verified that the Statement presents the business model and a description of the main risks relating to the activity of all companies in the consolidation scope, including if relevant and proportionate the risks created by its business relationships, products or services, as well as its policies, actions and outcomes, including the key performance indicators related to the main risks;
- We have examined the documentary sources and conducted interviews in order to:
 - assess the process used to select and validate the main risks and also the consistency of the outcomes (including the key performance indicators chosen) with regard to the main risks and policies presented;
 - corroborate the qualitative disclosures (actions and outcomes) that we considered the most important, presented in an Appendix. For certain risks (pandemic risk; inappropriate or unproductive social dialog; non-compliance with laws and regulations; insufficient contribution made by the group to the development of the regions in which it operates; GDPR breaches and digital risks), our work was carried out on the level of the consolidating entity, while for other risks, work was carried out on the level of the consolidating entity and within a selection of entities (2).
- We verified that the Statement covers the consolidation scope, i.e. all of the entities included within the consolidation scope in accordance with Article L. 233-16, within the limits specified in the Statement;
- We examined the internal control and risk management procedures put in place by the entity and assessed the data collection process aimed at ensuring that the Information is comprehensive and accurate;
- For the key performance indicators and other quantitative outcomes which we considered to be the most important presented in an Appendix, we implemented:
 - analytical procedures to verify that collected data is correctly consolidated and that any changes to the data are consistent;
 - tests of details based on sampling to verify that definitions and procedures are correctly applied and to reconcile data with supporting documents. The work was carried out with a selection of contributing entities (2) and covers 100% of the consolidated data selected for these tests;
- We assessed the overall consistency of the Statement based on our understanding of all of the entities within the consolidation scope.

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance opinion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work drew on the skills of five individuals and was conducted between April and July 2020 for a total working time of approximately two weeks.

To assist us in conducting our work, we called on our firm's sustainable development and corporate social responsibility (CSR) specialists. We conducted several interviews with the individuals responsible for preparing the Statement.

Conclusion

Based on our work, we have no material misstatements to report that would call into question the compliance of the consolidated extra-financial performance statement with the applicable regulatory provisions, or the fair presentation of the Information, taken as a whole, in accordance with the Guidelines.

The Statutory Auditors (French original signed by) Paris-La Défense, July 6, 2020 KPMG S.A.

Fanny Houlliot

Partner

Sustainability Services

Stephane Devin

Partner

Jacques Pierre *Partner*

⁽¹⁾ ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

⁽²⁾ Registered office, Bernin and Singapore sites

Social and environmental information

) Appendix

Qualitative information (actions and results) considered to be the most significant

Commitment and provisions to promote occupational safety

Program and other measures contributing to employee well-being

Collective bargaining agreements signed during the year

Actions taken to promote inclusion and results

Measures taken to attract and retain talent

Mobility plan

Energy management system and ISO 50001 certification

Measures aimed at limiting aqueous discharges and improving waste management

Measures taken to prevent corruption and ensure respect for human rights

Provisions in relation to data protection and the management of cyber risk

Inn.Otech initiative to promote young people and regional development

Key performance indicators and other quantitative results considered to be the most significant

Workforce at March 31, 2020 and breakdown by gender and age group

Percentage of women within the workforce and breakdown of female staff by category (Operators, Office workers and technicians and Engineers/Managers)

Frequency rate of workplace accidents leading to lost time

Severity rate of workplace accidents

Share of actions completed following the QWL questionnaire

Percentage of employees having completed the e-learning on the Code of good conduct

Energy consumption per production unit

Number of exceedances for aqueous and atmospheric discharges

Total greenhouse emissions (scope 1 and scope 2)





Report on corporate governance

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Report on corporate governance

3.1 GOVERNANCE

3.1.1 MANDATES AND FUNCTIONS OF CORPORATE OFFICERS

3.1.1.1 Executive management

After serving as the Soitec Group's Chief Operating Officer for nearly seven years, Paul Boudre became our Chief Executive Officer on January 16, 2015.

His appointment was part of the implementation of a strategic plan aiming at refocusing our Company's activities on our core business, Electronics.

Since this date, Paul Boudre has been our sole executive corporate officer.

He is surrounded by a team of 11 senior managers who form the Executive Committee.

A. Balanced powers between our Board of Directors and Executive Management

The composition of our Board of Directors and its Committees, their work and also the limits imposed on the management's powers by the Board's internal regulations, have for several years now contributed to the balance of powers within our governance bodies.

The separation of the offices of Chairman of our Board of Directors and of Chief Executive Officer, made permanent two years ago, further reinforces such balance of powers.

1. Background to the separation

On September 11, 2015, in line with our strategic re-focusing plan, the governance of our Company was temporarily unified under Paul Boudre who then became Chairman and Chief Executive Officer. At the same time, our Board of Directors confirmed its intention to separate the two positions at a suitable time for our Company.

After two years of transition under his chairmanship which enabled our Company to be turned around and a significant progress to be made in terms of governance, our Board of Directors confirmed its intention to durably separate the roles of Chairman and Chief Executive Officer, in accordance with the highest governance standards.

This decision made on May 2, 2017 was implemented on July 26, 2017. Victoire de Margerie, appointed on this same day as a director by our shareholders, was appointed by her peers as Chairman of the Board of Directors. She resigned from her duties on November 28, 2017.

Following this resignation, Thierry Sommelet was elected as Chairman of our Board of Directors for an interim period which was due to end at the close of the Shareholders' General Meeting called to cast a vote on the financial statements for fiscal year 2017-2018.

His office duration was extended beyond its term; Thierry Sommelet therefore acted as Chairman of our Board until March 27, 2019, the date on which Éric Meurice was appointed as Chairman.

Supportive and unanimous tribute was paid to Thierry Sommelet at that time. All our directors warmly thanked him for having skillfully and efficiently assumed the role of Chairman of the Board during this interim period, beyond his invaluable personal contribution to the work of the Board and of the Committees that he continues to perform.

2. Our current governance organization

ROLE OF ÉRIC MEURICE, CHAIRMAN OF OUR BOARD OF DIRECTORS

Éric Meurice's joined our Board of Directors following the Shareholders' General Meeting held on July 26, 2018 as Senior Independent Director, Chairman of the Strategic Committee, and member of the Nomination Committee (which has recently changed its mum to Nomination and Governance Committee).

He replaced Thierry Sommelet by being elected by his peers as Chairman of the Board of Directors on March 27, 2019.

The Board considered that his profile matches our Company's needs, given his experience as general manager of several world-renowned technology companies, mainly in the semiconductor sector, the multicultural dimension of his career, as well as his experience as a director of international companies.

Éric Meurice has chaired and represented our Board of Directors since this date.

In accordance with Article L. 225-51 of the French Commercial Code, he organizes all of the work carried out by the Board. He shall report on this work at the next Shareholders' General Meeting to be convened in September 2020.

In order to enable the Board to determine the strategic direction for our Company's business, to ensure its implementation, and to examine all matters relating to the proper functioning of our Company, Éric Meurice is responsible for convening its meetings and setting the agenda.

He oversees the proper functioning of the Board and of its Committees, and in particular ensures that our directors are able to fulfill their duties.

Furthermore, he ensures that they have the ability to address the issues which concern our Company through informed deliberations.

ROLE OF PAUL BOUDRE, OUR CHIEF EXECUTIVE OFFICER

Paul Boudre is responsible for the executive management of our Company as Chief Executive Officer.

In addition, he is also a director within our Board, a member of the Strategic Committee and a permanent guest of the Restricted Strategic Matters Committee

In accordance with Article L. 225-56 of the French Commercial Code, his appointment as Chief Executive Officer vests him with the powers to act in all circumstances on behalf of our Company.

He exercises his authority within the limit of the corporate purpose and subject to the powers expressly bestowed by the law on Shareholders' General Meetings, on our Board of Directors, or on its Chairman.

Certain limits are moreover provided by our Board of Directors' internal regulation, an extract of which is set out below.

Paul Boudre represents our Company in all third-party dealings.

In accordance with French law, our Company is bound even by those of his actions that do not fall within the corporate purpose unless it can prove that the third party knew that said action exceeded that purpose or should have known it given the circumstances. However, publication of our by-laws shall not of itself be sufficient proof thereof.

The provisions of our by-laws or the decisions of our Board of Directors limiting the powers of Paul Boudre are not binding on third parties.

3. Limits on the powers of our Chief Executive Officer

Our Board of Directors' internal regulation introduces specific cases in which a right of scrutiny and/or right to information is granted to the Board, or specific cases in which the Chief Executive Officer must obtainprior approval by the Board.

Thus, apart from the consultation and/or prior authorizations that the Chief Executive Officer has to obtain from our Board of Directors in accordance with the law, Article 3 c) of our Board of Directors' internal regulation sets the following limits on his powers.

Report on corporate

Focus on Article 3 c) of the Board of Directors' internal regulation

The following is a statement of policy adopted by our Company's Board of Directors with respect to authority delegated to management for certain matters relating to managing the affairs of our Company. The Board has decided this year to extend the scope of its consultation/ prior authorization right.

This policy will govern all actions of our Company and its majorityowned subsidiaries, subject to applicable laws and internal procedures governing such subsidiaries. Less than majority-owned subsidiaries and joint ventures of our Company will be governed by their respective Boards of Directors or Management Committees.

- I. Strategy, Business Plans and Operating Budget.
- 1) Management will review annually our Company's strategy, business plan and operating budget with the Board of directors for approval.
- 2) Substantial modifications of an existing strategy, business plan, or operating budget or substantial deviation of actual performance to operating budget and/or forecast will also be reviewed with the Board of Directors.
- 3) Management will make periodic reports to the Board of Directors comparing operating results to the budget, in a dashboard listing the fundamental parameters of the budget.
- II. Capital Expenditures.
- 1) Management will submit Board of Directors' a capital budget for our Company annually for the Board of Directors' consideration and
 - a) The capital budget will itemize and describe anticipated capital expenditures for assets and capital projects that exceed
- b) The capital budget will contain an aggregate total for all capital expenditures.
- 2) The Board of Directors' approval of the capital budget will represent approval of the nature of the Capex line items and of the aggregate total capital spending, plus/minus 10%.
- 3) Each individual capital expenditure over US\$ 10 million which was not itemized in the Board of Directors' approved capital budget requires the Board of Directors' approval.
- III. Acquisitions.
- 1) Management will submit to the Board of Directors's for prior consideration and approval acquisitions of equity interests and joint ventures involving:
 - a) payment with stock of our Company or any majority-owned subsidiary;
 - b) our Company's contribution of cash, assets, or assumption of debt, in any combination, exceeding US\$ 5 million, inclusive of purchase price and potential earn-outs or deferred payments to the owners;
 - c) new types of businesses, considering our Company's then existing businesses (meaning any new business exceeding an investment of US\$ 5 million), or any other acquisition of equity interests or joint venture of an unusual character, irrespective of the amount of the initial investment.
- 2) Management will inform the Board of Directors prior closing any acquisitions of equity interests and joint ventures below US\$ 5 million.
- IV. Debt and Leases.

Management will submit to the Board of Directors for prior consideration and approval the following items:

1) all borrowings greater than US\$ 60 million collectively per year, except borrowings authorized by previously adopted specific or

- standing resolutions or borrowings made against existing lines of
- 2) sale and leaseback transactions with a value of more than US\$ 60 million collectively per year; and
- 3) capital or operating leases for which the capitalized or net present value of the obligation is more than US\$ 60 million collectively per year.
- V. Sales of Assets.

Management will submit to the Board of Directors for prior consideration and approval:

- 1) sales of capital assets when the book value of the assets or the net proceeds of the sale exceed US\$ 10 million collectively per year; or
- 2) any sale or licensing of strategic intangible assets/IP.
- VI. Loans, Guarantees and Advances.
- 1) Management will submit to the Board of Directors for prior consideration and approval loans or advances to or guarantees of the performance or indebtedness of any person or entity exceeding US\$ 60 million individually or collectively per year, either singularly or in the aggregate with respect to that person or entity.
- 2) No approval is necessary for:
 - a) loans or advances to or guarantees of our Company's wholly- or majority-owned subsidiaries; or
 - b) for prepayments or bank guarantees given in the ordinary course of our Company's business.
- 3) Consistent with the 60 million individually or collectively company Loan Policy, our Company may not make any loan or advance of Company assets to (a) a corporate director or executive officer of our Company, or (b) to relatives, associates and affiliates of such persons.
- VII. Take or Pay Contracts.

Management will submit to the Board of Directors for prior consideration and approval a take or pay contact involving a potential penalty payment (clause pénale) to a third party of US\$ 10 million or more per contract. A "take or pay contract" is generally a provision, written into a contract, in which our Company has the obligation of either taking delivery of goods or paying a specified penalty.

VIII. Material Contracts or undertakings.

Management will submit to the Board of Directors for prior consideration and approval communications, contracts, agreements. purchases or sales orders in which the performance obligation creates or may create a standard exposure above US\$ 100 million per item or may create a non-standard exposure above US\$ 20 million per item in an agreement and/or has a material impact on our Company's stature and reputation.

IX. Other Actions.

The prior approval of the Board of Directors is required for:

- 1) communication on financial matters, in particular quarterly/semiannual releases, new or changed guidance:
- 2) actions and communication on exceptional matters which may have material impact on our Company's stature and reputation or on matters which concern Board responsibilities will be submitted to the Board for prior consideration and approval.

All items mentioned under this Article 3 c) will be communicated timely with the Board of Directors.

Report on corporate governance

A. A strengthened and diversified Executive Committee

1. Creation and role of the Executive Committee

In order to obtain support with the performance of his assignments and upon taking office in 2015, our Chief Executive Officer introduced a new internal management body: The Executive Committee or ExCom.

The leader of this team of senior managers, Paul Boudre, relies on the expertise of each of the ExCom's 11 members to inspire, organize, run, monitor and develop our Group's business in a collegial way. Their aim is to keep capturing growth in Electronics markets, and to pursue growth in profitability while at the same time aiming for sustainability in the long term

The 11 members of our ExCom meet whenever required, under Paul Boudre's direction. In any event, the Committee holds weekly conference calls and quarterly detailed reviews.

The decision processes and operating methods are defined in the management system steered by the Quality Department.

2. Composition of the Executive Committee and adjustments to the organization

Our Executive Committee is headed by our Chief Executive Officer and is composed of 11 members in charge of the specialist divisions.

During the fiscal year ended March 31, 2019, we worked together to restructure our overall organization, with the help of around sixty of our Group's senior executives. The objective was to define the outlines and interfaces that would enable flexibility and proximity to markets and customers, which are essential for our growth targets.

This management structure was readjusted during the fiscal year 2019-2020 to split the IT, Digital Transformation, and Quality Departments. IT and Digital Transformation were placed within the Operations Division led by Cyril Menon.

Since March 1, 2020, the Public Affairs Department has been integrated into the Strategic Office organization. The mission of the Strategic Office is to support our Group's strategic projects aiming on mid and long-term growth, both organic and external. Public Affairs Department team plays a key role in coordinating funding projects and securing support of the government, institutional partners in France, Europe and around the world. These activities play a key role in execution of our strategy the Public Affairs team acts not only at Soitec level but is impactful at Group level (Dolphin Design, Frecnsys, EpiGaN nv, ...) and Soitec partners (LetiCEA, IMEC, Fraunhofer Institute ...).

Strategic Office is structured now with four key missions: Strategic Marketing, Technology and Market Analysis, Marketing and external communication and finally Public Affairs.

In July 2019, in line with its desire to further increase the importance of the Quality Control Department within the organization, Soitec hired Reiner Breu as Vice President Quality. He has been a member of the Executive Committee since October 2019, reporting directly to the Chief Executive Officer. This division includes both the teams responsible for the quality control system and quality engineering across the various sites.

Reiner Breu's career path has given him wide-ranging experience of all components of the quality management process on an international scale in relation to semi-conductors, in particular at Infineon and Bookham Technology. He also held other program and project management at positions at Schneider Electric. Reiner Breu holds an engineering degree in applied physics from the University of Applied Sciences in Munich and an Executive MBA from EM Lyon.

Sébastien Rouge joined the group in October 2019 as Executive Vice President & CFO, after having held positions as Chief Financial Officer and executive with various leading broadly consolidated industrial groups, in France and abroad, in particular, Alstom and General Electric. His most recent role was as Chief Financial Officer of the publiclylisted aeronautics equipment manufacturer Latécoère. Sébastien Rouge graduated from the EDHEC Business School.

In the fall, Steve Babureck was promoted to Vice President, Corporate Development & Investor Relations reporting directly to the Chief Executive Officer, after having held various positions with our Group since 2011, including head of the Finance Department of the solar business in the United States, head of strategic marketing, and head of Group investor relations. He previously worked as a financial analyst at Natixis and then at BNP Paribas (Exane). As materials engineer and graduate of Polytech Nantes, he completed his training with a specialist master's degree at ESCP Europe.

All business activities are grouped into six Business Units: RFSOI Business Unit, FDSOI Business Unit, SOI Specialties Business Unit, Filters Business Unit, EpiGaN nv Business Unit and Components Business Unit. Bernard Aspar oversees the entire business and carries out the necessary internal planning required by such a decentralization in a context of strong growth.

Tailored to respond to the challenges facing our Group, this is in line with law 2018-771 of September 5, 2018 on the freedom to choose a professional future, and with the provisions of Article L. 225-37-4 of the French Commercial Code resulting therefrom.

On this basis, our Company is seeking to improve the diversity as well as gender balance within the top 10% of positions with major responsibilities.

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Governance



⁽¹⁾ Sébastien Rouge informed us of his departure for purely personal reasons. Léa Alzingre will replace him on the function of Chief Financial Officer. Léa, who joined the Group in 2019, has until now been in charge of Corporate finance. After a solid audit career at KPMG from 2005 to 2015, Léa served as VP Finance in the semiconductor division of Teledyne for 3 years, then, from 2018 to 2019, that of CFO of Adeunis, start up in the IOT sector listed on Euronext Growth. Léa is a graduate of SKEMA Business School.

3.1.1.2 **Board of Directors**

A. Summary table of our board of directors

Per				Attendance	Latest terr	n of office	History				
Full name or company name	Age	Gender	Nationality	Number of shares	Number of offices in other listed companies	Indepen- dence	rate to Board meetings during the 2019-2020 fiscal year	Start date	End date ⁽¹⁾	Date of first appointment	
Directors currently in	office										
Éric Meurice	63		0	1,000	2	☆✓	100%	07/26/2018	2020-2021 SGM	07/26/2018	2
Paul Boudre	61		0	41,100	0	×	100%	07/26/2019	2021-2022 SGM	07/03/2012	8
Bpifrance Participations (represented by Sophie Paquin)	42	Å	0	3,636,007	0	x	100% (2)	07/26/2019	2021-2022 SGM	07/02/2013	7 (3)
CEA Investissement (represented by Guillemette Picard)	44	Å	0	3,636,007	0	x	66.67%	07/26/2019	2021-2022 SGM	04/20/2015 (4)	5 (5)
Françoise Chombar	58			0	2	✓	66.67%	07/26/2019	2021-2022 SGM	07/26/2019	1
Laurence Delpy	49		0	675	0	✓	100%	07/26/2019	2021-2022 SGM	04/11/2016	4
Christophe Gegout	44		0	0	1	✓	88.89%	07/26/2019	2021-2022 SGM	04/11/2016 (6)	5 (7)
Satoshi Onishi	57			100	0	×	77.78%	07/26/2018	2020-2021 SGM	07/10/2015	5
Kai Seikku	55		lue	2,000	1	×	87.50%	07/26/2019	2021-2022 SGM	05/06/2019 (8)	1
Thierry Sommelet	50		0	0	3	×	88.89%	07/26/2019	2021-2022 SGM	11/29/2017 ⁽⁹⁾	5 (10)
Jeffrey Wang	60			0	0	×	100%	07/26/2019	2021-2022 SGM	05/06/2019 (11)	1
Shuo Zhang	55			0	1	✓	100%	07/26/2019	2021-2022 SGM	06/27/2019	1
Directors in office dur	ring the	e fiscal year	ended Ma	rch 31, 202	0 and whose	e term ha	s ended				
Monica Beltrametti	69	Ř	0	0	0	✓	100%	04/11/2016	2018-2019 SGM	04/11/2016	3
Nadine Foulon- Belkacémi	56		0	0	0	✓	33.33%	04/11/2016	2018-2019 SGM	04/11/2016	3
Weidong (Leo) Ren	49	Ä		0	0	×	0%	05/02/2016	05/07/2019	05/02/2016	3
TOTAL/AVERAGE	53 ⁽¹³⁾	7 (58.33%) (58.33%) 5 (41.67%) (12)	7 FR 2 US 1 FIN 1 IT 1 BE 1 JAP 1 CHIN	7,316,889 (1)	⁰⁾ 10	41.67% (14)	79.17%	3 IN 2016 2 IN 2018 10 IN 2019	2 IN 2021 10 IN 2022	1 IN 2012 1 IN 2013 2 IN 2015 2 IN 2016 1 IN 2017 1 IN 2018 4 IN 2019	2.9 ⁽¹³⁾

- indicates Chairman of the Board of Directors.
- Shareholders' General Meeting to approve the financial statements for the fiscal year in question.
- 77.78% of attendance taking into account absences during her maternity leave.

 Bpifrance Participations was successively represented by Fabienne Demol (from 2013 to April 20, 2015), Thierry Sommelet (from April 20, 2015 to July 26, 2016), and lastly Sophie Paquin (from July 26, 2016 to date).

 (4) Appointment through co-option by the Board of Directors on April 20, 2015, for the remainder of the term of office of Christian Lucas, who resigned, and ratified by the shareholders
- at the Shareholders' General Meeting of July 10, 2015.

 CEA Investissement was successively represented by Christophe Gegout (from April 20, 2015 to May 2, 2016) and then Guillemette Picard (from May 2, 2016 to date).

 Appointment at the Shareholders' General Meeting of April 11, 2016, subject to the condition precedent of the definitive completion of capital increases reserved for Bpifrance
- Participations, CEA Investissement and National Silicon Industry Group (NSIG). The start date of the term of office corresponds to the date on which these reserved capital increases were definitively carried out, namely May 2, 2016.
- Including 1 year as permanent representative of CEA Investissement.

- (7) Including 1 year as permanent representative of CEA Investissement.
 (8) Appointment through co-option by the Board of Directors on May 6, 2019, for the remainder of the term of office of Nabeel Gareeb, who resigned, ratified by the shareholders at the Shareholders' General Meeting of July 26, 2019.
 (9) Appointment by co-option by the Board of Directors on November 29, 2017, for the remainder of the term of office of Bpifrance Investissement, which resigned, and ratified by the shareholders' General Meeting of March 23, 2018.
 (10) Including 2 years as permanent representative of Bpifrance Participations, then Bpifrance Investissement.
 (11) Appointed through co-option by the Board on May 6, 2019, for the remainder of the term of office of Weidong (Leo) Ren, who resigned, approved contingent upon written confirmation of the resignation of Weidong (Leo) Ren. The actual start date of the term is the same date as the date of written confirmation of the resignation of Weidong (Leo) Ren. The actual start date of the term is the same date as the date of written confirmation of the resignation of Weidong (Leo) Ren. The actual start date of the term is the same date as the date of written confirmation of the resignation of Weidong (Leo) Ren. The actual start date of the term is the same date as the date of written confirmation of the resignation of Weidong (Leo) Ren. The actual start date of the term is the same date as the date of written confirmation of the resignation of Weidong (Leo) Ren. The actual start date of the term is the same date as the date of written confirmation of the resignation of Weidong (Leo) Ren. The actual start date of the term is the same date as the date of written confirmation of the resignation of Weidong (Leo) Ren. The actual start date of the term is the same date as the date of written confirmation of the resignation of Weidong (Leo) Ren. Reń's, i.e. May' 7, 2019. The ratification of the appointment and the renewal of the term of office were approved by the shareholders at the Shareholders' General Meeting of July 26, 2019.
- (12) Total as at March 31, 2020. (13) For Directors in office as at March 31, 2020.
- (14) As at June 10, 2020.



Éric Meurice

Chairman of the Board of Directors

Independent director

Chairman of the Strategic Committee

Chairman of the Compensation Committee

Member of the Nomination and Governance Committee, the Audit and Risks Committee, and the Restricted Strategic Matters Committee

Number of shares owned: 1,000

Date of first appointment: July 26, 2018 Start date of current term: July 26, 2018

MAIN POSITION OUTSIDE OUR COMPANY:

CURRENT OFFICES OUTSIDE OUR COMPANY:

IPG Photonics Corporation** (United States);

OFFICES OUTSIDE OUR COMPANY HAVING

NXP Semiconductors NV** (the Netherlands)

· ARM Holdings plc** (UK) (until March 2014).

• Meyer Burger** (Switzerland) (until May 2019);

End date of current term: Shareholder's General Meeting (SGM) called to approve the financial statements for the fiscal ended on March 31, 2021

63 years old



BUSINESS ADDRESS*

seitec

SKILLS









COMMITTEES









YEARS ON THE BOARD

2

ATTENDANCE RATE AT **BOARD AND COMMITTEE MEETINGS IN FISCAL** YEAR 2019-2020

98.21%

PROFESSIONAL EXPERIENCE:

Éric Meurice was the Chief Executive Officer and President of ASML Holding N.V., a leading equipment manufacturer for the semiconductor industry, from October 2004 to June 2013, and its Chairman

From 2001 to 2004, he was Executive Vice President of the Thomson-RCA Television division. From 1995 to 2001, he led Western Europe, Eastern Europe, and emerging markets in the EMEA region for Dell

in the industrial and technology fields within ITT Semiconductors, Intel Corporation and Renault SA. Éric Meurice has been an independent director at IPG Photonics Corp. since June 2014, UMICORE SA since April 2015 and Global Blue AG since May 2018.

(France), and has a Master's degree in Economics from an MBA from Stanford University (California, USA).

until March 2014.

Computer. Before 1995, he acquired significant experience

He was a director on the Boards of NXP Semiconductors N.V, and of Meyer Burger AG up to May 2019, He also served as director of Verigy Ltd. until its acquisition by Advantest Corporation in 2011, and ARM Holdings plc until March 2014. Éric Meurice graduated from École Centrale de Paris Panthéon-Sorbonne University in Paris (France), and

- Chemin des Franques, Parc Technologique des Fontaines, 38190 Bernin, France.
- Listed company.

















(AR) Audit and Risks Committee (N) Nomination and Governance Committee (RS) Restricted Strategic Matters Committee (C) Compensation Committee (S) Strategic Committee.









Company director.

· Umicore, SA** (Belgium);

(until May 2019);

Global Blue AG (Switzerland).

EXPIRED IN THE LAST FIVE YEARS:



Paul Boudre

Chief Executive Officer Member of the Strategic Committee Permanent guest on the Restricted Strategic Matters Committee

Number of shares held: 41,100

Date of first appointment: July 3, 2012 Start date of current term: July 26, 2019

End date of current term: SGM called to approve the financial statements for the fiscal year

ended March 31, 2022

61 years old



CURRENT OFFICES WITHIN THE GROUP: • Director of Soitec Japan Inc. (Japan);

- Director of Soitec Microelectronics Singapore
- Pte Ltd. (Singapore); Soitec's legal representative in companies on
- whose Boards it sits.

BUSINESS ADDRESS*

soitec

N/A

SKILLS









CURRENT OFFICES OUTSIDE OUR GROUP:

· Director of Fogale Nanotech (France);

MAIN POSITION OUTSIDE OUR GROUP:

- Director of AENEAS;
- · Director of SOI Industry Consortium;
- Member of SEMI's European Advisory Board;
- · Member of CORES du Leti's Advisory Board.

COMMITTEES



YEARS ON THE BOARD

8

EXPIRED IN THE LAST FIVE YEARS:

OFFICES OUTSIDE OUR GROUP HAVING

 Permanent Representative of Soitec; Director of Exagan (France).

PROFESSIONAL EXPERIENCE:

Since 2015, Paul Boudre has been the Chief Executive Officer of Soitec, a world leader in innovative semiconductor materials. He is also a member of the Board of Directors.

He joined our Company in 2007 as Director of Sales, Marketing and Business Development, where he focused on the development of new opportunities in the market and the SOI (Silicon-on-Insulator) ecosystem, making it possible to adopt this technology for consumer and "More Than Moore" applications.

In addition to his duties at Soitec, Paul Boudre also sits on several other Boards of Directors: FOGALE Nanotech, a leader in high precision metrology solutions; AENEAS, the European association responsible for promoting nano-electronic technologies, and the SOI Industry Consortium, an international organization dedicated to promoting understanding, development, and adoption of technologies based on SOI, for which Paul Boudre played a major role in the launch process. He is also on the European Advisory Board of SEMI, a global industrial association serving the manufacturing supply chain for the electronics industry. Lastly, he is a member of the Advisory Board of CORES du Leti, a technological research institute of the Atomic Energy Commission (CEA).

For more than 30 years, Paul Boudre has been active in the semiconductor industry, where he has acquired solid international experience. During his 10 years at KLA-Tencor, one of the first five global equipment manufacturers for the semiconductor industry, he led the group's European operations, then took the position of Vice-President for Europe and the USA. Previously, he also carried out management duties in the industrial units of IBM Semiconductor (now belonging to GlobalFoundries), STMicroelectronics, Motorola Semiconductor (now belonging to NXP Semiconductor s), and Atmel.

Paul Boudre is a graduate of the École nationale de chimie de Toulouse.

ATTENDANCE RATE AT

MEETINGS IN FISCAL

100%

- Chemin des Franques Parc Technologique des Fontaines 38190 BERNIN.
- (AR) Audit and Risks Committee (N) Nomination and Governance Committee (RS) Restricted Strategic Matters Committee (C) Compensation Committee (S) Strategic Committee.



















BOARD AND COMMITTEE YEAR 2019-2020



Laurence Delpy

Independent director

Chairwoman of the Nomination and Governance Committee

Member of the Audit and Risks Committee, the Strategic Committee, the Compensation Committee and the Restricted Strategic Matters Committee

Number of shares held: 675

Date of first appointment: April 11, 2016 Start date of current term: July 26, 2019

MAIN POSITION OUTSIDE OUR COMPANY:

· Vice-President of mobile networks at Nokia for

End date of current term: SGM called to approve the financial statements for the fiscal year ended March 31, 2022

49 years old



MAIN POSITION OUTSIDE OUR COMPANY:

OFFICES OUTSIDE OUR COMPANY HAVING

EXPIRED IN THE LAST FIVE YEARS:

the Asia-Pacific region and Japan

N/A

(Singapore)

BUSINESS ADDRESS*

soitec.

SKILLS









COMMITTEES











YEARS ON THE BOARD

4

ATTENDANCE RATE AT **BOARD AND COMMITTEE MEETINGS IN FISCAL** YEAR 2019-2020

98.21%

PROFESSIONAL EXPERIENCE:

Since 2016, Laurence Delpy has managed Nokia's mobile network business for the Asia-Pacific region and Japan. She has been living and working in the Asia-Pacific region since 1996.

Previously, she served as Vice President of Alcatel-Lucent's mobile business in Asia and Deputy Vice President of the network business in China within their joint venture, Alcatel-Lucent Shanghai Bell. Previously, she was Vice President and Chief Executive Officer of the GSM product line and also worked in the sales team of a Telstra subsidiary in Australia. Laurence Delpy graduated from the École supérieure de gestion in Paris, France and holds a degree in Business Administration. She also holds a certificate in general administration obtained at Insead in Singapore.

Chemin des Franques - Parc Technologique des Fontaines - 38190 BERNIN.





















Christophe Gegout

Independent director Chairman of the Audit & Risks Committee Member of the Strategic Committee and of the Restricted Strategic Matters Committee

Number of shares held: 0

Date of first appointment: April 20, 2015 (1) Start date of current term: July 26, 2019

End date of current term: SGM called to approve the financial statements for the fiscal year ended March 31, 2022

44 years old



BUSINESS ADDRESS*

soitec

SKILLS









COMMITTEES







YEARS ON THE BOARD

5

ATTENDANCE RATE AT **BOARD AND COMMITTEE MEETINGS IN FISCAL** YEAR 2019-2020

94.44%

MAIN POSITION OUTSIDE OUR COMPANY:

· Investment Director at Meridiam (since November 2018).

MAIN POSITION OUTSIDE OUR COMPANY:

- Director of Neoen** (France) (since June 2015);
- Director of Allego BV (Netherlands).

OFFICES OUTSIDE OUR COMPANY HAVING **EXPIRED IN THE LAST FIVE YEARS:**

- · Chairman of the CEA Investissement (France) Board of Directors (January 2011 -October 2018);
- Director of Supernova Invest (France) (April 2017 - October 2018);
- Director of FT1CI and of companies with AREVA Group, including AREVA SA** (until October 2018);
- Director of Séché environnement** (France) (until November 2019).

PROFESSIONAL EXPERIENCE:

In November 2018 Christophe Gegout was appointed as Investment Director at Meridiam, in charge of investments in SMEs within one of the leading global investment and public asset management firms. Previously, he was Chief Financial Officer at the French Atomic Energy Commission (Commissariat à l'énergie atomique or CEA) from 2009 to 2015, before being named its Deputy General Manager (until 2018). In particular, he developed innovation partnerships with major international groups and European SMEs, as well as a new asset management business on behalf of third parties, focusing on ground-breaking innovations in the field of major transformations (digital, medical and energy revolutions), which is now led by Supernova Invest.

Prior to this, from 2001 to 2009, Christophe Gegout held various positions within the French Ministry of Economy and Finance, including advisor to Christine Lagarde, Finance Minister.

He is a graduate of the École polytechnique, Sciences-Po Paris, and ENSAE (French national school of statistics and economic administration).

- Chemin des Franques Parc Technologique des Fontaines 38190 BERNIN.
- Listed company.
- Appointment as permanent representative of CEA Investissement, director appointed by co-option by the Board of Directors on April 20, 2015, for the remaining term of office of Christian Lucas, who resigned, ratified by the shareholders at the Shareholders' General Meeting on July 10, 2015. Then, appointment as a director in his own right at the Ordinary and Extraordinary Shareholders' General Meeting of April 11, 2016, approved contingent upon final completion of the share capital increases reserved for Bpifrance Participations, CEA Investissement and National Silicon Industry Group (NSIG). The actual start date of the term was the same as the date of final completion of said reserved capital increases, i.e. May 2, 2016.

(AR) Audit and Risks Committee (N) Nomination and Governance Committee (RS) Restricted Strategic Matters Committee (C) Compensation Committee (S) Strategic Committee.























Satoshi Onishi

Member of the Nomination and Governance Committee

Number of shares held: 100

Date of first appointment: July 10, 2015 Start date of current term: July 26, 2018

End date of current term: SGM called to approve the financial statements for the year ending on March 31, 2021

57 years old



MAIN POSITION OUTSIDE OUR COMPANY:

• Director of the Office of the President of Shin-Etsu Chemical Co. Ltd. (Japan).

CURRENT OFFICES OUTSIDE OUR COMPANY: N/A

OFFICES OUTSIDE OUR COMPANY HAVING

EXPIRED IN THE LAST FIVE YEARS:

(United Kingdom) (2012-2018).

· President and Chief Executive Officer

of Shin-Etsu Handotaï Europe Ltd.

BUSINESS ADDRESS* seitec

SKILLS











COMMITTEES







YEARS ON THE BOARD

5

ATTENDANCE RATE AT **BOARD AND COMMITTEE** MEETINGS IN FISCAL YEAR 2019-2020

77.78%

PROFESSIONAL EXPERIENCE:

Satoshi Onishi was recently appointed as Director of the Office of the President of Shin-Etsu Chemical Co. Ltd.

Previously, for more than five years, he was President & Chief Executive Officer of Shin-Etsu Handotaï Europe Ltd., a UK-based company. He joined Shin-Etsu Chemical Co. Ltd. in 1985, where he initially worked in the IT Systems division of Shin-Etsu Handotaï Co. Ltd. During that time,

he designed and developed, as project manager, numerous Shin-Etsu basic systems, applied both Company-wide and to manufacturing processes. Satoshi Onishi is an economics graduate from the University of Kagawa (Japan) in 1985, he also holds a master's degree in Industrial Systems Engineering from the University of Florida.

Chemin des Franques, Parc Technologique des Fontaines, 38190 Bernin, France.























Sophie Paquin

Permanent representative of Bpifrance Participations, director Member of the Nomination and Governance Committee and the Compensation Committee

Number of shares held: 3,636,007 (2)

Date of first appointment: July 26, 2016 Start date of current term: July 26, 2019

End date of current term: SGM called to approve the financial statements for the fiscal year ended March 31, 2022

42 years old



BUSINESS ADDRESS*

seitec

SKILLS

MAIN POSITION OUTSIDE OUR COMPANY:

 General Counsel of Bpifrance Investissement (France).

CURRENT OFFICES OUTSIDE OUR COMPANY:

- Director of Cosmeur SAS (France);
- Director of Tyrol Acquisition 1 SCA (Luxembourg).











OFFICES OUTSIDE OUR COMPANY HAVING **EXPIRED IN THE LAST FIVE YEARS:**

- · Chairman of the Board of Director of Altia Industry (now liquidated);
- Permanent representative of Bpifrance Participations, Director of Vexim** (France) (until 2016).

PROFESSIONAL EXPERIENCE:

Sophie Paquin has been General Counsel at Bpifrance Investissement since June 1, 2014.

Before that, Sophie Paquin worked at the firm Latham & Watkins for eight years, specialized in mergers and acquisitions and corporate finance for both French and international companies.

She joined the Strategic Investment Fund when it was founded and worked in particular on structuring, negotiating and documenting investment transactions. In 2013, she worked with Bpifrance's Chief Executive Officer to help Bpifrance establish the legal and operational aspects of our Company as part of an assignment to set up the public investment

Sophie Paguin is a lawyer and a graduate of ESSEC.

COMMITTEES









YEARS ON THE BOARD

4

ATTENDANCE RATE AT **BOARD AND COMMITTEE MEETINGS IN FISCAL** YEAR 2019-2020

95%(3)

- Chemin des Franques, Parc Technologique des Fontaines, 38190 Bernin, France.
- Listed company.
 Shares held by Bpifrance Participations.
- (3) 81.75% of attendance taking into account absences during her maternity leave.





















Guillemette Picard

Permanent representative of CEA Investissement, director Member of the Nomination and Governance Committee and the Compensation Committee

Number of shares held: 3,636,007 (3)

Date of first appointment: May 2, 2016 (4) Start date of current term: July 26, 2019

End date of current term: SGM called to approve the financial statements for the fiscal year

ended March 31, 2022

44 years old



CURRENT OFFICES OUTSIDE OUR COMPANY:

OFFICES OUTSIDE OUR COMPANY HAVING

Director of Sigfox (France) (until 2016).

EXPIRED IN THE LAST FIVE YEARS:

MAIN POSITION OUTSIDE OUR COMPANY:

Director - Health Technology, of Nabla (France).

• Director of CLS (France).

BUSINESS ADDRESS*



SKILLS









COMMITTEES







YEARS ON THE BOARD

4

ATTENDANCE RATE AT **BOARD AND COMMITTEE MEETINGS IN FISCAL** YEAR 2019-2020

76.19%

PROFESSIONAL EXPERIENCE:

Guillemette Picard has been Director - Heath Technology at Nabla since September 2018. Nabla is a young, innovative firm committed to speeding up the development of artificial intelligence in healthcare.

She has over 15 years of experience in data science and in financing new technology in various sectors

Previously she was Head of Artificial Intelligence at Allianz France. From 2013 to 2017 she was Investment Director at Engie New Ventures. She helped set up, and led the corporate venture capital fund's strategic investments in the digital and mobility sectors. From 2010 to 2013 she was an Energy Expert at the European Investment Bank (EIB), financing the developments of new energy technologies. From 2004 to 2010 she held various positions at Schlumberger in Europe and the US working on sensors and data analytics. She filed four patents in these fields. Guillemette Picard has an engineering degree from the École polytechnique and a PhD in statistical physics.

- Chemin des Franques, Parc Technologique des Fontaines, 38190 Bernin, France.
- Shares held by CEA Investissement.
- Appointment as the new permanent representative of CEA Investissement, director, recognized by the Board of Directors on May 2, 2016, following the appointment of Christophe Gegout as director in his own name and at the corresponding end of his role as permanent representative of CEA Investissement.



























Kai Seikku

Member of the Strategic Committee, the Nomination and Governance Committee and the Compensation Committee

Number of shares held: 2,000

Date of first appointment: May 6, 2019 (5) Start date of current term: July 26, 2019

End date of current term: SGM called to approve the financial statements for the fiscal year ended March 31, 2022

55 years old



MAIN POSITION OUTSIDE OUR COMPANY:

- President & Chief Executive Officer of Okmetic Ov (Finland);
- Executive Vice-President of National Silicon Industry Group (NSIG) (China).

BUSINESS ADDRESS*



CURRENT OFFICES OUTSIDE OUR COMPANY:

Director of Inderes Oy (Finland);

EXPIRED IN THE LAST FIVE YEARS:

• Director of Verkkokauppa.com** (Finland).

OFFICES OUTSIDE OUR COMPANY HAVING

(China) (July 2016 - December 2017);

Director of Robit Oyj** (Finland) (2018-2020);

Director of Zing Semiconductor Corporation**

Director of Technology Industries of Finland

(Finland) (January 2012 - December 2018);

· Vice-Chair of the Board of the University of the

Arts Helsinki (January 2015 - December 2017).

SKILLS









COMMITTEES









YEARS ON THE BOARD

1

ATTENDANCE RATE AT **BOARD AND COMMITTEE MEETINGS IN FISCAL** YEAR 2019-2020

90.42%

Since 2010, Kai Seikku has been Chairman & Chief Executive Officer of Okmetic Oy, one of the top suppliers worldwide of tailor-made, high valueadded silicon wafers for MEMS, sensors, discrete semiconductors and analog circuits.

PROFESSIONAL EXPERIENCE:

Since Okmetic Oy was bought in 2016 by NSIG Group, an industrial holding company specialized in semiconductor materials and their ecosystem, he has also been Executive Vice-President of NSIG.

He is also a Director of Inderes Oy (since 2016) and Verkkokauppa.com (since 2013) as well as an industrial consultant for Intera Partners, a private equity firm (since 2013).

Kai Seikku has 20 years' experience in executive management. He has 20 years' experience as a company director.

Before joining Okmetic Oy he worked in the food industry as Chief Executive Officer of HKScan Corporation (2005-2009) and in marketing as Finland Regional Manager of McCann-Erickson (2002-2005) and Chief Executive Officer of Hasan & Partners (1999-2005).

Kai Seikku began his career at Bossard Consultants (Gemini Consulting) (1991-1993) before joining the Boston Consulting Group (1993-1999) where he was project manager for Finland and Sweden.

He has a Masters in Economics from Aalto University of Helsinki.



















Chemin des Franques, Parc Technologique des Fontaines, 38190 Bernin, France.

⁽⁵⁾ Appointment by co-option by decision of the Board of Directors on May 6, 2019 for the remaining term of office of Nabeel Gareeb, who resigned, effective March 27, 2019. Ratification of the appointment and renewal of the term of office were voted on at the Shareholders' General Meeting of July 26, 2019.



Thierry Sommelet

Member of the Audit and Risks Committee, the Strategic Committee and the Restricted Strategic Matters Committee

Number of shares held: 0(6)

Date of first appointment: April 20, 2015 Start date of current term: July 26, 2019

MAIN POSITION OUTSIDE OUR COMPANY:

· Managing Director, member of the

End date of current term: SGM called to approve the financial statements for the fiscal year ended March 31, 2022

50 years old



Management Committee, Head of Technology, Media, Telecom at Bpifrance (France).

BUSINESS ADDRESS*



SKILLS













COMMITTEES









YEARS ON THE BOARD

5

ATTENDANCE RATE AT **BOARD AND COMMITTEE MEETINGS IN FISCAL** YEAR 2019-2020

90.87%

CURRENT OFFICES OUTSIDE OUR COMPANY:

- · Chairman of the Supervisory Board of Greenbureau (France);
- Director of:
- Groupe Ingenico** (France) (since May 2018),
- Talend** (France),
- Tyrol Acquisition 1 S.C.A. (Luxembourg);
- · Permanent representative of:
 - Bpifrance Participations, Director of Technicolor** (France) (since January 2017),
 - Bpifrance Investissement, Director of Idemia (France) (since June 2017).

OFFICES OUTSIDE OUR COMPANY HAVING **EXPIRED IN THE LAST FIVE YEARS:**

- Director of TDF SAS (France) (until 2015);
- Member of the Supervisory Board of:
 - Sipartech (France) (until August 2016),
 - Group Mäder (France) (until June 2015), · Cloudwatt (France) (until March 2015),
- Permanent representative of:
- Bpifrance Investissement, member of the Supervisory Board of Mersen** (France) (until May 2018),
- Bpifrance Participations, member of the Supervisory Board of Inside Secure** (France) (until December 2016).

PROFESSIONAL EXPERIENCE:

Director, member of the Management Committee and Head of Capital Development for Technology, Media and Telecom at Bpifrance, the private financing arm of Banque Publique d'Investissement (formerly known as Fonds Stratégique d'Investissement, or "FSI"), Thierry Sommelet has more than fifteen years of experience in private and public financing in the technology, media and telecommunications sectors.

He also is a member of the Boards of Directors or Supervisory Boards of several Technology, Media and Telecom companies, including listed companies in France and the United States.

Thierry Sommelet began his career working in capital markets at Crédit Commercial de France in 1992 in Paris, then in New York.

After serving as Manager of the financial engineers' team at Renaissance Software (later bought by SunGard) in Los Altos, then as COO of InfosCE in 2001, he joined the Investments and Digital Investments Department of Caisse des Dépôts et Consignations in 2002, which he headed up from 2007.

After joining Fonds Stratégique d'Investissement in 2009, he joined the teams at Bpifrance Investissement when it was created in 2013.

Thierry Sommelet is a graduate of the École nationale des ponts et chaussées. He also holds an MBA from INSEAD.

- Chemin des Franques, Parc Technologique des Fontaines, 38190 Bernin, France,
- (6) M. Sommelet is appointed as a Board member upon proposition of Bpifrance Participations, which holds 3,636,007 shares and which is entitled to propose two board members according to the shareholders' agreement entered into March 7, 2016 and amended on April 29, 2016. As an employee of Bpifrance, M. Sommelet is not authorized to hold directly any shares from Soitec nor to perceive any compensation for his role as a Soitec board member.



























Jeffrey Wang

Member of the Audit and Risks Committee

Number of shares held: 0

Date of first appointment: May 6, 2019 (7) Start date of current term: July 26, 2019

End date of current term: SGM called to approve the financial statements for the fiscal year ended March 31, 2022

60 years old



MAIN POSITION OUTSIDE OUR COMPANY:

- Board Director & Chief Executive Officer of Shanghai Simgui Technology Co. Ltd. (China);
- Executive Vice-President of National Silicon Industry Group (NSIG) (China).

BUSINESS ADDRESS* soitec .

CURRENT OFFICES OUTSIDE OUR COMPANY: N/A.









OFFICES OUTSIDE OUR COMPANY HAVING **EXPIRED IN THE LAST FIVE YEARS:**

- Director of Okmetic Oy (Finland) (July 2016 – January 2018);
- President & Executive Director of Advanced Semiconductor Manufacturing Corporation (ASMC)**; (China) (March 2012 - August 2015).

PROFESSIONAL EXPERIENCE:

Since 2016, Jeffrey Wang has been Chief Executive Officer of Shanghai Simgui Technology Co. Ltd. (Simgui), a longstanding partner of Soitec and a leading global supplier of SOI wafers, tailor-made epitaxial wafers and other solutions for the semiconductor industry. In March 2019 he became Executive Vice-President of NSIG, an industrial holding company specialized in semiconductor materials and their ecosystem, to which Simgui belongs. He has in-depth knowledge of the semiconductor industry with 30 years' experience in R&D, manufacturing, operations and management. Before joining Simgui, he was Vice-President Operations (2008-2012) and then President & Executive Director (2012-2015) of Advanced Semiconductor Manufacturing Corporation (ASMC), a leading foundry of analog semiconductors. Previously, he was General Manager of ANADIGICS China Corporation (2007-2008), Vice-President Operations of Shanghai Belling Corporation (2006-2007) and Senior Manager & Special Assistant of the Senior Vice-President Operations of Semiconductor Manufacturing International Corporation (SMIC) (2001-2006).

Jeffrey Wang started out in Silicon Valley as an engineer first at Vishay Siliconix (1995-2000) and then at Maxim Integrated Products (2000-2001). He earned a BA in physics and a PhD in physical chemistry from Fudan University (Shanghai) followed by post-doctoral work in applied physics at Harvard University.

COMMITTEES







YEARS ON THE BOARD

1

ATTENDANCE RATE AT **BOARD AND COMMITTEE MEETINGS IN FISCAL** YEAR 2019-2020

100%

- Chemin des Franques, Parc Technologique des Fontaines, 38190 Bernin, France.
- (7) Appointment by co-option by decision of the Board of Directors on May 6, 2019 for the remaining term of office of Weidong (Leo) Ren, who resigned, decided subject to the condition precedent of written confirmation of Weidong (Leo) Ren's resignation of the resignation of the term of office corresponds to the date of written confirmation of the resignation of Weidong (Leo) Ren, i.e. May 7, 2019. Ratification of the appointment and renewal of the term of office were voted on at the General Meeting of Shareholders























Françoise Chombar

Independent director

Member of the Strategic Committee, the Nomination and Governance Committee and the Restricted Strategic Matters Committee

Number of shares held: 0

Date of first appointment: first appointment put to the SGM on July 26, 2019

Start date of current term: July 26, 2019

End date of current term: SGM called to approve the financial statements for the fiscal year ended March 31, 2022

58 years old



· Co-founder and Chief Executive Officer of Melexis** (Belgium).

MAIN POSITION OUTSIDE OUR COMPANY:

CURRENT OFFICES OUTSIDE OUR COMPANY:

- Director of Umicore** (Belgium);
- · Chairwoman of STEM Platform (Belgium).

OFFICES OUTSIDE OUR COMPANY HAVING **EXPIRED IN THE LAST FIVE YEARS:**

- Member of the Advisory Board of ISEN (France) (2014-2016);
- Director of EVS Broadcast Equipment** (Belgium) (2012-2015).

Françoise Chombar has been Chief Executive Officer of Melexis since 2003, having co-founded the company in 1989 and holding a variety of positions in it including Deputy Chief Executive Officer from 1997 to 2003. Melexis manufactures integrated semiconductor sensor, driver and communications circuits dedicated to automotive applications. At the same time, she is a director on the Board of Umicore (since 2016), a group specialized in materials technology and recycling.

She is also Chairwoman of STEM Platform, a consultative body of the Flemish regional government that aims to encourage young people to study Sciences, Technology, Engineering and Mathematics and to promote these disciplines to the general public.

In addition, she has been a mentor for the SOFIA Women's Network, a coaching organization for working women (from 1999 to 2016) and promoted the accession of women to Boards of Directors through her membership of the Women on Board non-profit.

Prior to joining Melexis, Françoise Chombar worked at Elmos, a German semiconductor supplier, where she was in charge of Production Planning and Customer Service (from 1985 to 1989).

Françoise Chombar holds a Master's degree in interpreting (Dutch, English and Spanish) from Ghent University.

BUSINESS ADDRESS*

soitec .

SKILLS











COMMITTEES









YEARS ON THE BOARD

1

ATTENDANCE RATE AT **BOARD AND COMMITTEE MEETINGS IN FISCAL** YEAR 2019-2020

75.00%

- Chemin des Franques, Parc Technologique des Fontaines, 38190 Bernin, France.
- Listed company























Shuo Zhang

Independent director

Member of the Audit and Risks, Compensation, and Strategic Committees

Number of shares held: 0

Date of first appointment: first appointment put to the SGM on July 26, 2019

Start date of current term: July 26, 2019

End date of current term: SGM called to approve the financial statements for the fiscal year ended March 31, 2022

55 years old



BUSINESS ADDRESS*

s**e**itec

SKILLS













COMMITTEES









YEARS ON THE BOARD

1

ATTENDANCE RATE AT **BOARD AND COMMITTEE MEETINGS IN FISCAL** YEAR 2019-2020

94.44%

MAIN POSITION OUTSIDE OUR COMPANY:

- Managing Partner & Chief Executive Officer of Renascia Partners LLC (USA);
- Advisory Partner of Benhamou Global Ventures (USA);
- · Operating Partner at Atlantic Bridge Capital (USA).

CURRENT OFFICES OUTSIDE OUR COMPANY:

- · Director of Grid Dynamics (USA);
- Director of PDF Solutions Corp** (USA);
- Executive Director of Telink; Semiconductor Corp. (China).

OFFICES OUTSIDE OUR COMPANY HAVING **EXPIRED IN THE LAST FIVE YEARS:**

• Director of Ampleon (Netherlands) (October 2015 - December 2017).

PROFESSIONAL EXPERIENCE:

Shuo Zhang has been Managing Partner & Chief Executive Officer of Renascia Partners LLC since July 2015, Advisory Partner of Benhamou Global Ventures since February 2016 and Operating Partner of Atlantic Bridge Capital since January 2018. Since 2017, she has also sat on the Board of Directors of Grid Dynamics and has been lead director for Telink Semiconductor Corp. In 2019, she joined the Board of PDF Solutions Corp.

Shuo Zhang has more than 25 years' experience in corporate management, marketing, sales and strategic commercial development with the semi-conductors sector.

She has held various management positions at Cypress Semiconductors (2007-2015), Silicon Light Machines (2006-2007), Agilent Technologies (2000-2006), Altera (1998-2000), Quester Technologies (1996-1998) and LSI Logic (1994-1996).

She started out as a research assistant at the Chinese Academy of Sciences (1987-1989) and at Penn State University (1990-1994).

Shuo Zhang has an MS Engineering degree from Penn State University (United States), a BS in Electrical Engineering from Zhejiang University (China) and an Executive Management degree from Stanford University (USA).

- Chemin des Franques, Parc Technologique des Fontaines, 38190 Bernin, France.
- ** Listed company.



















3.1.2 COMPOSITION OF THE BOARD OF DIRECTORS

3.1.2.1 Main principles governing the composition of our Board

A. Statutory provisions

The legal provisions pursuant to Articles L. 225-17 *et seq.* of the French Commercial Code apply to the composition of our Board of Directors.

These are mentionned in our Company's by-laws and in our Board of Directors' internal regulation.

B. Additional provisions

Our Company's by-laws as well as our Board of Directors' internal regulation set out certain rules in addition to the provisions of law. The Shareholders' Agreement signed on March 7, 2016 and amended on April 29, 2016 between Bpifrance Participations, CEA Investissement, and NSIG Sunrise S.à.r.l., our three strategic investors, and our Company also sets out specific stipulations in relation to our Company's governance.

C. Terms of office

Since our Shareholders' General Meeting of July 25, 2016, directors' terms of office have been shortened by one year, from four to three years.

Our directors appointed from that date are appointed for a period of three years until the close of the Shareholders' General Meeting called to approve the financial statements for the year ended and held in the same year that the terms of office in question expire.

Directors may always be reappointed.

D. Office of the Board of Directors

According to Article 14 of our by-laws, the Chairman of our Board of Directors cannot be older than 70 years old.

This article also states that, for each meeting, the Board may appoint a secretary who may or may not be a member of the Board.

E. Profile of candidates for the position of director

Article 1 a) of our Board of Directors' internal regulation states that the Board must make every effort to make appointment proposals to shareholders consisting of members with industrial and/or accounting and financial skills. Furthermore, their profiles and skills should match our Company's needs and regulatory requirements as well, and to the extent possible, the recommendations of the AFEP-MEDEF Code of Corporate

According to the terms of Article 1 b) of these same internal regulation, the age limit for holding the office of director within our Company is set at 74 years old.

F. Independence

This same Article 1 a) states that consideration of the interests of minority shareholders is covered by the appointment of independent members in sufficient number.

For this purpose, the Board of Directors shall make its best efforts, to the extent possible, to ensure that its composition (and in particular, the number of independent directors) is in line with the recommendations of the AFEP-MEDEF Code of Corporate Governance.

Each time that a director is appointed or renewed, the main features of the candidate's career path and the conclusions of our Board of Directors as to his independence shall be disclosed to the Shareholders' General Meeting which is to vote on the corresponding appointment/renewal.

During the fiscal year 2019-2020, the independence rate within our Board of Directors has increased (See Section 3.1.2.5 for more details).

G. Representatives of our three strategic investors (Bpifrance Participations, CEA Investissement, and NSIG Sunrise S.à.r.l).

According to the terms of the Shareholders' Agreement dated March 7, 2016, and amended on April 29, 2016, our Company has made an undertaking to the necessary resolutions to shareholders' vote to ensure that each of our three strategic investors has:

- two representatives on the Board of Directors, provided that its stake is equal to or greater than 10% of our share capital; or
- one representative on the Board of Directors, provided that its stake is between 5% and 10%,

up until the expiry of the Shareholders' Agreement, *i.e.* until the close of the Shareholders' General Meeting to be called in 2021 to cast a vote on the financial statements for the fiscal year 2020-2021.

To this end, our three strategic investors have each undertaken to each cast a positive vote on said resolutions.

Moreover, each of our three strategic investors has made a commitment to have one of those directors identified as being related thereto resign from his/her duties if the stake held by the relevant strategic investor were to fall below the level of 10% of our share capital. The second director identified as being related thereto shall also resign if the stake were to fall below the level of 5% of share capital.

As July 6, 2020, the representatives of our three strategic investors on our Board of Directors were as follows:

- for Bpifrance Participations: Bpifrance Participations itself represented by Sophie Paquin, and Thierry Sommelet;
- for CEA Investissement: CEA Investissement itself represented by Guillemette Picard, and Christophe Gegout;
- for NSIG Sunrise S.à.r.l.: Kai Seikku and Jeffrey Wang.

H. Our diversity policy

1. Objectives

In addition to the different rules applicable to its composition, our Board of Directors is committed to ensuring diversity in the profiles of its members.

Their qualities and ethics are also key concerns for the desired balance of its composition and that of its Committees. Honest, competent, active, present and involved, our directors must also have strong judgement and anticipation skills to perform their missions effectively and in all circumstances in our corporate interest.

Their motivation to promote our long-term value creation and be involved in determining our strategic directions is essential in our context of strong growth and globalization.

Directors must also be rigorous and available given the volume and frequency of Board and Committee meetings.

Our Board monitors the independence of each Board member and of its processes. Our Board also supports the AFEP-MEDEF Code and its recommendation for companies with dispersed ownership and without controlling shareholders to exceed a 50% independence rate. As such, our Board will be assessing its Board Director candidates as much in this light, as for maximizing their contribution in the interest of our Company.

All of these objectives are reiterated in the Bord of Directors' internal regulations.

Report on corporate governance

2. Results

In line with the AFEP-MEDEF Code, our Board is based on the work of the Nomination and Governance Committee in terms of self-assessment when it identifies new candidates or proposes to renew terms of office.

This process guarantees a balanced diversity in terms of gender representation, nationalities, ages, skills and experience.

Following the changes during the last two fiscal years, our Board is currently comprised of five women and seven men.

Our directors currently have five different nationalities: alongside seven French nationals are two Americans, one Belgian, one Japanese and one Finnish national.

The overall average attendance rate at meetings of the Board of Directors and the Committees for the fiscal year 2019-2020 is 83.44%.

With an average age of 53 years, their unparalleled and diversified experience ensures that our directors have wide-ranging, cross-functional and complementary skills.

Observer – Absence of any observer

An observer may be part of our Board of Directors in application of Article 12.4 of our by-laws.

Appointed by the Shareholders' General Meeting, his term of office is two years and may be renewed without limitation. The age limit for holding this position is seventy years old.

The observer is convened to attend all meetings of the Board of Directors and takes part in deliberations in an advisory capacity.

He may receive directors' fees under the same terms and conditions as the directors at the discretion of the Board of Directors.

Since the expiration of the term of office of Sébastien Blot at the close of the Shareholders' General Meeting held on July 25, 2016, there has been no observer sitting on our Board of Directors.

J. Representatives of our Works Council (now, the Social and Economic Committee)

Representatives of our Social and Economic Committee (previously, the Works Council) take part in but do not vote at meetings of the Board of Directors, in accordance with the conditions set out in Article L. 2323-63 of the French Employment Code.

Since the meeting of December 6, 2016 and through December 31, 2019 included, these have been:

- Laurence Doutre-Roussel, representing technicians section;
- Franck Fitouchi, representing managers section;
- Cécile Leroux, representing technicians section; and
- Kamel Mouhad, representing operators section.

Since January 1, 2020, further to the implementation of the Social and Economic Committee replacing the Works Council, the following employees have been appointed as representatives of the Social and Economic Committee with regard to the Board of Directors of our Company:

- Christophe Alfano, representing the manual workers and employees section;
- Laurent Georgeon, representing the technicians section;
- Fabrice Lallement, representing the engineers and managers section;

- Kamel Mouhad, representing the manual workers and employees section; and
- Yan Vernet, representing the engineers and managers section.

Upon recommendation of our management, our Board of Directors decided to have more than the legally-required number of four representatives of the Social and Economic Committee by agreeing to the election of an additional representative to enable the various labor unions to be better represented and to better reflect the various categories of employees within our Company.

K. Absence of any directors representing our employees or our employee shareholders

To date, our Board of Directors does not have any directors who represent our employees, or any director who represents our employee shareholders, since Soitec did not meet the legal thresholds.

This situation will change following the annual Shareholders' General Meeting to be held in September 2020.

In fact, at the end of the fiscal year 2019-2020, the number of permanent employees holding an open-ended employment contract with one of our Group's French companies exceeded, over two consecutive fiscal years, the threshold of 1,000 (*i.e.*, approximately 1,262 for the fiscal year 2018-2019 and 1,364 for the fiscal year 2019-2020).

In accordance with the provisions of Article L. 225-27-1 of the French Commercial Code, our Company's bylaws should be modified by September 30, 2020 at the latest in order to determine the conditions under which directors representing employees would be appointed to the Board of Directors.

Therefore, at the annual Shareholders' General Meeting to be convened in September 2020, the shareholders will be requested to vote on the modification of our Company's bylaws in order to include a provision allowing the appointment of directors representing the employees.

Law 2019-486 dated May 22, 2019 relative to growth and the transformation of companies (PACTE law) reduced the threshold above which two directors representing employees must be appointed from 12 to 8. Given the composition of our Board of Directors (12 members), two directors representing employees will have to be appointed following the amendment to the bylaws.

It should be noted that the appointment of these two directors representing employees must be completed within the six months following this modification to the bylaws.

Pursuant to Article L. 225-27-1 of the French Commercial Code, when two or more directors representing employees are to be appointed, the detailed methods used for such appointment are as follows:

- (i) one of these directors is appointed by:
 - an election held amongst our Company's employees and those of its subsidiaries, direct or indirect, having a registered office within French national territory, or
 - our Group Committee defined by Article L. 2331-1 of the French Employment Code, the Central Works Council, or the Works Council of our Company, as applicable, or
 - the labor union organization having obtained the most votes in the first round of the elections referred to in Articles L. 2122-1 and L. 2122-4 of the French Employment Code held within our Company and those of its subsidiaries, direct or indirect, having a registered office within French national territory; and

Governance

(ii) the other director is appointed by our Group's European Works Council, if established. Please note that our Group does not have a European Works Council.

The future directors representing employees may therefore be appointed, at our discretion, using the three methods described above, it being specified that our Board of Directors intends to propose to shareholders at the Shareholders' General Meeting to be convened in September 2020, that when two directors are to be appointed, they shall each be appointed by the two trade unions that obtained the most votes in the first round of the elections mentioned in Articles L. 2122-1 and L. 2122-4 of the French Labour Code in our Company and its subsidiaries, whether direct or indirect, whose registered office is located on French territory and that when only one director is to be appointed, it shall be appointed by our Group Committee (or, if no Group Committee is in place, by our Company's Social and Economic Committee).

Once the directors representing employees have been designated, the number of representatives of the Social and Economic Committee on the Board of Directors will be reduced to one full member.

3.1.2.2 Change in the composition of our Board since the beginning of the 2019-2020 fiscal year and to date

At April 1, 2019, our Board of Directors was composed of 12 directors.

Several changes have occurred to its composition since this date without any change in the number of directors.

No family ties existed or exist between any of the 12 directors.

Paul Boudre is the only director who is also an executive corporate officer.

A. End of the terms of office of Nabeel Gareeb and Weidong (Leo) Ren

Following a reorganization of the NSIG Group in connection with its IPO, Nabeel Gareeb and Weidong (Leo) Ren resigned from their functions as directors, respectively as of March 27, 2019 and May 7, 2019.

The Board expressed its sincere thanks to them for their involvement and contribution to its work and to that of the Committees.

B. Appointment of Kai Seikku and of Jeffrey Wang

During the Shareholders' General Meeting of July 26, 2019, our shareholders ratified the co-option of Kai Seikku and Jeffrey Wang as replacements of Nabeel Gareeb and Weidong (Leo) Ren.

Biographical details concerning Kai Seikku and of Jeffrey Wang are presented in Section 3.1.1.2 b of this report.

C. End of the terms of office of Nadine Foulon-Belkacémi and Monica Beltrametti

The terms of office of Nadine Foulon-Belkacémi and Monica Beltrametti as directors expired at the end of the Shareholders' General Meeting of July 26, 2019 and were not renewed.

Our Board expressed its sincere thanks to them for their involvement and contribution to its work and to that of the Committees.

D. Appointment of Shuo Zhang and Françoise Chombar

Shuo Zhang and Françoise Chombar were appointed as directors by our shareholders at the Shareholders' General Meeting of July 26, 2019, as replacements of Nadine Foulon-Belkacémi and Monica Beltrametti whose terms of office expired at the end of this Shareholders' General Meeting.

The terms of office of Shuo Zhang and Françoise Chombar are each for a term of three years, to expire at the end of the Ordinary Shareholders' General Meeting to be held in 2022 to approve the financial statements for the fiscal year ended March 31, 2022.

Biographical details concerning Shuo Zhang and Françoise Chombar are presented in Section 3.1.1.2 b of this report.

3.1.2.3 Upcoming changes in the composition of our Board of Directors

See what is set forth in Section 3.1.2.1 regarding representation of our employees.

No director's term of office is due to expire during the fiscal year 2020-2021

3.1.2.4 Focus on balanced gender representation within our Board of Directors

Since our Shareholders' General Meeting of July 26, 2017, the composition of our Board of Directors is compliant with Articles L. 225-17 and L. 225-18-1 of the French Commercial Code.

Derived from law No. 2011-103 of January 27, 2011 on the balance gender representation on Boards of Directors and Supervisory Boards and on equal opportunity (also known as loi Copé-Zimmermann), these articles state that: "The composition of the Board of Directors must seek a balanced representation between women and men" and "The proportion of directors from each gender cannot be less than 40% in companies whose shares are listed for trading on a regulated market".

Amongst our five female directors, three are independent and two represent respectively Bpifrance Participations and CEA Investissement.

Our Board of Directors is composed of 12 members including five women, representing a proportion of 41.67%. In addition, the Compensation Committee and the Nomination and Governance Committee have a majority of women, the latter being chaired by a woman.

3.1.2.5 Independence

A. Analysis by the Nomination and Governance Committee

In accordance with the recommendations of sections 6.2 and 10 of the AFEP-MEDEF Code, our Board of Directors performs a yearly assessment of its composition, organization and functioning, as well as those of its Committees

For the financial year 2019-2020 and in accordance with the recommendation in paragraph 10.3 of the AFEP-MEDEF Code, the Nomination and Governance Committee contracted Egon Zehnder, an external consultant specialized in corporate governance, to assess the composition, organization and operation of the Board and its Committees.

The assessment highlighted a number of facts confirming the strong collective independence of the Board and of its Committees:

- the absence of any shareholder holding more than 10.93% of the voting rights;
- the absence of factual elements inferring a potential collusion between CEA, NSIG and Bpifrance, who have repeatedly voted differently on Board matters;
- the reported unanimous legitimacy of the independent non-executive Chairman:

Report on corporate governance

- - the observed good relationship between the Chairman and the Chief Executive Officer, confirming the positive impact of the separation of the functions of Chairman and Chief Executive Officer implemented since 2017;
 - the fact that six directors are former or current Chief Executive Officers;
 - the high diversity of nationality, gender, age and seniority among the directors:
 - the large mix of skills among the directors; and
 - the transparent, respectful and direct communication within the Board of Directors, the Committees and the Executive Committee.

Besides, as every year, the Nomination and Governance Committee analyzed the independence of each director. After discussions and analyses, its members concluded that of the 12 directors, five are independent: Chairman Éric Meurice, Françoise Chombar, Christophe Gegout, Laurence Delpy and Shuo Zang.

Éric Meurice, Françoise Chombar, Laurence Delpy and Shuo Zang fully meet the eight criteria for independence listed in the AFEP-MEDEF Code, and more generally have no relationship with Soitec or its management that is likely to compromise the exercise of their freedom of judgement.

With regard to Éric Meurice, following his decision not to stand for a new term of office within NXP Semiconductors N.V., one of the Company main customers, the Nomination and Governance Committee considered that he now meets all of independence criteria set out in AFEP-MEDEF Code.

With regard to Christophe Gegout, director originally proposed by CEA Investissement, owning 10,93% of voting rights as of March 31, 2020, the Committee noted that, according to the AFEP-MEDEF Code, directors representing major shareholders of our Company may be considered as being independent, provided that these shareholders do not take part in the control of our Company (criterion 8). However, the Board of Directors, on the recommendation of the Nomination Governance Committee, is required to systematically review a director's independence in light of the composition of our Company's share capital and the existence of a potential conflict of interest.

Accordingly, it has been established that:

• Mr Gegout was considered non-independent while he was an employee of CEA, but resigned from CEA on September 2018. He has not received since any compensation whatsoever from CEA and sits as a natural person proposed by but not representing CEA Investissement;

- Christophe Gegout has signed the Soitec Board of Directors' internal regulations:
- Christophe Gegout was an employee of the CEA which is an independent entity from our shareholder CEA Investissement;
- over the past years, and particularly as Chairman of the Audit Committee, Christophe Gegout has factually demonstrated his freedom of judgment and vote vs. the interests of CEA Investissement, enabling him to act and make decisions in complete independence.

Given these facts, the Nominations and Governance Committee, based on Egon Zehnder study, considered that Christophe Gegout fully met the specific independence criteria linked to CEA Investissement's share above 10% in capital or voting rights.

B. Board conclusions

At its meeting on June 10, 2020, after hearing the report of the Nomination and Governance Committee on the Board's independence, based on the study realized by Egon Zehnder, the Board noted that the proportion of independent directors was now 41.67%, compared to 33.33% at the date of filing of the 2018-2019 Registration Document and 25% as of March 31,

Even if all its members are not independent in light of the criteria set forth by the AFEP-MEDEF Code, our Board unanimously considers that it is independent in its decisions in view of its diversity of nationality, skills and personalities of its Directors and of the diversity of its strategic shareholdings, and that it adequately represents the interests of all shareholders. Over the coming years, our Board of Directors will continue to assess and monitor its independence per the definitions of the AFEP-MEDEF Code and of the leading proxy advisors. As such, the Board will be assessing its Board director candidates as much so as to increase the independence ratio, as to maximize their contribution in the interest of the Company, while also making sure that the size of the board does not undermines its efficiency.

Reminder of the independence criteria set by the AFEP-MEDEF Code

<u>Criterion 1: Employee corporate officer during the five previous years</u> Not be or not have been over the five previous years:

- an employee or executive corporate officer of our Company;
- an employee, executive corporate officer or director of a company that our Company consolidates; an employee, executive corporate officer or director of the parent company of the parent company or a company consolidated by the parent company.

Criterion 2: Cross-directorships

Not be an executive corporate officer of a company in which our Company directly or indirectly holds a term of office as director or in which an employee designated as such or an executive corporate officer of our Company (currently or for at least five years) holds a term of office as director.

Criterion 3: Significant business relations

Not be a significant customer, supplier, investment banker, financing banker, consultant:

- of our Company or its group;

• or for which our Company or its group represents a significant share of its business.

The assessment of the significant nature of the relations with our Company or its Group is discussed by the Board and the quantitative and qualitative criteria that have led to this assessment (continuity, economic dependency, exclusivity, etc.) are explained in the annual report.

Criterion 4: Family ties

Not have a close family tie with a corporate officer.

Criterion 5: Statutory auditors

Not have been a statutory auditor of our Company over the five previous years.

Criterion 6: Duration of term of office exceeding 12 years

Not have been a director of our Company for more than 12 years. The loss of the qualification as independent director occurs at the 12 years anniversary date.

Criterion 7: Status of non-executive corporate officer

A non-executive corporate officer may not be considered as independent if he/she receives variable compensation in cash or in equity shares or any compensation related to the performance of our Company or our Group.

Criterion 8: Status of significant shareholder

Directors representing significant shareholders of our Company or its parent company may be considered as independent if these shareholders to not take part in our Company's control. However, beyond a threshold of 10% in share capital or voting rights, the Board, upon the report by the Nomination and Governance Committee, will systematically discuss the qualification of independence by taking into account the composition of our Company's share capital and the existence of a potential conflict of interest.

C. Summary table on independence

	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6	Criterion 7	Criterion 8	Conclusion
	Employee corporate officer during the five previous years	Cross- directorships	Significant business relations	Family ties	Statutory auditors	Duration of term of office exceeding 12 years	Status of non-executive corporate officer	Status of significant shareholder	
Directors currently in o	ffice								
Éric Meurice	✓	✓	✓	✓	✓	✓	✓	✓	✓
Paul Boudre	×	✓	✓	✓	✓	✓	✓	✓	×
Françoise Chombar	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bpifrance Participations (represented by Sophie Paquin)	✓	✓	✓	✓	√	✓	✓	×	×
CEA Investissement (represented by Guillemette Picard)	√	√	×	✓	✓	✓	✓	×	×
Laurence Delpy	✓	✓	✓	✓	✓	✓	✓	✓	✓
Shuo Zhang	✓	✓	✓	✓	✓	✓	✓	✓	✓
Christophe Gegout	✓	✓	✓	✓	✓	✓	✓	×	✓
Satoshi Onishi	✓	✓	x	✓	✓	✓	✓	✓	×
Kai Seikku	✓	✓	3c	✓	✓	✓	✓	×	×
Thierry Sommelet	✓	✓	✓	✓	✓	✓	✓	×	×
Jeffrey Wang	✓	✓	x	✓	✓	✓	✓	×	×
Directors in office during	ng the fiscal ye	ear ended on I	March 31, 20	20 and whose	term has er	nded			
Monica Beltrametti	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nadine Foulon-Belkacémi	✓	✓	✓	✓	✓	✓	✓	✓	✓
Weidong (Leo) Ren	✓	✓	×	✓	✓	✓	✓	×	×

3.1.3 CONDITIONS FOR THE PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

3.1.3.1 Tasks and work of our Board of Directors

A. Tasks of our Board of Directors

In accordance with Article L. 225-35 of the French Commercial Code, our Board of Directors determines the focuses of our Company's business and ensures its implementation.

Subject to the powers expressly granted to the Shareholders' General Meetings and within the limit of our Company's corporate purpose, it shall consider any issue affecting the proper functioning of our Company and shall resolve the matters relating to it.

Specifically, our Board of Directors:

- determines and regularly reviews our Group's strategy;
- appoints the executive corporate officers responsible for implementing this strategy;
- controls our Group's management conducted by our executive managers;
- defines our Company's financial communications policy;
- monitors the quality of the information provided to shareholders and the market, through the financial statements or in connection with significant transactions; and
- performs the checks and verifications that it deems appropriate.

B. Board of Director's information

1. Supporting documentation on meeting agendas

To enable our Board of Directors to perform its tasks, prior to each meeting, our directors receive the documentation relating to the agenda.

Since October 2012, we have conducted an approach to dematerialize our Board files and Committees documents, thanks to the implementation of a secure document sharing platform. In addition to making their transmission to our directors more secure, they are systematically and

automatically archived. Our directors have access to them at any time on a computer, tablet or smartphone. Our directors are able to make comments directly on the computerized documents. This software also ensures that our Board has the most up-to-date documentation for its meetings.

2. Continuous information

When he/she takes office, each director receives the documentation required for understanding the rules of our Board's functioning.

Our directors may also meet our Group's main executive managers and have the possibility, if they deem necessary, of benefiting from additional training regarding our Company, its businesses and sectors of activity.

Beyond the meetings and legal obligations, if the importance or urgency of the information requires it, they receive all information useful for exercising their duties.

They receive press articles and financial analysis reports including relevant information on our Company.

The Executive Management also transmits a scorecard to our directors on a monthly basis indicating the effective levels of achievement of key - in particular financial - indicators and including a comparison with budgeted levels.

Our executive managers and the Secretary of the Board are available to provide our directors with any information or explanations required for performing their duties.

C. Meetings of our Board of Directors

Our Board of Directors is convened by its Chairman, Éric Meurice, whenever necessary and at least four times a fiscal year.

Since April 1, 2019, nine meetings were held.

The average overall attendance rate is 79.17%.



Governance

In order to have a quorum, at least one half of our directors must be effectively present. Those taking part in the meeting *via* videoconference or any other telecommunications methods that enable identification are deemed to be present for the calculation of the quorum and majority.

A director may grant a power of attorney to another director to act as his representative. During a single meeting, each director may hold one power of attorney only. The powers of attorney are attached to the attendance record.

Decisions are made on the basis of a majority of those members present or represented. The Chairman does not have a casting vote.

The working language of our Board of Directors is French, with simultaneous translation in English.

D. Work of our Board of Directors

Each year, like its peers, our Board is required to examine and rule on themes that are identical from one fiscal year to another. On a nonexhaustive basis, these include, for example:

- the review of our Group's business and strategy, as well as the determination of its strategic directions;
- approval of our budget;
- approval of our statutory and consolidated annual and half-yearly financial statements;
- approval of our Company's provisional financial statements;
- determination of the compensation for our executive corporate officers;
- review of the information made available to the public;
- preparation of the annual Shareholders' General Meeting;
- its self-assessment;
- the review and/or approval of the new or renewed regulated agreements;
- the examination of the undertakings, endorsements and guarantees granted by our Company;
- the re-examination of its internal regulation; and
- approval of the minutes of its meetings.

In addition to the recurrent subjects, the following exceptional subjects were covered during the 2019-2020 fiscal year:

Strategy

1. Covid-19

- Internal measures taken to mitigate the impact of Covid-19 on our employees, in particular in Asia and Europe.
- Members of our Board of Directors worked on the preparation of a Group business continuity plan including measures tailored to respond to a range of scenarios and crisis levels, aimed at protecting the health and safety of our employees, maintaining business and/or re-starting business under the best possible conditions, and increasing the resilience of our Group and its various production sites.
- Partial asset contribution in favor of Soitec Lab (02/24/2020)
 - Implementation of a partial asset contribution in favor of Soitec Newco 1, re-named Soitec Lab upon completion of the transaction, to protect the intellectual property rights of our Group and to strengthen commercial partnerships within an environment which offers greater protection for Soitec.
- This partial asset contribution was approved by the General Meeting of Bondholders of our Company held on March 19, 2020, in accordance with the bond indentures.

Finance

- 1. Approval of €200 million long-term loan agreed with Banque des Territoires (12/18/2019)
- Approval of a €200 million 12-year loan, pursuant to the Programme d'investissements d'avenir (PIA) as part of the Nano 2022 plan. Drawdowns from this credit line will be staggered over the next few years to support both the financing of R&D programs and investments in first-time industrialization infrastructure projects in France.
- Approval of commitments, endorsements and guarantees (06/12/2019)
- During the first half of fiscal 2019-2020, our Company signed 2 comfort letters in favor of Soitec Microelectronics Singapore and Frec|n|sys, and a guarantee on behalf of Dolphin Design. The signature of these commitments was authorized by our Board of Directors.

Nominations

Amendment of the internal regulation (Board meeting of 03/25/2020) Preparation of a draft new internal regulation for our

Board of Directors in order to define the scope of the

powers delegated to management. This new internal regulation should be introduced during the fiscal year 2020-2021.

Appointment of members of the Social and Economic Committee (SEC) (Board meeting of 02/24/2020) Further to SEC elections in December 2019, the following

- individuals have been appointed by the Board of Directors as new SEC representatives:
 - Christophe Alfano, representing the manual workers and employees section,
- Laurent Georgeon, representing the technicians
- · Fabrice Lallement, representing the engineers and managers section.
- Kamel Mouhad, representing the manual workers and
- employees section, and Yan Vernet, representing the engineers and managers
- Our management decided to have more than the legally-defined number of four representatives by agreeing to the election of an additional representative in order to enable the various labor unions to be better represented and to obtain a better reflection of the various categories of employees within our Company.

3. Reappointment of the Chief Executive Officer (Board meeting of 07/26/2019) Reappointment as Chief Executive Officer of Paul Boudre 3. Reappointment as Chief Executive Officer of Paul Boudre

and suspension of his employment contract.

Paul Boudre shall hold at least 10,000 registered shares up until the expiry of his appointment as Chief Executive

Compensation

Compensation of corporate officers (Board meeting of 03/25/2020)

- Setting a revised overall compensation to be allocated to our directors, to be approved by our shareholders at the Shareholders' General Meeting to be convened in September 2020.
- Setting the variable part of the compensation paid to our Chief Executive Officer,

Paul Boudre, for the fiscal year ended March 31, 2020. Vesting of the ordinary shares created by the PAT no. 1 and no. 2 plans (Board meeting of

Acknowledgment that the shares paid up for beneficiaries of the PAT 1 and PAT 2 plans will be shares newly issued *via* an increase in our Company's share capital and delegation of authority granted to the Chief Executive Officer in order to proceed with the delivery of the shares.

Our Chief Executive Officer, on the delegation of our Board of Directors on March 25, 2020, acknowledged on March 30, 2020, the issuance of 110,767 ordinary shares pursuant to PAT no. 1 and of 59,480 ordinary shares pursuant to PAT no. 2. These shares were definitively vested by their beneficiaries subject to a condition of continued employment at our Company at the end of a two-year vesting period which expired on the first business day after March 28, 2020.

- Free ordinary shares allocation plans
 Implementation of a free allocation plan relating to the allocation of 23,953 ordinary shares in our Company in favor of our employees and/or corporate officers (Board meeting o 12/18/2019). The vesting of these ordinary shares is subject to a continued employment condition of the beneficiaries until August 1, 2022.
 - Implementation of a free allocation plan relating to the allocation of 14,863 ordinary shares in our Company in favor of our employees and/or corporate officers (Board meeting of 03/25/2020). The vesting of these ordinary shares is subject to a continued employment condition of the beneficiaries until August 1, 2022 and a performance condition.

Free share allocation plans and reserved issue of PS 2

Implementation of a long-term co-investment program for the benefit of certain of our Group's employees and corporate officers.

This program takes the form of (i) a reserved issue of 97,980 PS 2 with a par value of €2.00 and at a unit price of €84.17 in favor of certain of our Group's employees and corporate officers and (ii) the introduction of two free shares plans:

- a first free shares plan (Free PS 2 no. 1) awarding 163,978 PS 2 to certain employees or categories of employees or to corporate officers or certain categories of corporate officers, of the Company and/or affiliated companies within the meaning of Article L. 225-197-2 of the French Commercial Code (excluding our Chief Executive Officer, Paul Boudre): and
- a second plan (Free PS 2 no. 2) awarding 31,982 PS 2 to our Chief Executive Officer, Paul

Free PS 2 have been granted under three series and subject to a presence condition and certain exceptions, the PS 2 will be definitively acquired to each of the beneficiaries at the end of each of the acquisition periods (i.e., 40% of the PS 2 to be definitively acquired on 12/18/2020 with respect to the first series, 30% of the PS 2 to be definitively acquired on 01/01/2021 with respect to the second series and 30% of the PS 2 to be definitively acquired on 08/01/2022 with respect to the third series).

Subject to certain performance conditions, PS 2 are convertible into listed ordinary shares of the Company as from August 1, 2020.

- Preferred shares (PS 1) allocation plans
 Observation that the period of 3 years defined in the context of the free preferred share allocation plan (MIP) has now come to an end for:
 - 20,639 preferred shares allocated on a contingent basis by our Board of Directors in favor of 3 beneficiaries (Board meeting of 07/26/2019), 2,832 preferred shares allocated on a contingent basis by our Board of Directors in favor of
 - 2 beneficiaries (Board meeting of 11/27/2019), and
 - 2,867 PS 1 allocated on a contingent basis by our Board of Directors in favor of 1 beneficiary (Board meeting of 03/25/2020).

Subject to certain performance conditions, PS 2 are convertible into listed ordinary shares of the Company as from August 1, 2020. At a meeting held on July 26, 2019, our Board of Directors set the ratio for the conversion of these PS 1 into ordinary shares at 4.86 on the basis of the level of achievement of the two performance criteria set by the Plan Rules (MIP). Our Chief Executive Officer acknowledged the vesting of these PS 1 in favor of five beneficiaries, together with their conversion into ordinary shares in the following three tranches:

- ogether with their conversion into ordinary shares in the following three tranches:
 in an initial wave dated July 29, 2019, our Chief Executive Officer, further to a delegation from
 the Board of Directors granted on July 26, 2019, acknowledged (i) the issue of 20,639 new PS 1
 with a par value of €0.10 each, in favor of 3 beneficiaries, (ii) the creation of 1,248,019 new
 ordinary shares, of 236,157 PS 1 previously issued in favor of 18 beneficiaries and of
 20,639 PS 1 just issued in favor of 3 beneficiaries, and (iii) the subsequent cancellation of the
 257,796 preferred shares converted into 1,248,019 ordinary shares;
 for a first portion, on December 6, 2019, our Chief Executive Officer, further to a delegation from
 the Board of Directors granted on November 27, 2021 acknowledged (i) the issue of 2,832 new
 PS 1 in favor of 3 beneficiaries, (ii) the creation of 32,220 new ordinary shares resulting from
- the conversion of 6,630 PS 1 previously issued in favor of 3 beneficiaries, and (iii) the subsequent cancellation of the 6,630 PS 1 converted into 32,220 ordinary shares; and for a third portion, on March 30, 2020, our Chief Executive Officer, further to a delegation from the Board of Directors granted on March 25, 2020, acknowledged (i) the issue of 2,867 new
- PS 1 in favor of 1 beneficiary, (ii) the creation of 156,861 new ordinary shares with a par value of €2.00 each resulting from the conversion of 29,410 PS 1 previously issued in favor of 9 beneficiaries and of 2,867 PS 1 just issued in favor of 1 beneficiary, and (iii) the subsequent cancellation of the 32,277 PS 1 converted into 156,861 ordinary shares.

 Company savings plan (ESP) (Board meeting of 07/26/2019)

 To decide on the principle of an increase in the share capital of our Company via the issuance of physics of course to the charge capital proposed to amply year of our

of shares or securities granting access to the share capital reserved to employees of our Group's French or Singaporean entities subscribing to an employee savings plan (ESP), with a discount of up to 30% and within the limit of a par value of €560,000, i.e. 280,000 shares. On February 28, 2020, our Chief Executive Officer acknowledged the issue of 206,007 ordinary shares with a par value of €2.00 each subscribed through our Company mutual fund Soitec Jade

Governance

3.1.3.2 Assessment of our Board of Directors

A. Assessment method

In accordance with the recommendations of sections 6.2 and 10 of the AFEP-MEDEF Code, the Board of Directors performs a yearly assessment of its composition, organization and functioning, as well as those of its Committees

It may take the form of anonymous questionnaires sent to each director. It may take the form of an assessment done with the assistance of an external consultant.

The results of such assessment are presented and debated at the Board of Directors under the conduct of the Chair of the Nomination and Governance committee

The various items of the mission and duties of the Board and of the Directors are reviewed and assessed and recommendations (as the case may be) are made for the improved operation of the Board. The results are brought to our Shareholders' annually within the report on corporate governance of the concerned fiscal year.

B. Analysis by the Nomination and Governance Committee and conclusions reached by the Board of Directors for the fiscal year 2019-2020

For the 2019-2020 financial year, our Nomination and Governance Committee contracted Egon Zehnder, an external consultant specialized in corporate governance, to assist in the assessment of the composition, organization and operation of the Board of Directors and its Committees for the 2019-2020 financial year.

The Nomination and Governance reviewed the results at its meetings on May 29, 2020 and on June 9, 2020.

The following day, the summary of its work was presented and debated at the Board of Directors.

After discussions, our directors retained the following conclusions:

- the assessment showed that the composition, functionning and mission of the Board and its Committees are adequate;
- stabilized governance and a Board of Directors wishing for continuous improvement. In particular, the directors noted:
 - the good relationship observed between the Chairman and the Chief Executive Officer, confirming the positive impact of the separation of the functions of Chairman and Chief Executive Officer implemented since 2017,

- the application of best practices in terms of diversity of nationality, gender and skills,
- directors involved, professional and eager to improve,
- a direct and open communication style within the Board, with strong characters paving the way for independence and contribution;
- the organization and pace of the Board's work corresponds well to the rapid growth of our Company. In particular, the committees are involved and operate efficiently, with quality production for the size of our Company;
- several potential constraints were also pointed out:
 - a high number of directors as a result of the commitments in terms of representation of strategic investors under the shareholders' agreement.
 - instances of parochial discussions between management and Directors,
- more involvement from all directors in strategic decisions could be strengthened for the Board's benefit.

The following opportunities of improvements were identified, some of which are already work-in-progress:

- an increase in the independence ratio within the Board of Directors;
- greater participation by each director, in particular on long term strategy;
- meeting organized in such a way that most of the time is devoted to debate, discussions on key topics, between the directors and the management, between the directors;
- continue to foster open discussions and debate on key topics between the Directors and the Executive team.

COMPOSITION AND ORGANIZATION OF THE COMMITTEES 3.1.4

Focus on our five Committees

Our Board of Directors is supported by the work of the Committees that it has set up.

Since November 29, 2017, there are five Committees.

The composition, organization, practices and tasks of each of the five Committees are set out in the internal regulation of the Board of Directors.

The Committees are tasked with providing in-depth thought and analysis to our Board of Directors before its discussions, and contributing to the decision-making process.

The Committees have no decision-making power. The opinions, proposals or recommendations that they submit to our Board of Directors are not binding in any way, and the Board of Directors remains the sole decision-making administrative body.

STRATEGIC COMMITTEE



ÉRIC MEURICE

Members:	2019-2020 Attendance rate
Éric Meurice	100.00%
Paul Boudre	100.00%
Monica Beltrametti (1)	100.00%
Francoise Chombar (3)	100.00%
Christophe Gegout	100.00%
Laurence Delpy	100.00%
Kai Seikku	100.00%
Thierry Sommelet	100.00%
Shuo Zhang (3)	100.00%











AUDIT AND RISKS COMMITTEE



CHRISTOPHE GEGOUT

	2019-2020
Members:	Attendance rat
Christophe Gegout	100.00%
Laurence Delpy	85.71%
Monica Beltrametti (1)	100.00%
Nadine Foulon-Belkacémi (1)	33.33%
Éric Meurice	100.00%
Thierry Sommelet	85.71%
Weidong (Leo) Ren (2)	100.00%
Jeffrey Wang	100.00%
Shuo Zhang (3)	100.00%





66.67%

NOMINATION AND GOVERNANCE COMMITTEE



LAURENCE DELPY

	2019-2020
Members:	Attendance rate
Laurence Delpy	100.00%
Éric Meurice	85.71%
Bpifrance Participations	100.00%
(represented by	
Sophie Paquin)	
Monica Beltrametti (1)	100.00%
Nadine Foulon-Belkacémi (1)	100.00%
CEA (Investissement	
represented by	
Guillemette Picard)	100.00%
Kai Seikku	80.00%
Weidon (Leo) Ren (2)	50%
Françoise Chombar (3)	66.67%
Satoshi Onishi (4)	-









COMPENSATION COMMITTEE



ÉRIC MEURICE

Members: Éric Meurice Laurence Delpy Monica Beltrametti ⁽¹⁾ Nadine Foulon-Belkacémi ⁽¹⁾ Bpifrance Participations	2019-2020 Attendance rate 100.00% 100.00% 50.00% 100.00%
(represented by Sophie Paquin) CEA (Investissement	83.33% (5)
represented by Guillemette Picard) Kai Seikku Shuo Zhang ⁽³⁾ Weidon (Leo) Ren ⁽²⁾	71.43% 100.00% 66.67%

6







ăăă 50.00%

RESTRICTED STRATEGIC MATTERS COMMITTEE



CONVENED ON AN EXCEPTIONAL BASIS

Me Laure Éric Christo Thierry François	2019-2020 Attendance rate 100.00% 100.00% 100.00% 100.00% 100.00%		
5 Members	2	100.00	ặδặ Ο% 80.00%

Number of meetings

Attendance rate

ÀÀÀ Independence rate

- Whose terms of office ended on July 26, 2019, at the end of their term. Whose term of office ended on May 7, 2019, at the end of its term. Whose appointments were voted on by the Shareholder's General Meeting on July 26, 2019.
- (4) Appointed by the Board of Directors on June 10, 2020. (5) 71.43% of attendance taking into account absences justified by maternity leave.

Governance

3.1.4.1 Main principles for the composition and functioning of the Committees

A. Composition

Members of the Committees must be directors and are appointed individually by our Board of Directors.

A permanent representative of a legal entity who is a director may also be appointed to a Committee, provided that the replacement of this permanent representative results in immediate loss of status as a Committee member.

One person may be a member of several Committees.

The Chairperson of each Committee is appointed by of the Committee itself, among its members.

The term of office of a member of one or more Committee(s) shall coincide with his or her term of office as a director. Furthermore, these terms of office can be renewed.

B. Additional participants

- For the Audit and Risks Committee, the following people attend meetings and contribute to discussions in addition to Committee members:
 - our Chief Financial Officer, alone or accompanied by one or several members of his team, and
 - when their presence is required or useful given the agenda, our statutory auditors.
- Regarding the Compensation Committee and the Nomination and Governance Committee, none of whose members can be an executive corporate officer, our Chief Executive Officer may be invited to meetings of these two Committees.

Within the Compensation Committee, the Chief Executive Officer cannot take part in deliberations concerning his compensation.

Within the Nomination and Governance Committee, the Chief Executive Officer is a party to the work involved in the selection or appointment of new directors.

It is usual for our General Counsel and our Head of Human Resources to attend and contribute to the meetings of these two Committees. Depending on the subjects on the agenda, our Chief Financial Officer may also contribute to these two Committees.

 Our Chief Executive Officer must be invited to each meeting of the Strategic Committee (if he is not already a member of it). In reality, since the start of his term as Chief Executive Officer, Paul Boudre has always been appointed as a full member of this Committee.

It is usual for several members of our Executive Committee to attend and contribute to the discussions during meetings of the Strategic Committee.

- As Chief Executive Officer, Paul Boudre is a permanent guest for all meetings of the Restricted Strategic Matters Committee.
- The Secretary of our Board of Directors attends and contributes to preparing and holding all the meetings of the five Committees.
- More generally, any person that each of the five Committees wishes to hear in order to carry out their missions may be called upon to take part in the meetings.

C. Functioning

Each Committee can meet at any time upon the request of the Chairperson, of a majority of its members, of the Chairman of the Board of Directors, or of one-third of the directors.

Each Committee's meetings are convened (via any means) by the Committee Chairperson or by two Committee members.

Committees can meet in person, *via* videoconference, or through other means of telecommunication that make it possible for their members to be identified.

For the Committee's meetings to be quorate, at least half of Committee members must be present or deemed to be present. A Committee member can be represented only by another member of the same Committee.

The Committees' working language is English.

At the end of each of its meetings, conclusions, proposals, opinions and/ or recommendations of each of the five Committees are recorded in a report written in English that is communicated to the members of the Committee in question.

Each Committee Chairperson (or member of the Committee appointed for that purpose) reports on the Committee's work to the Board of Directors along with the Committee's opinions and/or recommendations.

This enables our Board of Directors to discuss and deliberate with appropriate information on those topics.

3.1.4.2 The Strategic Committee

A. Tasks

The Strategic Committee's tasks are as follows:

- to assist our Board of Directors in determining and regularly reviewing our Company's and Group's strategy;
- and to this end, analyze our Group's situation and growth areas in order to submit proposals to the Board of Directors on our Group's strategy;
 and
- through its analysis and discussions, clarify our Group's strategic objectives and assess the justifications and consequences of the most important strategic decisions submitted to our Board of Directors.

B. Activity during the 2019-2020 fiscal year

In accordance with the internal regulation of our Board of Directors, the Strategic Committee meets at least twice a year.

During the 2019-2020 fiscal year, it met three times with an attendance rate of 100%.

The issues on the agenda included:

- the measures to be put in place to deal with the Covid-19 public health crisis in order to guarantee the health of our employees and the continuation of our business:
- the acquisition of 100% of the shares of EpiGaN nv, completed on May 13, 2019, after closing, for €34 million, with an earn-out based on the achievement of targets; and
- and more generally, all subjects related to our Group's business and its strategy for the next five years.

3.1.4.3 The Audit and Risks Committee

A. Tasks

The Audit and Risks Committee helps our Board of Directors to ensure the accuracy and fairness of our statutory and consolidated financial statements and the quality of the information provided.

In accordance with Article L. 823-19 of the French Commercial Code and the AFEP-MEDEF Code, the Board of Directors entrusts it with the task:

- concerning the financial statements and financial information:
 - to monitor the quality of the procedures for preparing the financial information and ensure that their implementation is followed-up,
 - to examine the annual financial statements before they are approved by our Board of Directors,
 - to ensure the relevance of accounting methods used and examine changes in accounting principles and rules used in preparing the financial statements, and preventing any breach of these rules,
 - to monitor any changes in the scope of consolidated companies and receive, if any, all necessary explanations,
 - to examine the intermediate and preliminary results as well as the accompanying comments before publication,
 - to ensure the quality of procedures in place, ensuring compliance with stock market regulations,
 - to be informed of the financial strategy and the terms and conditions of our Group's main financial transactions;
- concerning our Company's external audit:
 - to regularly communicate with our statutory auditors,
 - to steer our statutory auditors' selection procedure and submit the results of this selection to the Board of Directors,

- each year, to assess the amount of the statutory auditors' compensation for conducting statutory audits,
- to ensure the independence of our statutory auditors,
- to monitor the application of the rules governing use of our statutory auditors for non-audit services,
- each year, to examine with the statutory auditors their audit schedules, conclusions and recommendations, and any follow-up;
- concerning our Company's internal control:
 - to assess our Group's internal control systems,
 - to examine, with those responsible for internal control, their action plans and conclusions of such action plans, recommendations and follow-up.
 - to examine and formulate recommendations concerning annual capital expenditure,
 - to examine and formulate recommendations concerning exceptional capital expenditure that is not included in the annual capital expenditure;
- concerning risks:
 - to regularly review our Company's main financial risks and material off-balance-sheet commitments,
 - to give its opinion on the organization of internal control and be informed of this department's work schedule, and
- to examine the relevance of the risk analysis and monitoring procedures, by ensuring that an identification, quantification and prevention process for the main risks generated by our Group's activities is in place. In this respect, it examines our risk mapping several times each year.

Focus on our Audit and Risks Committee charter

On November 29, 2017, our Board of Directors approved a charter for the Audit and Risks Committee.

Since that date, it can be found in the appendix to the Board of Directors' internal regulation.

In the absence of any legally-imposed procedure, the Audit and Risks Committee has set up a procedure allowing it to meet its obligations pursuant to Article L. 822-11-2 of the French Commercial Code on the approval of non-audit services ("SACC") that may be provided by our statutory auditors or their networks.

Under the terms of said charter, each year, the Audit and Risks Committee reviews and pre-approves the list of authorized SACC and the list of prohibited services. If needed, these lists may be reviewed and amended by the Audit and Risks Committee at any time.

The duration of any pre-approval is twelve months, unless decided otherwise by the Audit and Risks Committee.

The appendices of the said charter present:

- account certification services that do not require the prior approval of the Audit and Risks Committee other than that required for the audit fees budget;
- the legally-required SACC, whose implementation is imposed by the law or a regulation, which do not require the prior approval of the Audit and Risks Committee;
- the SACC that are not prohibited, as they benefit from prior approval according to the type of task. This prior approval according to type is adapted for services usually provided by our statutory auditors, for which an independence analysis has already been carried out, and which do not present risks for the independence of our statutory auditors;
- the non-prohibited SACC, for which individual approval is required; and
- those tasks which our statutory auditors and their network are prohibited from carrying out.

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B. Activity during the 2019-2020 fiscal year

the Audit and Risks Committee meets at least four times per year. During the 2019-2020 fiscal year, the Audit and Risks Committee met seven times, with an attendance rate of 89.42%.

For the purposes of carrying out its mission, the Committee had the opportunity for regular, independent discussions with our statutory auditors

At each closing of the annual and half-yearly statutory and consolidated financial statements, the Audit and Risks Committee verified the closing process and read our statutory auditors' report.

The Committee also examined the off-balance-sheet commitments, the accounting options retained for establishing provisions, as well as our risk mapping.

It also reviewed the terms of each of the financial press releases and financial reports published during the 2019-2020 fiscal year, as well as the financial, accounting and economic items submitted for approval to the last Shareholders' General Meeting of July 26, 2019.

The Committee also examined the report by our Chairman of the Board of Directors on corporate governance drafted for the fiscal year ended March 31, 2019, in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

The Committee also took part in the continued work on our Group's compliance with the provisions of law no. 2016-1691 of December 9, 2016 (the "Sapin II" law). Thus, it enabled the Board to ensure that a system to prevent and detect corruption and influence peddling has been set up within our Group. Within this context, our Code of Good Conduct was updated in October 2018.

In addition to its recurrent annual work, the Audit and Risks Committee worked on the following main topics during the fiscal year ended March 31, 2019:

- the completion of work aimed at continuing to ensure that our Group remains compliant with the provisions of law 2016-1691 of December 9, 2016 known as "Sapin II" and the implementation of measures aimed at preventing and detecting corruption and influence peddling within our Group;
- the assessment of the Belgian company EpiGaN nv, acquired by Soitec on May 13, 2019;
- the valuation of the assets of the solar power plant installed in Touwsrivier in view of its restructuring;
- the revision of the ratio applicable to the class 1 preferred shares allocated on a contingent basis in 2016 as part of the MIP plan; and
- implementation of a €200 million long-term loan agreed with Banque des Territoires, pursuant to the *Programme d'investissements d'avenir* (PIA) program as part of the Nano 2022 plan.

3.1.4.4 The Nomination and Governance Committee

A. Tasks

The Nomination and Governance Committee is charged by our Board of Directors with:

- implementing a procedure to select our future independent directors;
- formulating proposals on the selection of our new directors, their co-option, appointment or reappointment;

- preparing, nearing the expiry of their terms of office, recommendations for the succession of our corporate officers; it must also prepare a replacement plan in the event of unforeseeable vacancy;
- being informed prior to the arrival or departure of any member of our Executive Committee; and
- considering questions related to the effective development of good governance of the Company (e.g. annual assessment of the Board of Directors, independence of the Board of Directors and Committees, desirable functioning of the Board of Directors and Committees, balance of powers, corporate social responsibility, ethics, transparency, diversity) and make recommendations to the Board of Directors in this regard.

B. Activity during the 2019-2020 fiscal year

In accordance with the internal regulation of our Board of Directors, the Nomination and Governance Committee meets at least once a year, prior to the approval of the agenda of the Shareholders' General Meeting, to examine the draft resolutions that will be submitted to our shareholders for approval and which concern the terms of office of the members of our Board of Directors.

Between April 1, 2019 and March 31, 2020, the Nomination and Governance Committee met seven times, with an attendance rate of 78.24%.

In addition to its recurrent annual work, the Nomination and Governance Committee worked on the following main topics:

- the revision of the internal regulation of our Board of Directors;
- the implementation of a study regarding the independence of members of our Board of Directors, for which a specialist external firm was retained;
- the review of the IT Department's back-up plan by Cyril Menon, responsible for Industrial Operations:
- the re-organization of the Committees' structure following the appointment of Shuo Zhang and Françoise Chombar as independent directors, as replacement for Monica Beltrametti and Nadine Foulon-Belkacémi respectively;
- the reappointments of directors whose appointments expired at the close of the Shareholders' General Meeting of July 26, 2019;
- the review of the succession plan of the Chief Executive Officer; and
- the follow-up on regulatory updates, in particular the adoption of the PACTE law.

3.1.4.5 The Compensation Committee

A. Tasks

The Compensation Committee is entrusted by our Board of Directors:

- to make recommendations concerning:
 - the compensation of the Chairman of our Board of Directors, our Chief Executive Officer and our Directors: and
 - the allocations of securities giving access to the share capital of our Company, for free and/or against payment, for the benefit of our corporate officers and/or employees of our Group;
- to be informed of the policy of compensation of the primary noncorporate officers. On this particular occasion, the Compensation Committee shall enlist the corporate officers.

B. Activity during the 2019-2020 fiscal year

In accordance with the internal regulations of our Board of Directors, the Compensation Committee meets at least once a year, prior to the approval of the agenda of the Shareholders' General Meeting, to examine the draft resolutions that will be submitted to our shareholders for approval and which concern the setting of the compensation of the Chairman of our Board of Directors and our Chief Executive Officer (ex-ante and ex-post Say on pay).

During the fiscal year ended March 31, 2030, the Compensation Committee met seven times with an attendance rate of 65.95%.

In addition to its recurrent annual work, the Compensation Committee worked on the following main topics:

- the vesting of the ordinary shares allocated in 2018 in the context of the PAT no. 1 and no. 2 plans:
- the vesting and conversion of the PS 1 allocated in 2016 as part of the MIP plan;
- the review of a long-term joint investment program, in favor of certain employees and corporate officers of our Group, put in place on December 18, 2019 in the form of two free share allocation plans of PS 2 and one reserved issue of PS 2; and

• the review of two free ordinary share allocation plans put in place on December 18, 2019 and on March 25, 2020.

The mandate of Monica Beltrametti (independent) expired on July 26, 2019 and she was not replaced. Nadine Foulon-Belkacemi's term of mandate also ended on July 26, 2019 and she was replaced by Éric Meurice as Chairman of the Compensation committee.

3.1.4.6 Restricted Strategic Matters Committee

A. Tasks

The Restricted Strategic Matters Committee's responsibility is to report on any planned transfer (whether by sale, license or by any other means) or any other joint venture project involving Smart Cut™, and to issue recommendations to the Board of Directors accordingly.

B. Activity during the 2019-2020 fiscal year

Since April 1, 2019, the Restricted Strategic Matters Committee met twice, with an attendance rate of 100%

3.1.5 CODE OF CORPORATE GOVERNANCE

Our Company has adopted the AFEP-MEDEF Code of Corporate Governance for publicly listed companies, as amended in January 2020 (the "AFEP-MEDEF Code") as its corporate governance reference framework.

This Code may be consulted at the following site www.afep.com, using this link:

https://afep.com/wp-content/uploads/2020/01/Code-Afep Medefr%C3%A9vision-janvier-2020_-002.pdf

As of July 6, 2020, the date this report was approved, the following recommendations of the AFEP-MEDEF Code were not applied by our Company:

Recommendation by AFEP-MEDEF

Recommendation relating to the proportion of independent

directors on the Board of Directors (section 9.3):
The proportion of independent directors should amount to half

of the members of the Board of Directors in widely held companies without controlling shareholders

Company's position and justification

After Éric Meurice, our Chairman, was not reappointed to the office he had held since April 2014 as a Director of NXP Semiconductors N.V, one of our main customers, the number of independent directors on our Board rose to four out of a total

Our Board of Directors, on the basis of the annual assessment of the independence of its members carried out by our Appointments Committee based on the study carried out by Egon Zehnder, an independent firm specialized in corporate governance, noted at its meeting of June 10, 2020 that Christophe Gegout, who had been appointed director on the proposal of CEA Investissement, could henceforth qualify as an independent director (see paragraphs 3.1.2.5 and 3.1.3.2). Thus, our independent directors, five out of 12, now represent 41.67%, compared to 33.33% at the filing date of the 2018-2019

Reference Document and 25% as of March 31, 2019.

Bearing in mind that there is more to a well-composed Board of Directors than its share of independent members, our Company first and foremost seeks directors of integrity who are honest, competent, active, regularly attending and engaged, qualities (as set out in section 9.1) of the AFEP-MEDEF Code).

That said, we are aware of the merits of a significant proportion of independent directors, and our Company makes every effort to increase the proportion of independent directors on its Board. To this end, since the beginning of the 2016-2017 fiscal year, it has focused its search for future directors on candidates qualifying

for independent status, while respecting the appropriate balance of its composition, notably in terms of skills and diversity, as well as the provisions relative to the composition of our Board of Directors set out in our Company's Shareholders' Agreement. While no Board meetings were officially organized without the presence of our Chief Executive Officer during the fiscal year,

our non-executive directors nevertheless met among themselves on several occasions as part of Board and Committee meetings held in person, without the executive corporate officers being in attendance.

Recommendation relating to the meetings of the Board of Directors (section 11.3):

It is recommended that a meeting be set up each year without the executive corporate officers in attendance.

Ten directors were reappointed at the end of the Shareholders' General Meeting of July 26, 2019.

The expiry of these directorships coincides because of the following 3 events, which all occurred during the same fiscal year

- (2016-2017):
 the need to appoint more women to our Board of Directors resulted in the appointment of 3 new women directors on April 11, 2016;
- the signature of our Company's Shareholders' Agreement (as amended on April 29, 2016) resulted in the appointment of four new directors on May 2, 2016;
- the shortening of our directors' term of office from four to three years, which was approved on July 25, 2016, resulted in the end of the term of one director and that person's renewal on the same date.

 The Nomination and Governance Committee is tasked with identifying relevant options related to the changing composition

of our Board of Directors and the introduction of a better process to stagger directors' terms.

Recommendation relating to term of office of directors (section 14.2):

Terms are staggered in order to avoid all-at-once renewal of the Board and to ensure that the reappointment process operates smoothly.

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Governance

Recommendation by AFEP-MEDEF

Recommendation relating to the composition of the Nomination

Committee (section 17.1) The Nomination Committee should consist of a majority of independent directors.

Company's position and justification

The number of independent directors on our Company's Nomination and Governance Committee is not greater than half the total number of members since they are 3 out of 7 (the independence ratio is therefore 42.85%). However, the Board considers this composition satisfactory in light of the necessary presence of the directors representing our Company's majority shareholders and the global appreciation of collective independence considering the high diversity of gender, nationality and seniority among the directors of this Committee as well as their complementary skills.

Furthermore, our Company believes that both the quality and experience of the independent members composing the Nomination and Governance Committee as well as the fact that the Chair of this Committee is one of them ensure open debate, proper functioning and efficiency of the Committee.

Recommendation relative to the composition of the Compensation Committee (section 18.1): The majority of directors serving on the Compensation Committee

must be independent.

Our independent directors on the Compensation Committee do not constitute a majority but are equal in number to directors who are not independent.

With three independent directors out of a total of six members, their share is 50%. The Compensation Committee has a balanced composition that also fulfills the stipulations of the Shareholders' Agreement. Moreover, the Compensation Committee is chaired by Eric Meurice, who is an independent director.

Recommendation relating to director ethics (section 20): In the absence of legal provisions to the contrary, a director must personally own shares, in accordance with the stipulations of the by-laws or internal regulation, and own a minimum number of shares that is significant with regard to directors' fees.

Article 1 d) of our Board of Directors' internal regulation stipulates in particular that "In accordance with Article 13 of our Company bylaws, directors are not obliged to hold shares in our Company. However, in order to comply with section 19 of the Corporate Governance Code, in the absence of legal provisions to the contrary, the directors (whether they be natural persons or permanent representatives of legal entities) will ensure that they are shareholders of our Company in their personal capacity and have a minimum number of shares that is significant in relation to the directors' fees allocated. One hundred (100) registered shares are considered a significant number of shares. directors are prohibited from transferring these shares during their term of office".

Nevertheless, the legal and regulatory provisions relating to securities transactions carried out by the corporate officers of listed companies as well as those relating to the prevention of insider transactions make the purchase of shares by directors

To date, seven out of 12 directors are shareholders of our Company, compared to four directors out of 12 previously

Recommendation relating to director ethics (section 20) Directors regularly attend and participate in all meetings of the Board and meetings of any committees to which they may belong; they also attend Shareholders' General Meetings.

The average attendance rate for the Board of Directors is 79.17%, for a total of 9 meetings during the financial year 2019-2020. It reaches 88.17% for Committee attendance, for a total of 26 meetings during the fiscal year ending March 31, 2020. The average attendance rate for all 35 Board and Committees meetings was thus 82.26%.

Our directors systematically make their best efforts to be able to participate either in person or via conference call in as many Board and Committee meetings as possible, or ensure they are represented if they cannot attend.

Nevertheless, distance and time differences between where they live/work and our headquarters in France, as well as their

other respective duties, sometimes make attendance difficult.

Furthermore, the high number of Board and Committees meetings in the 2019-2020 fiscal year made it more difficult for our directors to attend every meeting to which they had been invited.

Besides, in accordance with the rules of good governance set out in section 20 of the AFEP-MEDEF Code and cited in our Board of Directors' internal regulation, in the event of a real or potential conflict of interest, the director concerned must refrain from attending any discussions or taking part in any decisions on the matter at hand and has no access to documents relating to it. In such cases, the director concerned is considered absent from the meeting held on the subject.

With regards to the attendance of our directors at Shareholders' General Meetings, nine out of the 12 Board members attended the last Shareholders' General Meeting of July 26, 2019.

Recommendation relating to the termination of the employment contract upon appointment as corporate officer (section 22.1): It is recommended that when an employee of our Company or a company within our Group becomes a corporate officer of the firm , his/her employment contract be terminated either through contractual termination Our Board determined that in the case of our Chief Executive Officer, Paul Boudre, his seniority at the time of appointment justified him retaining his employment contract; this contract was established prior to his taking up his duties as Chief Operating Officer and then Chief Executive Officer.

The resignation of Paul Boudre from his employment contract is under consideration at the moment.

Recommendation relating to the obligation of corporate officers to own shares (section 23) The Board of Directors sets a minimum number of shares that corporate officers must own in registered form up until the end of their duties.

or by resignation.

Our Board of Directors has not set a minimum number of shares that our Chairman must hold in registered form until the end of his duties

However, our Board of Directors' internal regulation provides that all our directors – and a fortiori our Chairman – must hold a significant number of our Company shares, namely 100, in registered form.
With respect to our Chief Executive Officer, pursuant to Article L. 225-197-1 of the French Commercial Code, our Board of

Directors decided that 10% of the ordinary shares that may be allocated to Paul Boudre should he fulfill the conditions set out in the free preferred shares allocation plan implemented by the Board of Directors on July 26, 2016 must be held in registered form until the end of his duties as Chief Executive Officer of our Company.

Besides, Paul Boudre currently holds 41,100 Company shares, which are in majority deriving from free shares allocated in a

context where our Board systematically required that 10% of vested shares be held and kept

Recommendation relating to the conclusion of a non-competition agreement with corporate officers (section 24.1):

The purpose of the conclusion of a non-competition agreement is to restrict the freedom of a corporate officer to work for a competitor.

No non-competition agreement has been concluded with Paul Boudre since he has become a corporate officer of our Company. His employment contract, which has not been terminated despite the existence of his corporate duties (see above), contains a non-competition clause.

3.2 COMPENSATION

3.2.1 COMPENSATION PAID TO OUR EXECUTIVE CORPORATE OFFICERS FOR THE PAST FISCAL YEAR 2019-2020

Rules applicable to the calculation and payment of the compensation of our executive corporate officers

Application of AFEP-MEDEF Code principles

At its meeting of December 8, 2008, our Board of Directors formally adopted the AFEP-MEDEF recommendations published on October 6, 2008, on the compensation of executive corporate officers of companies whose shares are traded on a regulated market.

Since then, our Board of Directors has determined the compensation of executive corporate officers in accordance with the principles stated in the AFEP-MEDEF Code, particularly in its section 25.

In doing this, it builds upon the Compensation Committee's proposals.

When our corporate officers are members of the Board of Directors, they do not participate in discussions on their own compensation and abstain from voting on these topics.

Ex-ante Say on pay (Article L. 225-37-2, II of the French Commercial Code)

In accordance with Article L. 225-37-2 of the French Commercial Code, our Board of Directors establishes a policy on the compensation paid to corporate officers describing the principles and criteria for the determination, distribution and allocation of the fixed, variable and exceptional components of the total compensation and all benefits in kind that may be allocated to our corporate officers. This policy is submitted to our Shareholders' General Meeting for approval each year.

Ex-post Say on pay (Article L. 225-100, II and III, of the French Commercial Code)

In accordance with Article L. 225-100 of the French Commercial Code, the Shareholders' General Meeting votes on a draft resolution relating to the information referred to in part I of Article L. 225-37-3 of said Code as well as on separate draft resolutions relating to the fixed, variable and exceptional components of the total compensation and all benefits in kind paid or allocated for the previous fiscal year to each of our executive corporate officers, *via* separate resolutions.

Variable and exceptional compensation allocated to each of the executive corporate officers for the past fiscal year cannot be paid until after it has been approved by the Shareholders' General Meeting.

3.2.1.1 Compensation of Paul Boudre, our Chief Executive Officer, the only executive corporate officer for the fiscal year 2019-2020

A. Framework applicable to the fiscal year ended March 31, 2020 (ex-ante Say on pay of July 26, 2019)

Pursuant to Article L. 225-37-2 of the French Commercial Code, the principles and criteria for the determination, distribution and allocation of the fixed, variable and exceptional components making up the total

compensation and benefits of any kind attributable to Paul Boudre as Chief Executive Officer during the 2019-2020 fiscal year were subject to resolution 20 submitted for approval to the Shareholders' General Meeting held on July 26, 2019 (ex-ante Say on pay).

These principles and criteria were approved beforehand by our Board of Directors at its meeting of June 12, 2019 on the recommendation of the Compensation Committee.

This resolution 20 had been adopted at 99.03%, and thus Paul Boudre's compensation policy for the 2019-2020 fiscal year was approved by shareholders.

Compensation

Summary of the components of compensation of Paul Boudre for the fiscal year ended on March 31, 2020

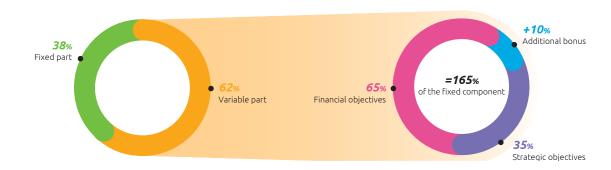
His 2019-2020 compensation comprises the following items:

- an annual fixed compensation of €550,000 gross, payable in 12 equal monthly installments during the fiscal year;
- a variable annual compensation according to the different targets:
 - to be allocated after the end of the fiscal year 2019-2020 end and to be paid only after approval by the Shareholders' General Meeting to be convened in September 2020,

 \bullet representing 100% of the fixed part at target and up to 165% of the fixed part if the completion of the objectives is beyond targets and if the trigger for a 10% add-on factor is met, i.e. a total maximum of €825,000 gross.

Remarks on the annual fixed compensation of Paul Boudre for the fiscal year ended on March 31, 2020

As a reminder, Paul Boudre's fixed compensation (i.e. €550,000 gross) was set by our Board of Directors on July 26, 2018, and this decision came into force on January 1, 2019. The fixed part of the compensation paid to our Chief Executive Officer had previously been €450,000 (gross).



D. Remarks on the annual variable compensation of Paul Boudre for the fiscal year ended on March 31, 2020

During its meeting of March 27, 2019, our Board of Directors decided that the variable part of Paul Boudre's compensation for the 2019-2020 fiscal year, could range from 0% to 165% of the fixed part.

Achievement of the target values of the objectives set by our Board of Directors should entitle him to a variable part amounting to 100% of the

fixed part. As in the previous two fiscal years 2017-2018 and 2018-2019, the achievement of budgetary commitments should account for 90% of the target financial criteria.

Exceeding target values of the objectives could be taken into account for up to 150%.

Finally, Paul Boudre's variable compensation could be increased by 10% if an additional strategic objective was reached, which could bring the variable part of his compensation to 165% of the fixed part. This objective was set by confidential criteria.

Type of objective and description	Weight
I. FINANCIAL OBJECTIVES	65%
1. Level of revenue (in USD million)	20%
2. Level of consolidated EBITDA (absolute value in € million)	20%
3. Level of consolidated cash (in € million)	25%
II. STRATEGIC OBJECTIVES	35%
 5 contributions identified as our Group's main growth drivers including: 3 strategic and commercial contributions: 1. Executing the FY20 financing plan to support the business plan; 2. Adoption of FD-SOI: determining a roadmap and deploying it on targets; 3. Achieving key milestones to confirm the long-term strategy including new products; 2 CSR focused contributions: 1. Continue our Group's progress on gender equality and balance; 2. Improve the quality of working life of our employees. 	1 out of 5 = 0% achievement 2 out of 5 = 50% achievement 3 out of 5 = 90% achievement 4 out of 5 = 100% achievement 5 out of 5 = 150% achievement INCREASE BY 10% OF THE TOTAL
III. ADDITIONAL STRATEGIC OBJECTIVE	VARIABLE COMPENSATION

III. ADDITIONAL STRATEGIC OBJECTIVE

At its meeting of June 10, 2020, in accordance with the recommendation of the Compensation Committee meeting the previous day, our Board of Directors set the variable part of Paul Boudre's compensation for the 2019-2020 fiscal year at 132.4% of the fixed part and amounts to €728,200 aross.

Our Board of Directors, on the recommendation of the Compensation Committee, noted the achievement of the financial criteria (representing 65% of the variable compensation) as follows:

- 89.5% for sales:
- 150% for EBITDA in euros;
- 150% for cash.

It is noted that the achievement of the values of the budget approved by the Board of Directors for the financial year 2019-2020 for these three criteria corresponded to 90% of the target.

With respect to the achievement of the strategic criteria, our Board of Directors noted, on the recommendation of its Compensation Committee, the achievement of the criteria relating to the implementation of the business plan financing plan, the determination and deployment of an action plan relating to the adoption of FD-SOI technology in China and the achievement of key milestones in support of the long-term strategy relating to emerging technologies.

With regard to CSR criteria, it also noted the achievement of the criteria relating to gender equality, which was based on an improvement compared to the calendar year 2018 either in the official equality index of the Ministry of Labour or in the ranking of companies in the SBF 120 $\,$ index relating to the place of women in management bodies published by the State Secretariat for Equality between Women and Men and the Fight against Discrimination. This ranking was exceptionally not carried out in 2019. On the other hand, the index rises to 89 out of a maximum of 100 points, an improvement over 2018 (84).

Finally, the criteria relating to the improvement of the quality of life at work was based on a score of at least 70/100 in the QWL survey conducted on all staff in our Group. As the survey planned for March 2020 to measure the perception of the progress achieved by the various measures implemented during the year could not be carried out due to the exceptional conditions in connection with the Covid-19, our Board of Directors considered that this criterion had not been met, so that with four out of five cirteria confirmed, the measurement of the strategic indicators was considered to have met the target, i.e. 100%, in proportion to 35% of the total represented by this component.

Finally, the 10% increase factor for the variable compensation, which was based on the execution of commercial contracts with some of our customers for major applications using FD-SOI technology, may apply given that several contracts have been signed in this respect.

Remarks on the other compensation items of Paul Boudre for the fiscal year ended on March 31, 2020

1. Benefits in kind

Our Chief Executive Officer had benefits in kind consisting of a company car, a voluntary insurance policy against employment loss and a key-person insurance in the event of death and disability for a total amount of €36,300 during the 2019-2020 fiscal year.

The public was also informed of the fact that our Board of Directors had decided to set up a death-disability insurance policy on Paul Boudre, covering his beneficiaries in the event of death or invalidity, through the payment of a capital amount of €1.5 million. It was stipulated that this key-person insurance would be backed by the one benefiting our Company under the same conditions. Lastly, it was indicated that the death-disability insurance premium corresponding to the coverage of Paul Boudre's beneficiaries would be treated as a benefit in kind granted to him as part of his compensation policy for the 2019-2020 fiscal year.

2. Allocation of free PS 2 on the basis of the joint-investment plan ("Topaz" plans)

As part of the joint investment plan put in place by our Board of Directors on December 18, 2019, making use of the delegation of authority granted by the Shareholders' General Meeting on July 26, 2019 via resolutions 33 and 35, Paul Boudre was allocated 31,982 free preferred shares granting access to the share capital of our Company (the "PS 2").

This free allocation formed part of Paul Boudre's compensation policy for the current 2019-2020 fiscal year.

On December 18, 2020, August 1, 2021 and August 1, 2022, a portion of these PS 2 would be definitively acquired by Paul Boudre, subject to him complying with a condition of presence as Chief Executive Officer.

These PS 2 would be convertible into ordinary shares in our Company, subject to the fulfillment of performance conditions based on the achievement of targets relating to EBITDA, revenue and the total shareholder return (or TSR) of our Company's ordinary shares compared to the Euro Stoxx 600 Technology index.

These stringent performance conditions, to be assessed at the end of a three-year period, were set by our Board of Directors at its meeting held on June 12, 2019. These conditions were approved under the 33rd resolution of the Shareholders' General Meeting held on July 26, 2019.

3. Allocation of ordinary shares created by the conversion of the preferred shares awarded pursuant to the Long-Term Management Incentive Plan, or under the acronym "MIP

We remind you that, for the fiscal year ended on March 31, 2017, a proportion of a free preferred shares allocation plan giving access to our Company's share capital (also known by the acronym "MIP"), with presence and performance conditions, had been awarded to him by the Board of Directors at its meeting of July 26, 2016, in the form of conditional rights to preferred shares.

In this context, during the fiscal year ended March 31, 2018, Paul Boudre vested the 44,947 preferred shares resulting from his conditional rights. Indeed he satisfied the presence condition and tenure as Chief Executive Officer, applicable to him pursuant to the plan's rules, on the definitive allocation date, i.e. on July 26, 2017.

According to the terms of a decision by our Chief Executive Officer dated July 29, 2019, all of his 44,947 preferred shares were converted into 218,442 ordinary shares in our Company, as a result of the expiry of the holding period on the same date and compliance with attendance and performance conditions.

The conversion ratio was set at 4.86 by our Board of Directors based on the following factors:

- 50% based on the achievement of objectives on the basis of the average of our Group's consolidated EBITDA levels (as derived from our consolidated financial statements in accordance with IFRS) for the fiscal years 2017-2018 and 2018-2019; and
- (ii) 50% based on the achievement of the objectives on the basis of the weighted average of the volumes of the stock market prices of our Company's ordinary share during the 30 trading days following the date of publication of our Group's consolidated financial statements for the fiscal year ended on March 31, 2019.

These objectives were determined by the Combined Ordinary and Extraordinary Shareholders' General Meeting held on first notice on April 11, 2016 and on second notice on April 29, 2016.

4. Defined benefits retirement scheme

Our Chief Executive Officer benefits from a defined contribution pension plan "Article 83" also applicable to all Group employees.

Under this pension plan, the expense recorded by our Company for the 2019-2020 fiscal year for the Chief Executive Officer amounted to €12,730.71.

The essential components of this scheme are presented in Section 3.2.7

Our Chief Executive Officer also benefits from the "Article 39" defined benefit supplementary pension plan applicable to certain senior executives (senior executives III C and corporate officers). The essential components of this scheme are presented in Section 3.2.7 of this report.

Pursuant to the Order No. 2019-697 dated as of July 3, 2019, this plan was closed since July 4, 2019 (there are therefore no new rights nor new beneficiaries under this plan since that date) and the rights of the beneficiaries were frozen as of December 31, 2019. No additional rights under the supplementary defined benefits retirement scheme will be granted in respect of periods of employment after January 1, 2020.

We inform you that, at the closing date of the financial year 2019-2020, the estimated amount of the pension that may be paid to Paul Boudre under the supplementary defined benefits retirement scheme "Article 39" amounts to €104 thousand, compared to €98 thousand at the closing date of fiscal year 2018-2019.

5. Absence of other compensation items

We disclose that Paul Boudre's term of office as director has not been compensated (including directors' fees) in addition to the compensation he received as Chief Executive Officer.

Finally, Paul Boudre did not receive any additional compensation from companies controlled by our Company.

Say on pay ex-post to be submitted to our shareholders for approval in September 2020

In accordance with the provisions of Article L. 225-100 of the French Commercial Code, our Board of Directors will propose to our shareholders, at their General Meeting to be convened in September 2020, to approve the fixed, variable and exceptional components comprising the total compensation and benefits of any kind paid or allocated to Paul Boudre, Chief Executive Officer, in respect of the fiscal year ended March 31, 2020 (say on pay ex-post), as described above.

G. Commitments of any kind made by our Company to the benefit of Paul Boudre in connection with the assumption, termination or change of his duties

At the date of this report on corporate governance, Paul Boudre has an employment contract, which is suspended since his appointment as Deputy Chief Executive Officer. Pursuant to the applicable contractual provisions, Paul Boudre is bound by non-competition obligations for a period of one year following the termination of his employment contract,

In the event of application of this non-competition clause, financial compensation corresponding to 60% of his gross compensation during the non-competition period would be paid to Paul Boudre.

Our Company has the right to release Paul Boudre from this noncompetition undertaking, subject to the latter's agreement.

H. Standardized summary tables (AMF position-recommendation no. 2009-16)

In terms of the 11 tables referenced in AMF position-recommendation no. 2009-16 as updated on April 13, 2015, only those that are applicable to Paul Boudre are included below.

Table 1 – Summary of compensation, stock options and shares allocated to each executive corporate officer (in euros)

Paul Boudre Chief Executive Officer since January 16, 2015 Chairman of the Board of Directors

From September 1, 2015 to July 26, 2017 ⁽¹⁾	Fiscal year 2018-2019	Fiscal year 2019-2020
Compensation due for the fiscal year (details in table 2 below)	1,283,467	1,302,920
Valuation of stock options allocated during the fiscal year	N/A	N/A
Accounting valuation of performance shares allocated during the fiscal year (2)	N/A	2,691,924.94
Valuation of other long-term compensation plans	N/A	N/A
TOTAL	1,283,467	3,994,844.94

As indicated above, Paul Boudre's corporate office as Chairman of the Board of Directors, which he combined with that of Chief Executive Officer during part of the 2017-2018 fiscal year, i.e. from April 1 to July 26, 2017, was not subject to any remuneration in addition to that received for his corporate office as Chief Executive Officer.

Table 2 – Summary of compensation of each executive corporate officer (in euros)

The valuation of preferred shares corresponds to a valuation carried out under IFRS 2.

Paul Boudre	2018-2019 f	2019-2020 fiscal year		
Chief Executive Officer since January 16, 2015 Chairman of the Board of Directors From September 1, 2015 to July 26, 2017	Amounts due for the fiscal year 2018-2019	Amounts paid during the fiscal year 2018-2019	Amounts due for the fiscal year 2019-2020	Amounts paid during the fiscal year 2019-2020
Fixed compensation	475,000	475,000	550,000	550,000
Annual variable compensation	783,748 ⁽¹⁾	559,305 ⁽²⁾	728,200 ⁽³⁾	783,748 (1)
Variable/fixed percentage	165.00%	124.29%	132.4%	165%
Exceptional compensation	-	=	-	-
Directors' fees	N/A	N/A	N/A	N/A
Benefits in kind	24,720 (4)	24,720 (4)	36,300 ^(4 bis)	36,300 ^(4 bis)
TOTAL	1,283,467	1,059,025	1,302,920	1,370,048

- Variable compensation for fiscal year 2018-2019 paid during fiscal year 2019-2020. Variable compensation for fiscal year 2017-2018 paid during fiscal year 2018-2019.
- Variable compensation for fiscal year 2019-2020 that will be paid during the current 2020-2021 fiscal year, subject to prior approval of our shareholders' vote during their General Meeting to be convened in September 2020.

 The amount of these benefits in kind corresponds to the granting of a car and a voluntary insurance policy against employment loss.
- (4bis) The amount of these benefits in kind corresponds to the granting of a car, a voluntary insurance policy against employment loss and the key-person insurance policy.

> Table 10 – History of free allocations of shares - Information on free share allocations

	2016 MIP plan (PS 1)	Topaz plan 1 and Topaz plan 2 (PS 2)
Date of Shareholders' General Meeting	04/11/2016 and 04/29/2016	07/26/2019
Date of Board of Directors' meeting	07/26/2016	12/18/2019
Total number of allocated shares, including the number that may be allocated to:	295,703 (1)	195,960 ⁽⁶⁾
Paul Boudre	44,947 ⁽¹⁾	31,982 ⁽⁶⁾
Date of conditional allocation	07/26/2016 (2)	12/18/2019 (2)
Acquisition date of the shares	07/26/2017 ⁽³⁾	Acquisition of 40% of the PS 2 on 12/18/2020 Acquisition of 30% of the PS 2 on 08/01/2021 and acquisition Acquisition of 30% of the PS 2 on 08/01/2022 ⁽³⁾
End of the holding period	07/26/2019 (4)	08/01/2022 (7)
Performance conditions	yes	yes
Number of vested shares as of March 31, 2020	218,442 ^(S)	-
Cumulative number of canceled or void shares	0	-
Performance shares remaining at the end of the fiscal year (March 31, 2020)		195,960

- Free PS 1.
 Date of allocation of contingent rights to PS 1 or PS 2.
 Date of vesting of PS 1 (for the MIP plan) of PS 2 (for the Topaz plan no. 2). The continued employment condition linked to the free PS 2 is assessed at the end of each vesting period and the performance conditions were defined by the Shareholders' General Meeting of July 26, 2019. The continued employment condition linked to free PS 1 is assessed when the plan comes to an end. The performance conditions were defined by the Shareholders' General Meeting of April 11, 2016.
 Availability date of the ordinary shares (after conversion of the preferred shares into ordinary shares).
- (5) Ordinary shares created by the conversion of the preferred shares via a decision made by the Chief Executive Officer dated July 29, 2019.
 (6) Free PS 2.
- In the event that the performance targets are not achieved such that the number of ordinary shares to which the PS 2 would entitle upon conversion by application of the Conversion Ratio (as this term is defined in the terms and conditions of the PS 2) would be equal to zero, the PS 2 may be repurchased by our Company and at its initiative at the latest on the 180th calendar day following the date of publication of our Group's consolidated financial statements for the year ending March 31, 2022 (the "Repurchase"). Date"), at their nominal value in accordance with the provisions of Article L. 228-12, III of the French Commercial Code.

) Table 11 – Employment contract, pension scheme and compensation related to termination of service or change in functions

						Compensation relating to a non-compete clause		
Executive corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
Paul Boudre* Chief Executive Officer since January 16, 2015	√		✓			×	√	

Mr Paul Boudre's employment contract was suspended on the day he was appointed Chief Operating Officer, which took effect on June 1, 2008 (following the Board of Directors' decision at its meeting on May 16, 2008).

Compensation

Compensation paid to Éric Meurice, Chairman of our Board of Directors for the fiscal year 2019-2020

A. Framework applicable to the fiscal year ended March 31, 2020 (ex ante Say on pay of July 26, 2019)

Pursuant to Article L. 225-37-2 of the French Commercial Code, the 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 the Chairman of the Board of Directors for the fiscal year 2019-2020 were subject to resolution 20 submitted for approval to the Shareholders' General Meeting held on July 26, 2019 (ex-ante Say on pay).

These principles and criteria were approved in advance by our Board of Directors at its meeting of June 12, 2019 on the recommendation of the Compensation Committee.

This resolution 20 had been adopted at 99,03% by the shareholders, thus approving the compensation policy of the Chairman of the Board of Directors for the 2019-2020 fiscal year.

B. Summary of the components of Éric Meurice's compensation for the fiscal year ended on March 31, 2020

Éric Meurice's compensation policy for the fiscal year 2019-2020 consisted of the following components:

• an annual fixed compensation of €50,000 gross, payable in one or more installments during the fiscal year; and

 directors' fees for attending meetings of the Board of Directors and the Committees of which he is a member, i.e. the Strategic Committee (of which he is the Chairman), the Nomination and Governance Committee. the Audit and Risks Committee and the Compensation Committee (of which he is the Chairman), under the same conditions as the directors of our Company other than Paul Boudre (who is not eligible for directors' fees due to his duties as Chief Executive Officer), all on a prorata temporis basis according to the duration of his positions within the Board of Directors for the fiscal year concerned.

Pursuant to this compensation policy, our Company paid Éric Meurice a total amount of €155,547 gross in directors' fees, for the 2019-2020 fiscal year.

C. Ex-post Say on pay submitted for our shareholders' approval on September 2020

In accordance with the provisions of Article L. 225-100 of the French Commercial Code, our Board of Directors will propose that our shareholders, during their Shareholders' General Meeting to be convened in September 2020, approve the fixed, variable, and exceptional components of the total compensation and all benefits in kind paid or allocated to Éric Meurice, Chairman of the Board of Directors, for the fiscal year ended March 31, 2020 (ex-post Say on pay), as described above.

Standardized summary tables (AMF positionrecommendation no. 2009-16)

In terms of the 11 tables referenced in AMF position-recommendation $% \left(1\right) =\left(1\right) \left(1\right)$ no. 2009-16 as updated on April 13, 2015, only those that are applicable to Éric Meurice are included below.

Table 1 – Summary of compensation, stock options and shares allocated to each executive corporate officer (in euros)

Éric Meurice Chairman of the Board of Directors	2018-2019 fiscal year	2019-2020 fiscal year
Compensation due for the fiscal year (details in table 2 below)	40,661	155,547
Valuation of stock options allocated during the fiscal year	N/A	N/A
Accounting valuation of performance shares allocated during the fiscal year	N/A	N/A
Valuation of other long-term compensation plans	N/A	N/A
TOTAL	40,661	155,547

> Table 2 - Summary of compensation of each executive corporate officer (in euros)

	2018-2019 fi	2018-2019 fiscal year		scal year
Éric Meurice Chairman of the Board of Directors	Amounts due for the fiscal year 2018-2019	Amounts paid during the fiscal year 2018-2019	Amounts due for the fiscal year 2019-2020	Amounts paid during the fiscal year 2019-2020
Fixed compensation	685	N/A	50,000	685
Annual variable compensation	N/A	N/A	N/A	N/A
Variable/fixed percentage	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Directors' fees	39,976	N/A	105,547	39,976 ⁽¹⁾
Benefits in kind	N/A	N/A	N/A	N/A
TOTAL	40,661	N/A	155,547	40,661

(1) These amounts relate to the period when Éric Meurice was not Chairman of the Board.

3.2.2 PAY RATIOS – EVOLUTION OF COMPENSATION, COMPANY PERFORMANCE, AND PAY RATIOS

In accordance to Article L. 225-37-3, 6° and 7° of the Commercial Code, are communicated hereafter the ratios between the compensation levels of the Chairman of the Board of Directors and the Chief Executive Officer, and average and median compensation of Soitec's employees, along with the annual evolution of compensation, company performance, average employee compensation and these ratios, over the last five financial years.

3.2.2.1 Methodology

Ratios were established by applying recommendations published by the AFEP on January 28, 2020 in its guidelines on compensation multiples.

Despite changes occurred over the past five years, Mr Boudre was exclusively paid for his role as a Chief Executive Officer. During 2015-2016 financial year. Mr Paul Boudre was also appointed Chairman of the Board of Directors until July 11, 2016, date on which roles of Chairman of the Board of Directors and Chief Executive Officers were split with the appointment of Mrs Victoire De Margerie as Chairman of Board.

3.2.2.2 Scope

In accordance with the AFEP-MEDEF Code and the 26.2 « Annual Information » section, ratios were calculated on Soitec's Economic and Social Unit (ESU), which is representative of headcounts and different socio-professional categories of our Group in France. Soitec's ESUis composed of Soitec and Soitec Lab, which used to be a single entity until March 31, 2020 and represented at end of fiscal year, 88% of the total headcounts in France. Employees included in the calculations are employees on permanent contracts who were "continuously present" over two consecutives financial years. Their compensation changes reflect the compensation policy of our Group.

3.2.2.3 Compensation elements in scope for calculating numerator and denominator

Soitec ratios were calculated on comparable basis between corporate officers and rest of employees by analyzing the following elements:

- compensation for Chief Executive Officer includes compensation
 paid during the financial year N. It includes base salary, annual variable
 compensation paid during the financial year N due for the financial year
 N-1, exceptional premiums, benefits in kinds (company car allowance)
 and shares granted during the financial year N, valuated under IFRS 2,
 as recommended by the AFEP;
- compensation for the Chairman of the Board of Directors includes amounts defined in the remuneration policy of Board members with amounts due for the participation to meetings of the Boards and Specialized Committees (assuming a participation to 100% of these meetings);
- for employees, compensation is Full Time Equivalent paid during the financial year N. It includes base salary, seniority premiums, other fixed premiums, prime de pouvoir d'achat, variable compensation paid during financial year N, mandatory and non-mandatory profit sharing, employer matching contribution paid during the financial year N and shares granted during the financial year N valuated under IFRS 2.

In order to take into account Soitec's triennial performance shares grant policy, two ratios were calculated:

- the first ratio takes into consideration the valuation of all shares at the grant year;
- the second ratio annualizes that value over the vesting period of the plan in order to take into consideration the grant frequency and reflect more accurately Soitec's compensation policy.

3.2.2.4 Ratios

A. Changes in remunerations

In accordance to Article L. 225-37-3, 7°, compensation of corporate officers and compensation of employees are presented below:

Changes on remuneration without long-term incentive annualization

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Chairman of Board compensation	€123,654	-	€88,000	€119,000 ⁽¹⁾	€155,547 ⁽¹⁾
Change compared to previous fiscal year (N/N-1) (in %)	-	-	-	35%	23.5%
CEO compensation (2)	€1,042,916	€3,060,325 (3)	€1,012,305	€1,051,255	€4,042,089 (3)
Change compared to previous fiscal year (N/N-1) (in %)	-	281%	-74%	4%	285%
Average remuneration of Soitec employees	€49,279	€61,543	€62,731	€76,971	€66,817
Change compared to previous fiscal year (N/N-1) (in %)	-	25%	2%	23%	-13%

- (1) Compensation policy for non-executive directors has evolved in 2018-2019. However, compensation increases are mainly linked to attendance at specialized committees. Chairmen of the Board of Directors were members of 2 committees in 2017-2018, 3 committees in 2018-2019 and 4 committees in 2019-2020.
- (2) Mr. Paul Boudre was deputy CEO of Soitec until January 15, 2015. Annual variable compensation for fiscal year 2015-2016 above, are annualized amounts due for his CEO mandate over the period.
- (3) Changes in remunerations correspond to years in which long-term incentive were implemented. The last long-term incentive plan is a co-investment plan which valued amount must be put in perspective in regard with the personal investment of the Executive representing half of shares' valuation at €1,346 million.

Changes on remuneration with long-term incentive annualization

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Chairman of Board remuneration	€123,654	-	€88,000	€119,000 ⁽¹⁾	€155,547 ⁽¹⁾
Change compared to previous fiscal year (N/N-1) (in %)	-	-	-	35%	23.5%
CEO compensation (2)	€1,042,916	€1,628,718	€1,728,109	€1,767,059	€2,247,473
Change compared to previous fiscal year (N/N-1) (in %)	-	56%	6%	2%	27%
Average compensation of Soitec employees	€49,279	€61,543	€62,731	€76,971	€66,817
Change compared to previous fiscal year (N/N-1) (in %)	-	25%	2%	23%	-13%

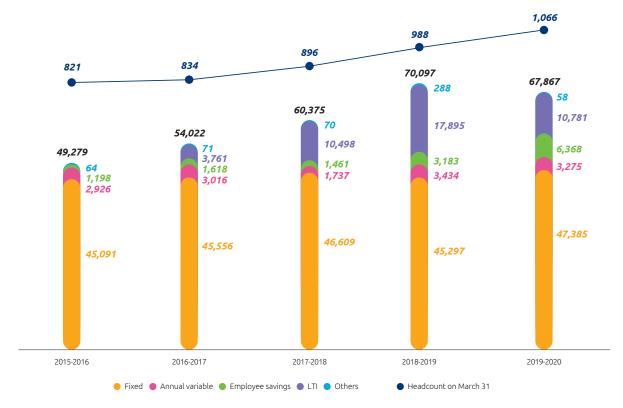
- (1) Compensation policy for non-executive directors has evolved in 2018-2019. However, compensation increases are mainly linked to attendance at specialized committees. Chairmen of the Board of Directors were members of 2 committees in 2017-2018, 3 committees in 2018-2019 and 4 committees in 2019-2020.
- (2) Mr. Paul Boudre was deputy CEO of Soitec until January 15, 2015. Annual variable compensation for fiscal year 2015-2016 above, are annualized amounts due for his CEO mandate over the period.

Compensation

B. Reminder of compensation paid to Chairmen of the Board over the 2015–2020 period

- During 2015-2016 financial year, Mr André-Jacques Auberton-Hervé (Chairman of the Board from March 1, 2015 to September 11, 2015) received on an annual basis, a total compensation of €123,654. The ratios are respectively at 3 and 3 compared to the average and the median of annualized employee compensation;
- During 2017-2018 financial year, Mrs. Victoire De Margerie (Chairman
 of the Board from July 26, 2017 to November 29, 2017) were paid
 €30,378 and Mr Thierry Sommelet (Chairman from November 29, 2017
 to March 31, 2018) has waived his compensation of €29,654 due for that
 financial year. Based on compensation paid, ratios were respectively
- at 0.5 and 0.6 compared to the average and median of annualized employee compensation;
- During 2018-2019 financial year, Mr Thierry Sommelet (Chairman
 of the Board from March 1, 2018 to March 27, 2019) has waived
 his compensation of €96,629 due for that financial year. Based on
 compensation paid, ratios were 0 compared the average and median
 of annualized employee compensation;
- During 2018-2019 financial year, Mr Éric Meurice (Chairman of the Board as of March 27, 2019) has received a total compensation of €152,574 due for that financial year. Based on compensation paid, ratios were respectively 2.2 and 2.7 compared to the average and median of annualized employee compensation.

> Changes in average employee compensation in euros and headcounts



The first grant of long-term incentive plan to Mr Paul Boudre as Chief Executive Officer was initiated during 2016-2017 financial year and has yielded a significant increase in compensation compared to 2015-2016 financial year. Fixed compensation of the Chief Executive Officer was increased in 2018-2019, the last increase had occurred in 2010.

During 2017-2018 and 2018-2019 financial years, Soitec has implemented performance shares plans for all employees, including those employed in foreign entities for the plan granted on July 26, 2018, which explains average compensation increases over 10% for these two financial years. This reflects our Group's strategy in terms of shared value creation and long-term performance incentivization for employees. Beneficiaries of the MIP long-term plan, including the Chief Executive Officer, have waived their rights to receive these shares. Besides, the co-investment plan implemented during 2019-2020 financial year was open to all employees of entities owned at 100% in France and in Singapore.

During 2018-2019 financial year, Soitec has paid an exceptional premium prime de pouvoir d'achat to eligible employees which amount could reach €1,000. Finally, 2019-2020 financial year was the first year with the payment of the mandatory profit sharing ("participation") which comes up to the existing voluntary profit sharing.

The salary policy applied within the scope of consolidation is the result of agreements concluded with the representative trade union organizations for each of the years considered in this analysis. Non mandatory profitsharing, the main criterion of which is our Group's financial performance (EBITDA), gave rise to three-year agreements signed by all the representative trade unions in 2016 and 2019.

C. Compensation ratios: including the entire value of the long-term incentive on the grant year

Without long term incentive annualization			Annual Growth			
Chairman of Board	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2015-2020
Pay ratio compared to average remuneration of Soitec employees (excluding corporate officers)	3	-	1	2	2	-7%
Pay ratio compared to median remuneration of Soitec employees (excluding corporate officers)	3	-	2	2	3	0%

	With long term incentive annualization					Annual
Chairman	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	growth 2015-2020
Pay ratio compared to average remuneration of Soitec employees (excluding corporate officers)	3	-	1	2	2	-7%
Pay ratio compared to median remuneration of Soitec employees (excluding corporate officers)	3	-	2	2	3	0%

Without long term incentive annualization					Annual	
Chief Executive Officer	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	growth 2016-2020 (4 fiscal years)
Pay ratio compared to average remuneration of Soitec employees (excluding corporate officers)	21	50	16	14	60	+5%
Pay ratio compared to median remuneration of Soitec employees (excluding corporate officers)	25	71	18	16	80	+3%

	With long term incentive annualization					Annual	
Chief Executive Officer	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	growth 2016-2020 (4 fiscal years)	
Pay ratio compared to average remuneration of Soitec employees (excluding corporate officers)	21	30	29	25	33	+3%	
Pay ratio compared to median remuneration of Soitec employees (excluding corporate officers)	25	38	35	31	40	+1%	

D. Company performance

Performance criteria selected for the comparison

Three criteria were selected in order to assess our Company performance in a way that is consistent with Soitec's variable compensation plans and financial communication:

- two internal criteria: Revenues and EBITDA;
- one external relative criteria: Total Shareholder Return (TSR) of Soitec compared to the Europe Stoxx 600 Technology index.

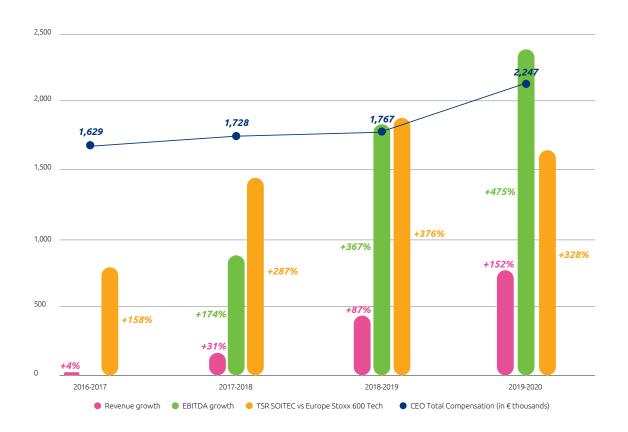
	Financial performance over five years period				
	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
EBITDA (in € million)	(22,1)	32,1	88,0	149,8	184,5
Change compared to previous fiscal year (N/N-1) (in %)	-	+245%	+174%	+70%	+23%
Revenues (in € million)	237	245,7	310,6	443,9	597,5
Change compared to previous fiscal year (N/N-1) (in %)	-	+4%	+26%	+43%	+35%
TSR Soitec - TSR Europe Stoxx 600 Technology	-31%	+158%	+287%	+376%	+328%
Change compared to previous fiscal year (N/N-1) (in %)	-	-	+82%	+31%	-13%

Compensation of the Chief Executive Officer put in perspective with Group performance

Over the 2015-2020 period, the increase in the total compensation of the Chief Executive Office is correlated with Soitec's performance over this same period, with increases as follows:

- +152% in revenue;
- +€206.6 millions in EBITDA;
- +328% compared to the Europe Stoxx 600 Technology index.

Compensation



COMPENSATION POLICY FOR CORPORATE OFFICERS FOR THE CURRENT FISCAL 3.2.3 YEAR 2020-2021

The compensation policy for the current financial year is being reviewed by the Board of Directors, and will be adopted in the coming weeks. The

information regarding such policy will be provided in our Group's Universal Registration Document that will be published in early September 2020.

3.2.4 COMPENSATION AND ALL BENEFITS PAID TO OUR DIRECTORS ON THE BASIS OF THE FISCAL YEAR 2019-2020

Compensation paid to members 3.2.4.1 of theBoard of Directors

A. Amount of directors fees that may be allocated

Despite the increase in the number of directors during the fiscal year 2016-2017 (with the Board of Directors increasing from 7 to 13 members at the time, and comprising 12 at present), our Shareholders have not been asked to vote on an increase in the value of the directors' fees which can be awarded to our directors other than the Chairman of the Board of Directors since 2012.

Therefore, at our most recent Shareholders' General Meeting held on July 26, 2018, our Shareholders were asked to re-assess the overall annual amount of the directors' fees allocated to our Board of Directors, by setting this at €720,000 from the fiscal year beginning on April 1, 2018.

This proposal was adopted and therefore applies until a new resolution is adopted by the Shareholders' General Meeting (see in this respect the increase proposed to the Shareholders' General Meeting to be convened in September 2020).

Our Shareholders' also agreed that those amounts owed by our Company in respect of (i) the share of any potential social security payments and contributions and (ii) any company contributions for which our Company is responsible on the basis of the payment of directors' fees to its directors, shall not be included in this €720,000 envelope. These shall therefore be paid in addition by our Company.

B. Compensation paid

Please note that, in accordance with the rules regarding the distribution of the Envelope awarded to directors, our Chief Executive Officer, Paul Boudre, has not received any directors' fees for the last 3 fiscal years.

The Chairman of the Board of Directors, Éric Meurice, received compensation for the performance of his duties as Chairman of the Board of Directors equal to €50,000 gross as well as compensation pursuant to his participation in the Board meetings and certain Committees.

During the 2019-2020 fiscal year, the total amount of the Budget allocated to the other directors totaled \leqslant 627,035 (gross), compared with \leqslant 557,550 (gross) for the previous fiscal year ended on March 31, 2019.

Details of these payments are shown in the table below:

C. Table 3 of the AMF position-recommendation no. 2009-016

) Table summarizing the compensation paid to our non-executive corporate officers (in euros)

	Amount paid on the basis of the 2018-2019 fiscal year	Amount paid on the basis of the 2019-2020 fiscal year
Monica Beltrametti Compensation paid on the basis of his/her position as member of the Board of Directors and of Committees Other compensation	68,147	24,224
Françoise Chombar Compensation paid on the basis of his/her position as member of the Board of Directors and of Committees Other compensation	-	26,746
Bpifrance Participations (represented by Sophie Paquin) Compensation paid on the basis of his/her position as member of the Board of Directors and of Committees Other compensation	52,000	42,508 -
CEA Investissement (represented by Guillemette Picard) Compensation paid on the basis of his/her position as member of the Board of Directors and of Committees Other compensation	49,111 -	39,619 -
Laurence Delpy Compensation paid on the basis of his/her position as member of the Board of Directors and of Committees Other compensation	95,000	93,143
Shuo Zhang Compensation paid on the basis of his/her position as member of the Board of Directors and of Committees Other compensation	-	41,605
Nadine Foulon-Belkacémi Compensation paid on the basis of his/her position as member of the Board of Directors and of Committees Other compensation	69,908	18,973
Nabeel Garreb Compensation paid on the basis of his/her position as member of the Board of Directors and of Committees Other compensation	17,096 -	N/A N/A
Christophe Gegout Compensation paid on the basis of his/her position as member of the Board of Directors and of Committees Other compensation	65,286 -	66,111
Éric Meurice Compensation paid on the basis of his/her position as member of the Board of Directors and of Committees Other compensation	40,661	155,547 -
Satoshi Onishi Compensation paid on the basis of his/her position as member of the Board of Directors and of Committees Other compensation	18,571 -	20,222
Thierry Sommelet Compensation paid on the basis of his/her position as member of the Board of Directors and of Committees Other compensation	-	0
Weidong (Leo) Ren Compensation paid on the basis of his/her position as member of the Board of Directors and of Committees Other compensation	59,841 -	1,971 -
Kai Seikku Compensation paid on the basis of his/her position as member of the Board of Directors and of Committees Other compensation	-	47,676 -
Qingyu (Jeffrey) Wang Compensation paid on the basis of his/her position as member of the Board of Directors and of Committees Other compensation	-	31,434
TOTAL	535,621	609,779

3.2.4.2 Travel costs

Travel costs incurred by our directors in the performance of their duties will be reimbursed by our Company, upon presentation of receipts.

Compensation

3.2.5 COMPENSATION AND ALL BENEFITS OF OUR EXECUTIVE COMMITTEE (EXCOM) MEMBERS

As of March 31, 2020, our Executive Committee (EXCom) had 11 members, excluding corporate officers (11 as of March 31, 2019), resulting in an average headcount of 10.5 over the year. The total gross compensation paid by our Group to members of the ExCom, excluding corporate officers, and including direct and indirect benefits of executives was €7,625 thousand for the fiscal year ended March 31, 2020.

(in € thousand)	March 31, 2020	March 31, 2019
Short-term benefits and remunerations	3,796	3,499
Post-employment benefits		
Accounting valuation of share-based payments	3,829	4,043
TOTAL GROSS REMUNERATION PAID TO GROUP EXECUTIVES	7,625	7,542

3.2.6 INTERESTS HELD BY OUR ADMINISTRATIVE AND MANAGEMENT BODIES

3.2.6.1 Interests in our Company's share capital held by the administrative and management bodies

Number of Company shares held by the administrative and management bodies

At June 10, 2020, our administrative and management bodies owned the following number of shares making up our share capital:

Full name/Company name	Capacity	Number of shares owned
Éric Meurice	Chairman of the Board of Directors	1,000
Paul Boudre	Chief Executive Officer and Director	41,100
Françoise Chombar	Director	0
Bpifrance Participations (represented by Sophie Paquin)	Director	3,636,007
CEA Investissement (represented by Guillemette Picard)	Director	3,636,007
Laurence Delpy	Director	675
Shuo Zhang	Director	0
Christophe Gegout	Director	0
Satoshi Onishi	Director	100
Kai Seikku	Director	2,000
Thierry Sommelet	Director	0
Jeffrey Wang	Director	0

3.2.7 AMOUNTS PROVISIONED BY OUR GROUP FOR THE PAYMENT OF PENSION, RETIREMENT OR SIMILAR BENEFITS

In addition to compulsory supplementary schemes, our Company has set up the schemes described below for all or certain employees of our Company as well as for our Chief Executive Officer, Paul Boudre.

These schemes are compliant with the recommendations of the AFEP-MEDEF Code about supplementary retirement schemes for the corporate officers.

• Article 83 — Supplementary defined contribution retirement scheme:

Within this retirement scheme, the rights are individualized according to the contribution rate. This plan benefits all employees of the Soitec's Economic and Social Unit.

Our Company's commitment is limited to the payment of its share of contributions to the insurance company which manages the plan.

The rights are vested even in case of resignation or dismissal.

On retiring, annuity settlement is compulsory.

In case of death before retirement, the designated beneficiary shall receive a capital lump sum.

In case of death after retirement, if the reversion has been chosen, all or part of the pension is paid to the partner in life or to other beneficiaries if the agreement so provides.

The cost of this scheme is borne 100% by our Company via contributions to tranches A, B and C of compensation (3.07%, 3.43% and 4.71% respectively).

Paul Boudre benefits from this plan under the same conditions as employees, up to the tranche C cap of his compensation, *i.e.* \le 12,730.71 for the 2019-2020 fiscal year.

 Article 39 — Supplementary defined benefits pension scheme set up for certain senior executives (of which there are 8 as of December 31, 2019) and for Paul Boudre (closed and frozen scheme):

This is a defined benefit collective pension plan, mentioned in Article L. 137-11 of the French Social Security Code, implemented with effect from October 1, 2004 and financed by our Company.

This plan applies to certain senior executives (senior executives III C and corporate officers).

To be eligible for a pension under this plan, beneficiaries must be at least 60 years of age and must have settled their pensions of social and complementary security AGIRC-ARRCO. The benefit of this supplementary scheme is subject to a condition of presence of the

beneficiary in our Company at the time when he or she claims his or her rights: the rights relating to defined benefits are lost in the event of leaving our Company before retirement. However, this presence condition does not apply in the event of early retirement, disability or the departure of a beneficiary over 55 years at our Company's initiative, with no return to work until retirement.

Entitlements under this plan are expressed as a percentage of a reference salary equal to the last gross annual compensation paid during the last 12 months prior to leaving our Company, excluding exceptional compensation or bonuses.

This pension plan provides its beneficiaries with a pension equal to 9.80% of the reference salary, after deduction of the pension paid by the defined contribution plan.

On retiring, annuity settlement is compulsory.

This plan is entirely financed by our Company through premiums paid on an insurance contract (external management). These premiums are subject to the specific contribution to be paid by our Company as provided for in Article L. 137-11 of the French Social Security Code, at a rate of 24%.

In accordance with the provisions of Order No. 2019-697 as of July 3, 2019, this scheme has been closed since July 4, 2019 (there is therefore no longer potential new beneficiaries since that date) and the rights of the beneficiaries were frozen as from December 31, 2019 (no additional rights under this supplementary defined benefit pension could be granted for periods of employment after January 1, 2020).

Paul Boudre benefits from this plan under the conditions described above (conditions identical to those of the beneficiary employees, without any additional benefit). At the closing date of the 2019-2020 financial year, the estimated amount of the pension that may be paid to Paul Boudre under the "Article 39" plan is \le 104 thousand, compared to \le 98 thousand at the closing date of the financial year 2018-2019.

On March 31, 2020, the sums provisioned by our Company for the purpose of the payment to Paul Boudre of pension, retirement, or other benefits totaled to \leq 2997 thousand, compared to \leq 2,649 thousand for the previous fiscal year.

At the same date, provisions for the payment of pensions, retirement or other benefits for the seven employees eligible to this scheme amounted to $\{2,880 \text{ thousand}, \text{ compared with } \{2,447 \text{ thousand for the previous year.} \}$

3.3 REGULATED AGREEMENTS AND DAY-TO-DAY AGREEMENTS ENTERED INTO UNDER NORMAL TERMS AND CONDITIONS

3.3.1 REGULATED AGREEMENTS

In accordance with Article L. 225-40 of the French Commercial Code, every director must inform our Board of Directors immediately upon knowing of any agreement covered by Article L. 225-38 of the French Commercial Code.

In such cases, directors must abstain from our Board of Directors' vote to authorize the signing of such an agreement.

The Chairman of our Board of Directors informs our statutory auditors about any agreements authorized and concluded and submits them to our Shareholders' General Meeting for approval. Our statutory auditors then present a special report on these agreements to our shareholders for their approval.

The directors concerned may not take part in the vote on the resolution put to the Shareholders' General Meeting and their shares are not taken into account to calculate quorum and majority.

3.3.1.1 Regulated agreements and commitments entered into during the fiscal year ended March 31, 2020

No regulated agreements were entered into during the 2019-2020 fiscal year.

3.3.1.2 Regulated agreements and commitments previously entered that continued during the fiscal year ended March 31, 2020

A. With the French Atomic Energy and Alternative Energy Commission (Commissariat à l'énergie atomique et aux énergies alternatives - CEA)

On July 27, 2018, with the authorization of our Board of Directors on December 14, 2017, our Company signed a new multi-year framework R&D partnership agreement with CEA.

Its purpose is to set the modalities of execution of R&D work in collaboration between the CEA and our Company.

It has been entered into retroactively from January 1, 2018 and for five-year term, i.e. until December 31, 2022.

Pursuant to the agreement, the CEA invoiced our Company €7,344,000 during the fiscal year ended March 31, 2020.

The persons concerned by this agreement include:

Identity	Reason	Applicable article of the French Commercial Code
CEA	 Company controlling one of the shareholders of our Company, holding more than 10% of the voting rights (in this case, CEA Investissement) 	L. 225-38 paragraph 1
CEA Investissement	 Director of our Company, appointed on the proposal of the CEA Shareholder of our Company holding more than 10% of the voting rights, controlled by the CEA 	L. 225-38 paragraph 2
Christophe Gegout	 Director of our Company, appointed on the proposal of the CEA Deputy Managing Director of CEA (until October 2018) 	L. 225-38 subparagraphs 2 and 3

With the French atomic energy and alternative energies agency (CEA)

On July 27, 2018, with the authorization of our Board of Directors on December 14, 2017, our Company signed a patent and know-how communication licensing agreement with the CEA for the production and sale of substrates.

Its purpose is to set the terms for use of the patents and know-how.

It was signed with a retroactive effect on January 1, 2017 and will expire at the latest on December 31, 2027 or the date of expiry of the last patent or the last know-how under this agreement.

Pursuant to the agreement, the CEA invoiced our Company €4,959,572.75 during the fiscal year ended March 31, 2020.

The persons concerned by this agreement include:

Identity	Reason	Applicable article of the French Commercial Code
CEA	 Company controlling one of the shareholders of our Company, holding more than 10% of the voting rights (in this case, CEA Investissement) 	L. 225-38 paragraph 1
CEA Investissement	 Director of our Company, appointed on the proposal of the CEA Shareholder of our Company holding more than 10% of the voting rights, controlled by the CEA 	L. 225-38 paragraph 2
Christophe Gegout	 Director of our Company, appointed on the proposal of the CEA Deputy Managing Director of CEA (until October 2018) 	L. 225-38 subparagraphs 2 and 3



C. With Shanghai Simgui Technology Co. Ltd. (Simgui)

On January 17, 2019, with the authorization of our Board of Directors on November 28, 2018, our Company signed an Amended and restated license and technology transfer agreement with Simgui.

Its purpose is to allow Simgui, as part of an increase in production capacity for 200-mm SOI wafers to produce in China and sell these products

exclusively to our Company for the global market using our Smart Cut^{\bowtie} technology.

It has been entered into retroactively from December 27, 2018, and for a six-year term, *i.e.* until December 26, 2024.

Pursuant to the agreement, our Company did not invoice Simgui during the fiscal year ended March 31, 2020. The persons concerned by this agreement include:

Identity	Reason	Applicable article of the French Commercial Code
National Silicon Industry Group (NSIG)	 Group controlling one of the shareholders of our Company, holding more than 10% of the voting rights (in this case, NSIG Sunrise S.à.r.l.) and Simgui 	L. 225-38 paragraph 2
Qingyu (Jeffrey) Wang	 Director of our Company, appointed on the proposal of the NSIG Chief Executive Officer and Director of Simgui Executive Vice-President of NSIG controlling NSIG Sunrise S.à.r.l. and Simgui 	L. 225-38 paragraph 2
Kai Seikku	 Director of our Company, appointed on the proposal of NSIG Executive Vice-President at NSIG controlling NSIG Sunrise S.à.r.l. and Simgui 	L. 225-38 paragraph 2
Weidong (Leo) Ren	 Director of our Company, appointed on the proposal of NSIG (until May 7, 2019) Executive at NSIG (until March 2019) controlling NSIG Sunrise S.à.r.l. and Simqui 	L. 225-38 paragraph 2

D. With Shanghai Simgui Technology Co. Ltd. (Simgui)

On January 17, 2019, with the authorization of our Board of Directors on November 28, 2018, our Company signed an Amended and restated SOI supply agreement with Simgui for the supply of SOI wafers.

Its purpose is the supply of SOI wafers manufactured by Simgui to our Company in accordance with the terms of the licensing and technology transfer agreement indicated in paragraph 3 above.

It has been entered into retroactively from December 27, 2018, and for six-year term, *i.e.* until December 26, 2024.

Pursuant to the agreement, Simgui invoiced our Company \$45,505,546.80 during the fiscal year ended March 31, 2020.

The persons concerned by this agreement include:

Identity	Reason	Applicable article of the French Commercial Code
National Silicon Industry Group (NSIG)	 Group controlling one of the shareholders of our Company, holding more than 10% of the voting rights (in this case, NSIG Sunrise S.à.r.l.) and Simgui 	L. 225-38 paragraph 2
Qingyu (Jeffrey) Wang	 Director of our Company, appointed on the proposal of the NSIG Chief Executive Officer and Director of Simgui Executive Vice-President of NSIG controlling NSIG Sunrise S.à.r.l. and Simgui 	L. 225-38 paragraph 2
Kai Seikku	 Director of our Company, appointed on the proposal of NSIG Executive Vice-President at NSIG controlling NSIG Sunrise S.à.r.l. and Simgui 	L. 225-38 paragraph 2
Weidong (Leo) Ren	 Director of our Company, appointed on the proposal of NSIG (until May 7, 2019) Executive at NSIG (until March 2019) controlling NSIG Sunrise S.à.r.l. and Simgui 	L. 225-38 paragraph 2

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E. With Shanghai Simgui Technology Co. Ltd. (Simgui)

On January 17, 2019, with the authorization of our Board of Directors on November 28, 2018, our Company signed an "Amended and restated bulk supply agreement" with Simgui for the supply of raw materials.

Its purpose is the supply of raw materials for the production of SOI wafers by our Company to Simgui in accordance with the terms of the licensing and technology transfer agreement indicated in paragraph 3 above.

It has been entered into retroactively from December 27, 2018, and for six-year term, *i.e.* until December 26, 2024.

Pursuant to the agreement, our Company invoiced Simgui 19,060,494.90 during the fiscal year ended March 31, 2020.

The persons concerned by this agreement include:

Identity	Reason	Applicable article of the French Commercial Code
National Silicon Industry Group (NSIG)	 Group controlling one of the shareholders of our Company, holding more than 10% of the voting rights (in this case, NSIG Sunrise S.à.r.l.) and Simgui 	L. 225-38 paragraph 2
Qingyu (Jeffrey) Wang	 Director of our Company, appointed on the proposal of the NSIG Chief Executive Officer and Director of Simgui Executive Vice-President of NSIG controlling NSIG Sunrise S.à.r.l. and Simgui 	L. 225-38 paragraph 2
Kai Seikku	 Director of our Company, appointed on the proposal of NSIG Executive Vice-President at NSIG controlling NSIG Sunrise S.à.r.l. and Simgui 	L. 225-38 paragraph 2
Weidong (Leo) Ren	 Director of our Company, appointed on the proposal of NSIG (until May 7, 2019) Executive at NSIG (until March 2019) controlling NSIG Sunrise S.à.r.l. and Simqui 	L. 225-38 paragraph 2

F. With the companies Bpifrance Participations, CEA Investissement and NSIG Sunrise S.à.r.l.

The execution of the Shareholders' Agreement dated March 7, 2016 as amended by the amendment dated April 29, 2016, signed between our Company and its three strategic investors, Bpifrance Participations, CEA Investissement and National Silicon Industry Group/NSIG Sunrise S.à.r.l., previously authorized by the Board of Directors on March 3, 2016, continued throughout the fiscal year ended March 31, 2020.

Our three major shareholders effectively retained their respective equity interests in our Company throughout the fiscal year.

This shareholders agreement primarily relates to the organization of our Company's corporate governance.

Those impacted by the shareholder agreement are:

Identity	Reason	Applicable article of the French Commercial Code
Bpifrance Participations	 Shareholder of our Company holding more than 10% of the voting rights Director of our Company 	L. 225-38 paragraph 1
Thierry Sommelet	Director of our Company, appointed on the proposal of Bpifrance	L. 225-38 paragraph 2
CEA Investissement	 Shareholder of our Company holding more than 10% of the voting rights Director of our Company 	L. 225-38 paragraph 1
Christophe Gegout	 Director of our Company, appointed on the proposal of the CEA Deputy Managing Director of CEA (until October 2018) Chairman of the Board of Directors of CEA Investissement (until October 2018) 	L. 225-38 paragraph 2
NSIG Sunrise S.à.r.l.	Shareholder of our Company holding more than 10% of the voting rights	L. 225-38 paragraph 1
Qingyu (Jeffrey) Wang	 Director of our Company, appointed on the proposal of NSIG Executive Vice-President at NSIG controlling NSIG Sunrise S.à.r.l. 	L. 225-38 paragraph 2
Kai Seikku	 Director of our Company, appointed on the proposal of NSIG Executive Vice-President at NSIG controlling NSIG Sunrise S.à.r.l. 	L. 225-38 paragraph 2
Weidong (Leo) Ren	 Director of our Company, appointed on the proposal of NSIG (until May 7, 2019) Manager within NSIG controlling NSIG Sunrise S.à.r.l. (until March 2019) 	L. 225-38 paragraph 2

3.3.2 RELATED-PARTY AGREEMENTS BETWEEN OUR CORPORATE OFFICERS AND/OR SHAREHOLDERS WITH OVER 10% OF VOTING RIGHTS AND ONE OF OUR SUBSIDIARIES

In accordance with Article L. 225-37-4, 2° of the French Commercial Code, please note that during the fiscal year ended March 31, 2020, there were no agreements on non-current transactions or concluded under abnormal conditions, either directly or by way of an intermediary, between any of our corporate officers or shareholders with more than 10% of our voting rights and one of our subsidiaries.

As a reminder, the agreements mentioned below concluded or renewed by our Company during the 2019-2020 fiscal year resulted in monetary flows to or from our subsidiaries.

Shin-Etsu Handotaï Co. Ltd.

Since the close of the fiscal year ended March 31, 2015, an €18 million pledge on inventories has been granted to Shin-Etsu Handotaï Co. Ltd.

During the year ended March 31, 2020, purchases of raw materials from Shin-Etsu Handotaï represented €185,276 thousand (€132,715 thousand in the year ended March 31, 2019). A multi-year contract has also been signed to guarantee the supply of raw materials over the next few years, for which an off-balance sheet commitment of \$30 million has been reported in the notes to the consolidated financial statements.

Our Group invoiced €3,599 thousand to Shin-Etsu Handotaï in respect of fiscal year 2019-2020 (€3,944 thousand for fiscal year 2018-2019).

Other related parties

In the 2019-2020 fiscal year, our Group paid the CEA $\[\in \]$ 7,344 thousand under the R&D contract ($\[\in \]$ 5,317 thousand in the 2018-2019 fiscal year) $\[\in \]$ 834 thousand under the newly signed hosting agreement and $\[\in \]$ 4,960 thousand in patent royalties ($\[\in \]$ 5,020 thousand in the 2018-2019 fiscal year). Our Group invoiced $\[\in \]$ 79 thousand for services provided ($\[\in \]$ 145 thousand as of March 31, 2019).

During the fiscal year, our Group paid Simgui \$45,500 thousand for the purchase of 200 mm SOI wafers (\$23,700 thousand in the 2018-2019 fiscal year)

Our Group invoiced Simgui \$19,100 thousand in silicon substrates (compared to \$19,300 thousand in the 2018-2019 fiscal year).

Our Group invoiced clean room services to Exagan, where our Company is a director represented by Chief Executive Officer Paul Boudre. These invoices amounted to \leq 393 thousand in 2019-2020 (up from \leq 404 thousand in 2018-2019).

As of March 31, 2020, our Executive Committee (EXCom) had 11 members, excluding corporate officers (11 as of March 31, 2019), resulting in an average headcount of 10.5 over the year. The total gross compensation paid by our Group to members of the ExCom, excluding corporate officers, and including direct and indirect benefits of executives was €7,625 thousand for the fiscal year ended March 31, 2020.

(in € thousand)	March 31, 2020	March 31, 2019
Short-term benefits	3,796	3,499
Post-employment benefits		
Accounting valuation of share-based payments	3,829	4,043
TOTAL GROSS REMUNERATION PAID TO GROUP EXECUTIVES	7,625	7,542

As of March 31, 2020, preferred shares were valued in accordance with IFRS 2. Over the 2019-2020 fiscal year, executives excluding corporate officers were allocated:

- 110,504 preferred shares under the "Topaz" plan;
- 12,771 free ordinary shares subject to performance conditions.

A further 969 shares were subscribed for under the "Jade 2020" plan.

The amount of the gross compensation allocated to corporate officers and non-employee directors is as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Short-term benefits	1,494	1,283
Post-employment benefits		
Termination benefits		
Accounting valuation of share-based payments	1,068	1,175
Total compensation awarded to corporate officers	2,562	2,458
Directors' fees	627	654
Reimbursement of travel expenses	65	52
Total compensation awarded to corporate officers and non-executive directors	3,254	3,164

During the fiscal year 2019-2020, 31,982 preferred shares were allocated to corporate officers under the "Topaz" plan.

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3.3.3 PROCEDURE FOR REVIEWING DAY-TO-DAY AGREEMENTS ENTERED INTO UNDER NORMAL TERMS AND CONDITIONS

In accordance with Article L. 225-39, paragraph 2 of the French Commercial Code following its modification by France's law no. 2019-486 of May 22, 2019 known as the PACTE law, at a meeting held on June 10, 2020, following discussions with our statutory auditors, the Board of Directors adopted a procedure for the review of day-to-day agreements entered into under ordinary terms and conditions.

This procedure is designed to provide certain details regarding the methodology used by our Group to regularly assess whether agreements relating to day-to-day activities entered into under ordinary terms and conditions (or "unrestricted agreements") are indeed compliant with this definition

Our review procedure for such unrestricted agreements takes into consideration the Guide published by the French national auditing body (*Compagnie nationale des Commissaires aux comptes*) on regulated and day-to-day agreements dated February 2014.

Ex-ante verification of unrestricted agreements

Our Legal Department must be informed immediately and in advance of the execution of any draft agreement by any one of the following individuals liable to have a direct or indirect interest in any agreement executed with a Group entity: the Chief Executive Officer, a Deputy Chief Executive Officer, a director, any shareholder holding more than 10% of the voting rights or, if a company, its controlling company as defined by Article L. 233-3 of the French Commercial Code ("related persons").

This information is required including when the agreement is liable to constitute an unrestricted agreement not subject to the procedure applicable to regulated agreements.

Further to this initial notice, any draft unrestricted agreement liable to be executed with related persons that has been identified is reviewed by our Legal Department.

If, upon completion of its assessment, the Legal Department considers that the agreement is liable to be considered as a regulated agreement, the corresponding procedure shall be carried out under the supervision of the Board of Directors and said agreement must receive prior authorization from the Board of Directors in accordance with the bylaws of our Company, with the internal regulation of the Board of Directors, and, more generally, with the provisions of Article L. 225-38 of the French Commercial Code

Ex-post verification of unrestricted agreements

An overview of all unrestricted agreements executed with related persons is provided by the Chief Financial Officer to the Soitec Disclosure Committee over the course of the previous half-year. The overview performed by Soitec Disclosure Committee is submitted to the Audit and Risks Committee.

Each year, the Audit and Risks Committee informs our Board of Directors on all unrestricted agreements with related persons executed during the previous tax year.

Related persons are not involved at any stage of the process in this possible reclassification.

Our Board of Directors reviews annually this process in compliance with laws and regulations. It may be updated, if necessary, to take into account any legislative or regulatory changes as well as the evolution of best practices in this area.

3.4 MODES OF PARTICIPATION IN OUR SHAREHOLDERS' GENERAL MEETINGS

Shareholders wishing to attend Shareholders' General Meetings in person may request an admission card as follows:

- for registered shareholders: each of our registered shareholders automatically receives a voting form, attached to the notice of meeting, which he or she must complete by stating whether he or she wishes to attend the Shareholders' General Meeting and obtain an admission card. They must then return it signed, using the prepaid reply envelope provided with the notice of meeting. Each of our registered shareholders may also decide to attend the Shareholders' General Meeting on the day of the meeting by heading directly to the desk specially set up for this purpose, carrying an identity document;
- for bearer shareholders: bearer shareholders must request that an admission card be sent to the authorized intermediary that manages their share account

Shareholders not attending Shareholders' General Meetings in person may choose between one of the following three attendance methods:

- postal vote:
- grant proxy to the Chairman of the Shareholders' General Meeting;
- grant proxy to one of our other shareholders, to their spouse or civil partner, or any other individual or legal entity of their choosing, pursuant to Article L. 225-106 of the French Commercial Code.

To exercise one of these three methods-, shareholders must take the following steps:

- for registered shareholders: registered shareholders must return the postal or proxy voting form, sent to them together with the notice of meeting, using the enclosed prepaid reply envelope;
- for bearer shareholders: bearer shareholders must request the postal or proxy voting form from the authorized intermediary who manages their share account, or from our Company (by mail sent to our registered office and addressed to the Legal Affairs Department, or by email to the address created especially for our Shareholders' General Meetings: shareholders-gm@soitec.com). In accordance with Article R. 225-75 of the French Commercial Code, this request must be received no later than six days prior to the date of the Shareholders' General Meeting. The postal or proxy voting form must be sent with a certificate of participation issued by the financial intermediary. It must be duly completed and signed by the shareholder, then returned to the financial intermediary at CACEIS.

Under no circumstances may the shareholder return both the proxy form and postal voting form. However, if the case arises, the proxy form will be taken into consideration, subject to the votes cast in the postal voting form, in accordance with paragraph 8 of Article R. 225-81 of the French Commercial Code.

To be taken into account, CACEIS must receive the postal voting form no later than three days prior to the date of the Shareholders' General Meeting.

CACEIS must receive the written appointments or revocations of mandates three calendar days prior to the date of the Shareholders' General Meeting.

The mandate granted for a Shareholders' General Meeting shall apply to any subsequent Shareholders' General Meetings convened with the same agenda, and may be revoked in the same manner as that required for the appointment of the proxy.

Pursuant to Article R. 225-79 of the French Commercial Code, the appointment and revocation of a proxy may also be notified by electronic means, in accordance with the following procedures:

- for pure registered shareholders: shareholders must send an email, including an electronic signature obtained from a third party certifier authorized under applicable statutory and regulatory conditions, to the email address created especially for our Shareholders' General Meeting. This email must contain the following information: Soitec Shareholders' General Meeting, date of the meeting, first and last name, address and CACEIS details, as well as the first and last name and address of the appointed or revoked proxy. The shareholder must confirm their request in writing with CACEIS;
- for administered registered or bearer shareholders: shareholders must send an email, including -an electronic signature obtained from a certifier authorized under applicable statutory and regulatory conditions, to the email address created especially for our Shareholders' General Meeting (shareholders-gm@soitec.com). This email must contain the following information: Soitec Shareholders' General Meeting, date of the meeting, first and last name, address and bank details, as well as the first and last name and address of the appointed or revoked proxy. The shareholder must ask their financial intermediary who manages their share account to send a written confirmation to CACEIS.

To ensure that proxy appointments or revocations issued *via* email are validly taken into account, CACEIS must receive confirmations no later than the day before the Shareholders' General Meeting at 3.00 pm, Paris time.

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3.5 SUMMARY OF THE AUTORIZATIONS RELATING TO CAPITAL INCREASES

Transactions/Shares concerned (Date of Shareholders' General Meeting)	Maximum amount	Use(s) (date)	Duration of the authorization (expiry date)
Companys' share repurchase program OEGM of 07/26/2019 – 21 st resolution	5% of the share capital Maximum €150 per share	2 allocations of treasury shares to employees as part of the liquidation of the PAT no. 1, PAT no. 2 and PAT no. 3 allocation plans: • one allocation on March 17, 2020, of 635 shares; and • one allocation on March 30, 2020, of 91 shares.	12 months (Shareholders' General Meeting called to approve the financial statements for the fiscal year ending on March 31, 2020)
Capital increase all securities included with PSR OEGM of 07/26/2019 – 22 nd resolution	In share capital* = €30 million ⁽²⁾ In debt securities** = €300 million ⁽³⁾	None	26 months (09/25/2021)
Capital increase, all securities included without PSR – offers to the public OEGM of 07/26/2019 – 23 rd resolution	In share capital* = €6 million ⁽⁴⁾ In debt securities** = €300 million ⁽³⁾	None	26 months (09/25/2021)
Capital increase, all securities included, without PSR – offerings referred to in Article L. 411-2 of the French Monetary and Financial Code (private placement) OEGM of 07/26/2019 – 24 th resolution	In share capital* = €6 million ⁽⁴⁾ In debt securities** = €300 million ⁽³⁾	None	26 months (09/25/2021)
Increase in the number of shares to be issued without preferential subscription rights - reserved for categories of persons who meet set criteria OEGM of 07/26/2019 – 25 th resolution	In share capital* = €6 million ⁽⁴⁾ In debt securities** = €300 million ⁽³⁾	None	18 months (01/25/2021)
Increase in the number of shares to be issued with or without PSR in case of excess demand (Greenshoe) OEGM of 07/26/2019 – 26 th resolution	Up to (i) 15% of the initial issue, and (ii) the ceiling(s) pursuant to the resolution used for the initial issue	None	26 months (09/25/2021)
Capital increase, all securities included without PSR - derogation rules for setting the issue price (unrestricted price) OEGM of 07/26/2019 – 27th resolution	Up to (i) 10% of share capital, and (ii) the ceiling(s) pursuant to the resolution used for the initial issue	None	26 months (09/25/2021)
Capital increase in payment for contributions in kind composed of shares or securities giving access to the capital OEGM of 07/26/2019 – 28th resolution	In share capital* = 10% of the share capital up to €6 million (4) In debt securities** = €300 million (3)	None	26 months (09/25/2021)
Capital increase by incorporating premiums, reserves, profits or other shares allowed to be capitalized OEGM of 07/26/2019 – 29 th resolution	Up to the limit (i) of the total reserves, premiums, or profits, and (ii) of €30 millions ⁽²⁾ (in carrying amount)	None	26 months (09/25/2021)
Capital increase in payment for contributions of shares made for a public exchange offer initiated by our Company OEGM of 07/26/2019 – 30 th resolution	In share capital* = €6 million ⁽⁴⁾ In debt securities** = €300 million ⁽³⁾	None	26 months (09/25/2021)
Capital increase by issue of shares or securities giving access to the capital reserved for members of company savings plans with elimination of PSR OEGM of 07/26/2019 – 31st resolution	In share capital* = €560,000 ⁽⁶⁾ and within the limit of 280,000 shares In debt securities** = €300 million ⁽³⁾	Issue of 206,007 OS (Decision of the CEO of 02/28/2020)	26 months (09/25/2021)
Allocation of free shares to employees and corporate officers without preferential subscription rights OEGM of 07/26/2019 – 32 nd resolution	5% of the share capital ⁽¹⁾ The allocation to corporate directors and officers must not exceed 20% of the total grant	One wave of 23,953 free OS allocated (Board meeting of 12/18/2019) One wave of 14,863 free OS allocated (Board meeting of 03/25/2020)	38 months (09/25/2022)
Authorization to grant free PS 2 OEGM of 07/26/2019 – 34 th resolution	Maximum of 400,000 PS 2	163,978 PS 2 granted under the Topaz no. 1 plan and 31,982 PS 2 granted under the Topaz no. 2 plan	38 months (09/25/2022)
Cancellation of shares acquired pursuant to the authorizations to buy back our Company's treasury shares OEGM of 07/26/2019 – 36 th resolution	10% of the share capital over a period of 24 months	None	12 months (Shareholders' General Meeting called to approve the financial statements for the fiscal year ended March 31, 2020)

Ceiling of 5% of share capital (as recorded on the date of the allocation decision by the Board of Directors) independent from the overall ceiling and sub-ceiling described in notes

⁽²⁾ unit (4) between the implementation in par value, applicable to all capital increase transactions that may result from the implementation of resolutions 22 to 31 of the OEGM of July 26, 2019. This ceiling of €30 million is in addition to the total nominal value of the capital increases related to the ordinary shares that may be issued in addition in order to preserve

^{2019.} This Celling of €30 inition is in addition to the total nonlinial value of the capital increases related to the ordinary shares that may be issued in addition to the total nonlinial value of the capital increase we the rights of securities of rights giving access to our Company's share capital.

Overall ceiling of €300 million in par value, applicable to all capital increase transactions described in note** below that may result from the implementation of resolutions 22 to 31 of the OEGM of July 26, 2019, except for resolution 29. This limit shall be increased, if applicable, by any redemption premium in excess of the par value.

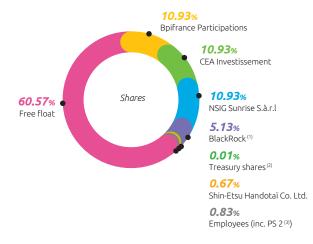
Overall sub-ceiling of €6 million in par value, applicable to all capital increase transactions resulting in a cancellation of the preferential subscription rights that may result from the implementation of resolutions 23 to 31 of the OEGM of July 26, 2018, except for resolution 29, which is not affected. This sub-ceiling of €6 million is in addition to the total nominal value of the capital increases related to the ordinary shares that may be issued in addition in order to preserve the rights of securities of rights giving access to our Company's share capital. This overall sub-ceiling of ϵ 0 million is charged against the overall limit of ϵ 30 million described in note (2) above.

Maximum amount of ϵ 560,000 offset against the overall ceiling of ϵ 30 million described in note (2) above.

Securities representing debt or equivalent securities giving access, immediately or in future, to the share capital of our Company.

3.6 SHARE CAPITAL

3.6.1 SHAREHOLDING STRUCTURE



- (1) Threshold crossing statement issued by BlackRock on June 2, 2020.
- (2) Shares without voting rights.
- (3) PS 2 with a par value of €2.00 each, not admitted to trading on a regulated market.

Our Company conducts a number of shareholder identification studies per year. The most recent was completed in May 2020.

Around 21.64% of the stock is held by the general public and institutional investors

21.64% Around 21.64% of shares in our Company are widely distributed among the public or held by institutional investors other than our 50 leading investors.

Stable employee shareholding, with potential to increase

0.83% The number of employee shareholders is stable and still has limited impact as of March 31, 2020, standing at 0.83%.

Employee share ownership may increase significantly over the coming months and years, due to the future unwinding of the free share allocation plans set up for our employees over the past three fiscal years.

Small portion of treasury shares

Our 4,351 $^{\rm (i)}$ treasury shares represent around 0.01% of the total number of shares.

Our three strategic investors



In May and June 2016, we completed two major capital increases, one of which was reserved for our three strategic investors.

Following these operations, these three companies each held 14.5% of our share capital, totaling 43.50%.

On June 28, 2017, they each sold an identical number of our shares to institutional investors. Following this private placement, their respective position was around 12%.

To date, our three strategic investors continue to represent a significant portion of our shareholding: each one holds 10.93% of our shares, bringing their total holding to 32.79%. Furthermore, they are each represented on our Board of Directors by two members:

Given that our three main shareholders are not acting in concert, as stated at the date of their Shareholders' Agreement on March 7, 2016 as amended on April 29, 2016, our Company is not in a controlled position.

Our long-standing shareholder



Shin-Etsu Handotaï, our long-standing Japanese partner and silicon supplier, is still one of our shareholders.

0.67%

One of our first shareholders, twenty-one years after our initial public offering, it holds a little under 0.67% of our share capital.

Shin-Etsu Handotaï is therefore our 4th largest registered shareholder.

Our Japanese partner is represented by one director on our Board of Directors.

Very strong growth of our top 50 institutional investors

In March 2018, our top 50 institutional investors represented 35% of our shareholders.

In March 2019, an analysis of the shareholding structure found that they held around 45% of our share capital.

43.86% The latest analysis, completed in May 2020, revealed that our top 50 institutional investors now collectively hold 43.86% of our shares.

Primarily located in Europe, the United -States and Asia, they overwhelmingly have a long-only strategy.

For more details, please refer to the Section 2.3.2 of this report.

⁽¹⁾ This amount takes into account the allocation on April 6, 2020 of 91 shares with retroactive effect to March 30, 2020.

Share capital

3.6.2 RIGHTS, PREFERENCES AND RESTRICTIONS ATTACHED TO OUR SHARES

3.6.2.1 Two different share classes

As of the conversion into ordinary shares on March 30, 2020, of the last preferred shares that were issued under the free preferred shares allocation plan (MIP) and renamed PS 1 on July 26, 2019, our share capital is comprised of two share classes:

- ordinary shares with a par value of €2.00 each, listed on the Euronext Paris regulated market under ISIN code FR0013227113 and ticker symbol "SOI": and
- PS 2 with a par value of €2.00 each, not admitted to trading on a regulated market.

The PS 2 were issued as part of a share capital increase on December 18, 2019.

3.6.2.2 Different voting rights

Simple voting rights

Voting rights are proportional to the capital represented by shares.

When Shareholders' General Meetings are held, each share carries one vote.

Double voting rights

Since the resolution adopted by our Combined Shareholders' General Meeting of November 30, 1998, Article 22 of our by-laws states that a double voting right shall be conferred on shares that have been held for at least two years by the same shareholder in the registered form.

In the event of a capital increase by incorporation of reserves, profits, or issue premiums, double voting rights are conferred as from the date of issuance on such registered shares allocated at for free to our shareholders, on the basis of previous shares for which such right was also granted.

This rule has applied since August 31, 2000.

The double voting right ceases for any share converted to bearer or subject to a transfer

Voting rights of our main shareholders

The exact number of voting rights held by our main and long-standing shareholders as of March 31, 2020, as well as their respective proportion of exercisable voting rights, are described in Section 2.3.2 of this report.

3.6.2.3 Amendments to shareholder rights under legal requirements

Decisions amending the by-laws of our Company in general are adopted by the Extraordinary Shareholders' General Meeting under the legal majority conditions required.

3.6.3 OUR THRESHOLD CROSSINGS AND OUR POSITION OF CONTROL

3.6.3.1 Threshold crossings over the past three fiscal years

A. Our thresholds crossings

To our knowledge, no individual or legal entity other than those referred to below, acting alone or in concert, directly or indirectly holds a number of shares in our Company representing more than 5% of our share capital or of our voting rights, and is therefore obliged to inform us in accordance with applicable domestic laws.

BlackRock, Inc.

Declaration date	Crossing direction	Threshold(s) crossed	Number of shares held after crossing of threshold	Percentage of capital declared	Number of voting rights held after crossing of threshold	Percentage of voting rights declared
06/02/2020	7	5% of our voting rights	1,705,907	5.13%	1,705,907	5.03%
05/21/2020	7	5% of our share capital	1,664,870	5.00%	1,664,870	4.91%

NSIG Sunrise S.à.r.l.

Declaration date	Crossing direction	Threshold(s) crossed	Number of shares held after crossing of threshold	Percentage of capital declared	Number of voting rights held after crossing of threshold	Percentage of voting rights declared
05/02/2018	7	15% of our voting rights	3,636,008	11.49%	6,321,106	19.66%
06/08/2018	7	20% of our voting rights	3,636,008	11.49%	7,272,015	20.84%
06/25/2018	> 2	20% and 15% of our voting rights	3,636,008	11.49%	3,708,767	10.63%

^{*} Data provided before -our reverse stock split effective on February 8, 2017.

CEA Investissement

Declaration date	Crossing direction	Threshold(s) crossed	Number of shares held after crossing of threshold	Percentage of capital declared	Number of voting rights held after crossing of threshold	Percentage of voting rights declared
05/02/2018	7	15% of our voting rights	3,636,007	11.49%	6,321,104	19.66%
05/28/2018	7	15% of our voting rights	3,636,007	11.49%	3,636,007	11.31%

^{*} Data provided before -our reverse stock split effective on February 8, 2017.

Caisse des Dépôts et Consignations, directly and indirectly via Bpifrance Participations

Declaration date	Crossing direction	Threshold(s) crossed	Number of shares held after crossing of threshold	Percentage of capital declared	Number of voting rights held after crossing of threshold	Percentage of voting rights declared
06/28/2017	٧	15% of our capital and voting rights	4,343,048	14.33%*	4,343,048	14.05%*

As at May 31, 2017.

B. Our crossing of thresholds set out in our by-laws

Article 11 of our bylaws provides for a threshold of 3% of the capital and voting rights above which -any holding must be disclosed to us.

GIC Private Limited

Declaration date	Crossing direction	Threshold(s) crossed	Number of shares held after crossing of threshold	Percentage of capital declared	Number of voting rights held after crossing of threshold	Percentage of voting rights declared
05/11/2018	7	3% of our capital	1,057,347	3.34%*	1,057,347	3.28%*
10/29/2019	7	3% of our capital	32,648,794	2.93%**	33,387,632	2.87%**

Amundi

Declaration date	Crossing direction	Threshold(s) crossed	Number of shares held after crossing of threshold	Percentage of capital declared	Number of voting rights held after crossing of threshold	Percentage of voting rights declared
09/07/2018	7	3% of our capital	968,113	3.06%	968,113	2.98%
09/14/2018	7	3% of our capital	947,303	2.99%	947,303	2.91%

BlackRock

Declaration date	Crossing direction	Threshold(s) crossed	Number of shares held after crossing of threshold	Percentage of capital declared	Number of voting rights held after crossing of threshold	Percentage of voting rights declared
09/12/2019	7	3% of our capital	1,150,160	3.52%	1,150,160	3.44%

3.6.3.2 Absence of control over our Company

Given that our three main shareholders are not acting in concert, as stated at the date of their Shareholders' Agreement on March 7, 2016 as amended on April 29, 2016, our Company is not in a controlled position.

To our knowledge, no shareholder directly or indirectly holds a portion of our share capital or voting rights granting it control over our Company.

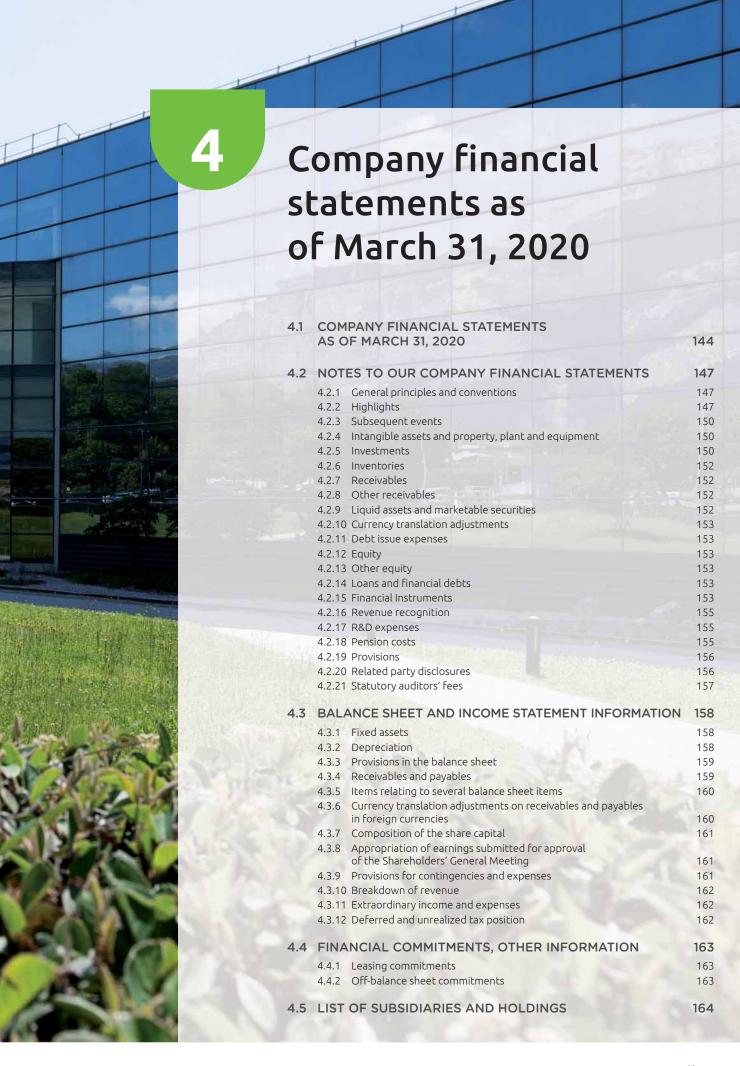
3.6.3.3 Change of control over our Company

To our knowledge, there is no agreement in place that could give rise to a change of control over our Company in the future.

In addition to the double voting rights, there is no provision in our Articles of Association, or any of our charters or regulations that could result in the deferral or prevention of a change of control over our Company.

As of March 31, 2018. As of August 31, 2019.







4.1 COMPANY FINANCIAL STATEMENTS AS OF MARCH 31, 2020

) Balance sheet

(in € thousand)	Amount (gross)	Depreciation, provisions	Net 03/31/2020	03/31/2019
Intangible assets				
Development costs	26,853	1,003	25,850	
Concessions, patents and similar rights	54,474	48,977	5,497	2,426
Other intangible assets	7,931	0	7,931	20,765
Tangible fixed assets				
Land	2,185	226	1,959	1,648
Buildings	7,210	4,331	2,879	3,156
Technical installations, equipment, tooling	226,145	188,299	37,846	36,635
Other property, plant and equipment	67,320	46,984	20,336	21,343
Property, plant and equipment in progress	27,064	0	27,064	27,722
Investments			0	
Shares in consolidated and non-consolidated companies	185,306	407	184,900	19,024
Receivables linked to investments	76,635	0	76,635	131,416
Other investments	758	248	510	518
Total non-current assets	681,881	290,475	391,406	264,655
Inventory and work-in-progress				
Raw materials, supplies	63,982	7,568	56,414	35,422
Work-in-progress of production of goods	14,427	1,342	13,085	12,001
Semi-finished and finished products	23,881	1,585	22,297	17,695
Goods	488	29	459	492
Advances, goods paid for on order	4,572	0	4,572	1,445
Receivables				
Customer receivables and related accounts (1)	123,483	74	123,409	130,132
Other receivables (1)	50,435	0	50,435	67,424
Miscellaneous				
Marketable securities (of which treasury shares)	20,004	0	20,004	45,004
Liquid assets (including cash instruments)	127,034	0	127,034	95,075
Adjustment accounts				
Prepaid expenses (1)	1,690	0	1,690	1,078
Current assets	429,996	10,597	419,398	405,766
Debt issue expenses to be written off (1)	1,577	0	1,577	2,062
Currency translation adjustments: Assets	690	0	690	2,097
GRAND TOTAL	1,114,144	301,072	813,072	674,580

(1) Portion at > 1 year [CR] 8,023 42,517

Company financial statements as of March 31, 2020

) Balance sheet: equity and liabilities

(in € thousand)	03/31/2020	03/31/2019
Share or individual capital (of which paid up 66,558)	66,558	62,762
Share premiums from issues, mergers and contributions	82,409	61,183
Statutory reserve	6,276	5,770
Other reserves (including purchase of original works of art)	23,116	26,304
Retained earnings	153,124	45,170
Net profit/(loss)	99,727	108,460
Regulated provisions	392	521
Equity	431,602	310,170
Advances with conditions	25,267	26,004
Other equity	25,267	26,004
Provisions for contingencies	2,506	3,855
Provisions for expenses	0	335
Provisions for contingencies and expenses	2,506	4,190
Convertible bonds	150,000	150,000
Borrowings and debt with credit institutions (1) (2)	31,282	32,602
Prepayments received on outstanding orders (1)	0	246
Trade and related payables (1)	82,461	59,027
Tax and social security payables (1)	42,599	55,276
Amount due on fixed assets and related accounts (1)	8,492	11,515
Other liabilities (1)	22,512	14,689
Treasury instruments	0	1,581
Pre-paid earnings (1)	14,018	8,897
Liabilities (1)	351,364	333,834
Currency translation adjustments: Liabilities	2,333	382
GRANT TOTAL	813,072	674,580
(1) Prepayments and deferred income < 1 year(2) Of which bank outstandings, bank credit balances, CCP	187,651 31,282	150,441 32,602





Company financial statements as of March 31, 2020

> Income statement (list form)

Sales of goode produced	Items (in € thousand)	France	Export	03/31/2020	03/31/2019
Sales of services provided 981 26,709 79,809 79,909 79,909 79,909 79,000 70					38,215
Net revenue					380,545
Production in inventory 1,875 12,515 12	•				
		64,322	513,034		
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4.2 NOTES TO OUR COMPANY FINANCIAL STATEMENTS

To the balance sheet before distribution of the fiscal year ended March 31, 2020, whose total amounted to €813,071,756.79 and to the fiscal year's income statement, presented in list form, whose total expenses is €635,189,935.270, total income is €734,917,127.91 and generating a net profit of €99,727,192.64.

The fiscal year has a duration of 12 months from April 1, 2019, to March 31, 2020.

The notes and tables presented below are an integral part of the annual financial statements.

Our Board of Directors will submit the following proposal for approval by our shareholders at the Shareholders' General Meeting to be held in September 2020:

• appropriate €379,513.15 to the legal reserve, bringing it up to 10% of the share capital, which would be increased from €6,276,207.05 to €6,655,720.20; and

• allocate the balance of €99,347,679.49 to "Retained earnings", which would be increased from €153,124,369.71 to €252,472,049.20.

Our annual financial statements were approved by the Board of Directors on June 10, 2020.

Accounting rules and methods and notes to the balance sheet

The general accounting rules have been applied in accordance with the principle of prudence, pursuant to the basic assumptions: going concern, consistency of accounting methods from one year to the next, independence of fiscal years, pursuant to the general rules of preparing and presenting annual financial statements.

The basic method used to value recorded items is the historical cost method

4.2.1 GENERAL PRINCIPLES AND CONVENTIONS

The financial statements were prepared in accordance with ANC Regulation no. 2014-03 of June 5, 2014, as updated by ANC Regulation no. 2018-07 of December 10, 2018 on the French general chart of accounts and French GAAP, as well as ANC Regulation 2015-05 on forward financial instruments and hedging transactions.

4.2.2 HIGHLIGHTS

Acquisition of EpiGaN nv

On May 13, 2019, Soitec announced that it had acquired 100% of the share capital of EpiGaN nv, 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 nv'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 \leq 30,479 thousand in cash, with part of the payment being deferred (\leq 2,540 thousand).

As of March 31, 2020, EpiGaN nv'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.

Employee shareholding plans

Conversion of preferred shares into ordinary shares

The Combined Ordinary and Extraordinary 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. Therefore, from July 26, 2016 onward, conditional rights to preferred shares had on several occasions been granted free of charge by the Board of Directors to employees and corporate officers of our Company.

At the end of the three-year period following the allocations made under this plan, 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 our Company's ordinary shares over the 30 trading days following the publication date of the last consolidated annual accounts, *i.e.* June 12, 2019.

On July 26, 2019, our Company converted 256,796 preferred shares with a par value of \le 0.10 into 1,248,019 newly issued ordinary shares with a par value of \le 2.00

On December 6, 2019, our Company converted 6,630 preferred shares with a par value of \leq 0.10 into 32,220 newly issued ordinary shares with a par value of \leq 2.00

On March 28, 2020, our Company converted 32,277 preferred shares with a par value of $\{0.10$ into 156,861 newly issued ordinary shares with a par value of $\{2.00$

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Company financial statements as of March 31, 2020



Notes to our Company financial statements

Allocation of free shares

In the context of the authorizations granted by the Combined Shareholders General Meeting held on July 26, 2019, the Board of Directors of our Company, at a meeting held on December 18, 2019, resolved to grant a total of 23,953 ordinary shares to the employees and corporate officers of our Company and its affiliates within the meaning of Article L. 225-197-2 of the French Commercial Code.

Then, at its meeting on March 25, 2020, the Board of Directors of our Company allocated 14,863 ordinary shares to the employees and corporate officers of our Company and its affiliates within the meaning of Article L. 225-197-2 of the French Commercial Code.

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

These allocations are accompanied by:

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

"Topaz" co-investment plan

The Extraordinary Shareholders' General Meeting of July 26, 2019 created a new category of preferred shares (PS 2) convertible into ordinary shares 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 (resolution no.33).

Based on the delegation granted by the Extraordinary Shareholders' General Meeting of July 26, 2019 (resolution no.34), the Board of Directors decided on December 18, 2019 to grant Topaz's participants with 195,960 PS 2 (including 31,982 PS2 to Mr. Paul Boudre, Chief Executive Officer of the Company).

Subject to a presence condition, such PS 2 granted for free will be definitively acquired by each Topaz's participants at the end of three acquisition periods:

- 40% of the PS 2 granted on December 18, 2019 will be definitively acquired on December 18, 2020;
- 30% of the PS 2 granted on December 18, 2019 will be definitively acquired on August 1, 2021; and
- 30% of the PS 2 granted on December 18, 2019 will be definitively acquired on August 1, 2022.

Based on the delegation granted by the Extraordinary Shareholders' General Meeting of July 26, 2019 (resolution no.35), the Board of Directors decided on December 18th, 2019 a share capital increase of the Company through the issue of PS 2. In this context, Topaz's participants subscribed for 97,980 PS 2 (including 15,991 PS2 subscribed for by Mr. Paul Boudre, Chief Executive Officer of the Company) at a unit price of €84.17, as determined by an external independent accountant). Such subscription generated a share capital increase of €8,247 thousand on December 18, 2019.

"Jade 2020" shared-based employee savings plan

Further to a delegation of authority granted by the Shareholders' General Meeting on July 26, 2019, the Board of Directors decided on the same date to issue ordinary shares to employees having joined a Company savings plan. The transaction, entitled "Jade 2020", consists of a single leveraged offer with guaranteed capital. Employees of our Company have the option to subscribe, *via* a company mutual fund, for a certain number of ordinary shares with a 30% discount. Those subscribing for the offer must retain the units in our Company mutual fund for five years, *i.e.* until February 28, 2025, other than in the event of a case of early release.

206,007 ordinary shares in our Company were subscribed for by employees and the structuring bank, leading to an increase of €14,013 thousand in the share capital. The subscription price (€68.03) was calculated on the basis of the average price from the 20 stock market trading sessions prior to January 23, 2020, after application of a 30% discount.

Free shares allocation plans for our employees

Our Board of Directors of March 28, 2018 set up two free ordinary share allocation plans for all employees of our Company 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 (170,247 shares) were vested by beneficiaries subject to continued employment by our Company on the first working day following March 28, 2020.

Summary of the capital increases

Further to these transactions, the share capital is now comprised of 33,180,921 ordinary shares with a par value of $\[\]$ 2.00 each and 97,980 preferred shares (PS 2) with a par value of $\[\]$ 2.00 each, *i.e.* a total of $\[\]$ 66.557.802.

Increase in the POI production capacity at Bernin 3

On September 13, 2019, our Company announced an increase in production capacity for its piezoelectric-on-insulator (POI) substrates at Bernin 3 in order to meet the growing demand from customers for 4G and 5G smartphone filters. 4G and 5G networks use an increasing number of frequencies to enable the fast transmission of data. 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.

Next-generation silicon carbide substrates joint development program with Applied Materials

Further to the announcement of a joint development program with Applied Materials, a pilot line dedicated to innovative silicon carbide substrates is currently being installed at the Substrate Innovation Center on the CEA-Leti site. Our Group expects to deliver the first samples of silicon carbide substrates produced using its Smart Cut[™] technology in the second half of 2020. The aim is to overcome challenges relating to the supply, yield, and cost of silicon carbide substrates in order to meet the growing demand generated by electric car, telecommunications, and industrial application requirements.

A long-term loan of €200 million by the Banque des Territoires

On March 27, 2020, our Company was granted a €200 million 12-year loan from the Banque des Territoires (Caisse des Dépôts Group) pursuant to the *Programme d'investissements d'avenir* (PIA) as part of the Nano 2022 plan. Drawdowns from this credit line will be staggered over the next few years to support both the financing of R&D programs and investments in first-time industrialization infrastructure projects in France.

The Nano 2022 support plan for technological developments up to their pre-industrialization phase, marks France's recognition of the importance of a solid, innovative electronic and microelectronic sector nationally to

improve industrial competitiveness. Nano 2022 is the French component of a very large Important Project of Common European Interest (IPCEI). Within this IPCEI, Soitec is one of the seven industrial leaders and coordinates technological projects related to "high energy efficiency electronic components".

Partial asset contribution to Soitec Lab

Soitec decided to dedicate a separate and wholly-owned R&D subsidiary named "Soitec Lab" to the management of all R&D activities carried out on the Leti site.

In the context of this strategy, our Company transferred to Soitec Lab, via a partial asset contribution governed by the legal regime applicable to demergers (defined in Articles L. 236-6-1 and L. 236-16 through L. 236-21 of the French Commercial Code), its "Partner Labs" business, consisting of all of the R&D activities carried out on the Leti site:

- the advanced prototype production service based on the Leti site (the Leti-Soitec line known as the "Substrate Innovation Center");
- the activities involving the finalization of procedures and prototypes based on the pilot development line to be set up at Leti, with joint financing from the Applied Materials Group ("Amat") (Amat-Soitec line for silicon carbide).

In accordance with the contribution agreement, the net assets contributed by Soitec to Soitec Lab amounted to €2,165,195.34 as of January 1, 2020.

In consideration of the Contribution, Soitec Lab was issued 999,000 shares with a par value of \le 1 each, fully paid-up, further to which Soitec increased its share capital by \le 999,000, taking it from \le 1,000 to \le 1,000,000 after the increase of a par value of \le 999,000 in addition to the creation of a contribution premium of \le 1,166,195.34.

On March 31, 2020, Soitec and Soitec Lab entered into a service agreement whereby: (i) Soitec Labs will provide R&D services to Soitec; (ii) Soitec Lab agreed to assign to Soitec the results and intellectual property rights generated by the R&D work carried out during an Interim Period (i) and (iii) the results generated by the R&D work and the intellectual property rights attached to the performance of agreements transferred in whole or in part to Soitec Lab in the context of the contribution are to be transferred to Soitec.

As of March 31, 2020, Soitec Lab registered an interim loss of \leqslant 377,198.92 corresponding to the cost of R&D work over the interim period. These costs were invoiced to Soitec as of March 31, 2020.

Restructuring of our assets held in Singapore

The restructuring is aimed at eliminating the past losses recorded by Soitec in Singapore, at moving forward with new investments and a new start from the Singapore manufacturing plant, and, finally, at redeploying Soitec's manufacturing activities in Asia. The plan provides for a complete reorganization of the balance sheet, as well as new financing and the creation of a new entity which could serve as a base for a future regional division in Singapore ("regional division").

As a reminder, on March 29, 2019, Soitec sold the receivable owed by Soitec Singapore to Soitec Asia Holding. The nominal value of the receivable was USD202.1 million.

The sale price of the receivable was set at USD142.9 million, which should reflect the fair market view of the receivable, the price that the independent parties would have agreed under similar circumstances.

Soitec then capitalized its subsidiary, Soitec Asia Holding, by incorporating the USD142.9 million receivable as consideration for the shares valued at €126.4 million.

Finally, Soitec sold the Soitec Singapore shares to its subsidiary Soitec Asia Holding for USD1. The provision relating to these shares, fully depreciated in the financial statements, *i.e.* €67.2 million, was reversed.

Managing the Covid-19 public health crisis

Our Company began the fiscal year 2020-2021 in a context of high economic uncertainty due to the coronavirus epidemic ("Covid-19") which started in China in December 2019 and spread globally since the end of February 2020. In the ensuing public health crisis, many countries have instituted confinement measures and placed restrictions on movement. The impact of the crisis on our business is, at this stage, hard to assess and will depend on its scale and duration as well as on the measures taken by all countries affected to combat the pandemic.

In these circumstances, our Company's top priority is the safety of its staff and partners, and a number of necessary measures have been taken at all affected facilities to ensure continuity of our Company's business in the best possible conditions in all countries where our Group operates. To date these measures have kept all production sites running and protected global supply and delivery chains.

Our Company is dealing with the crisis through action plans coordinated within the following crisis management units: sanitary measures, supply chain protection, employee support and information, and public relations.

Each of these specialized units reports on a regular basis to the business continuity unit, in real time to our Group's Executive Committee, and at regular intervals to the Board of Directors.

Each crisis management unit has set out Company-level policies pertaining to its remit and approved local measures adapted to the realities on the ground and the regulatory framework of every facility. Sanitary and distancing measures as well as the operational and organizational impact of the crisis are the subject of a continuous dialogue between management and employee representatives.

Meanwhile, our Group's analysts are closely tracking the semiconductor industry, studying all announcements by our customers and looking out for any changes in the composition of the ecosystem. This constant watch has enabled our Group to respond adequately and take the necessary measures to adapt our business.

This day-to-day management, coordinated at the level of our Group's various subsidiaries, makes it possible to adapt all of the measures as the health crisis evolves.

The Executive Management acknowledges the mobilization and responsiveness of all subsidiaries, sites and their employees, which reflects our Company's ability to meet these unprecedented challenges.

At the date of this report, the extent of the impact of the crisis on our Company's 2020-2021 earnings cannot yet be assessed. In general, all of the risks identified in Section 2.2 of this report must be considered in the light of the consequences of the Covid-19 epidemic and in particular regarding the "Global Pandemic" risk factor described in this document.

Tax inspection

Since December 24, 2019, Soitec's financial statements and all of its tax returns covering the period from April 1, 2016 to March 31, 2019 have been audited and the results subject to corporate income tax for the period from April 1, 2015 to March 31, 2016 that contributed to our Company's overall deficit have been audited in accordance with the provisions of Article L. 169 paragraph 7 of the Book of Tax Procedures.

Due to the exceptional situation related to the Covid-19 outbreak, audit operations are suspended until further notice.

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



4.2.3 SUBSEQUENT EVENTS

None

4.2.4 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets mainly include software that are recognized at purchase price and amortized on a straight-line basis over its estimated useful life of one to eight years, and includes development projects for €29,587 thousand, capitalized in accordance with Article 311-3.2 of the General Accounting Plan.

Development costs are capitalized if the following criteria are met:

- our Company has the intention and technical ability to complete the development project;
- it is highly probable that the future economic benefits attributable to the development costs will flow to our Group, generally evidenced by current orders or contracts;
- the costs can be measured reliably;
- our Company has the ability to use or sell the intangible asset;
- our Company has the necessary resources to complete the project.

R&D costs that do not fully meet the above criteria are recorded as expenses in the income statement of the fiscal year during which they are incurred.

Our Company has defined an eight-stage life cycle for R&D projects. Upon the completion of each stage (milestone), a decision is made to either continue or discontinue the project. The first five stages cover exploratory research (evaluation of technologies), while the following two phases correspond to product development, generally in conjunction with a

potential customer. The final stage involves high-volume industrialization of the product.

Costs incurred during exploratory research phases are recognized in the income statement, development costs are capitalized if they meet the criteria, otherwise they remain expensed. Costs incurred in the industrialization phase are recognized in cost of sales.

Prototype sales and subsidies (including the research tax credit) relating to capitalized development costs are initially recorded as deferred income and then recognized in the income statement as and when the associated development costs are amortized.

Capitalized development costs, even if still in progress, are subject to impairment tests at least once a year.

Property, plant and equipment are valued at their purchase cost. Depreciation of tangible assets is calculated following the straight-line method over their useful life estimated as follows:

Buildings, fixtures and fittings	15 to 30 years
Equipment and tooling	3 to 8 years
Other fittings and fixtures	5 to 10 years
Transport equipment	5 years
IT and office equipment	3 to 7 years
Office furniture	5 to 10 years

4.2.5 INVESTMENTS

Financial fixed assets include equity investments, receivables attached to investments, deposits and bonds, and treasury shares.

The investments are valued at their historic purchase price. At the end of the fiscal year, a review of the value of the investments was carried out consisting of analyzing their book value, mainly based on the remeasured net asset value or on the realizable value of the companies concerned. The lower of historical cost or book value is used in the balance sheet.

Thus, the value of the investments of our subsidiaries was adjusted in accordance with the results of the valuation tests on the economic situation of each of the subsidiaries.

During the 2019-2020 fiscal year, our Company invested or increased its equity stake:

- 30,479 thousand in cash at EpiGaN nv, a part of which (€2,540 thousand) is deferred; please refer to highlights of the year. Soitec also carried out a capital increase of €5 million, partially paid up to €1,250 thousand;
- Technocom 2, by €175 thousand;
- Technocom 3, by €1,000 thousand;
- in Frec|n|sys by €1,124 thousand through current account incorporation;
- Dolphin Design by €300 thousand;
- in Soitec Asia Holding for €126.4 million through current account incorporation; please refer to highlights;
- in Soitec Lab (formerly Soitec Newco 1) through a partial contribution of assets for an amount of €2,165.19 thousand; please refer to highlights.

> Summary of our Company's investments

Company	Gross value Impairment			Net value	
(in € thousand)	03/31/2020	04/01/2019	Change	03/31/2020	03/31/2020
Holding					
Soitec USA Holding Inc.	17	-		-	17
Soitec Japan Inc.	2,637	-	-	-	2,637
Soitec Microelectronics Singapore Pte Ltd.	0	67,197	(67,197)	0	0
Soitec Korea LLC	328	-	-	-	328
Soitec Corporate Services SAS	1	-	-	-	1
Soitec Trading Shanghai Co. Ltd.	102	-	-	-	102
Frec n sys SAS	2,949	-	-	-	2,949
Concentrix Holding SAS	100	-	-	-	100
Dolphin Design SAS	3,300	-	-	-	3,300
Soitec Asia Holding Pte Ltd.	126,393	-	-	-	126,393
Soitec Lab SAS (formerly Soitec Newco 1)	2,166	-	-	-	2,166
Soitec Newco 2 SAS	1	-	-	-	1
Soitec Newco 3 SAS	1	-	-	-	1
Soitec Newco 4 SAS	1	-	-	-	1
EpiGaN nv	34,441				34,441
Cissoid	340	340	-	340	0
Technocom*	3,350	344	(278)	67	3,283
Exagan SAS	1,438	-	-	-	1,438
Shanghai Simgui Technology Co. Ltd.	4,441	-	-	-	4,441
Greenwaves Technologies SAS	3,299	-	-	-	3,299
TOTAL	185,306	67,882	(67,475)	407	184,899

A reversal of the provision for impairment of the equity investment in Technocom 2 of \leqslant 344 thousand. A reversal of the provision for impairment of the equity investment in Technocom 3 of \leqslant 68 thousand.

During the year, our Company made a current account advance to its subsidiary Dolphin Design of €1.5 million. This advance will be interest-bearing.

> Summary of provisions for impairment of receivables on investments:

Company	Gross value		Impairment	pairment	
(in € thousand)	03/31/2020	04/01/2019	Change	03/31/2020	03/31/2020
Receivables from holdings					
Soitec Microelectronics Singapore Pte Ltd.	33	0	0	-	33
Soitec Asia Holding Pte Ltd.	74,013	-	-	-	74,013
Soitec Lab SAS	318	-	-	-	318
Frec n sys SAS	172	-	-	-	172
Dolphin Design SAS	2,100	-	-	-	2,100
TOTAL	76,635	0	0	0	76,635

As of March 31, 2020, our Company held a portfolio of 4,442 treasury shares (1).

	March 31, 2020
Number of treasury shares	4,442 (1)
Gross value (in € thousand)	377
Unrealized capital loss (in € thousand)	(68)

Company financial statements as of March 31, 2020



Notes to our Company financial statements

4.2.6 INVENTORIES

Inventories of raw materials, consumables and goods are valued at their purchase cost. A provision for impairment is booked for obsolete or surplus items.

Inventories of finished goods are valued at production cost except for those whose cost exceeds their selling price during the start-up phase of production and that of obsolete or surplus items.

A provision for impairment writes down the carrying amount of finished goods to their realizable value less proportionate selling expenses.

Semi-finished products are valuated using the same principles depending on their step of progress in the manufacturing process.

They are broken down as follows:

Inventory category (in € thousand)	Gross values	Amount of impairment	Net value
Raw materials	44,135	3,990	40,145
Consumables	19,847	3,578	16,269
In progress	14,427	1,342	13,085
Finished products	23,881	1,585	22,297
Goods	488	29	459
TOTAL	102,778	10,523	92,255

4.2.7 RECEIVABLES

Trade receivables, which generally fall due between 30 and 90 days, are recognized at face value.

These receivables are then carried at amortized cost, less any impairment losses on non-recoverable amounts. An impairment loss is recognized whenever there is an objective indication that our Company may not be able to recover its receivables. Identified non-recoverable receivables are written off in full.

The "Provision for impairment of doubtful receivables" item decreased by €230 thousand over the year to be written off as non-recoverable losses; These doubtful receivables concern the Lighting business, discontinued by our Company in 2016.

4.2.8 OTHER RECEIVABLES

Other receivables related to tax and social security receivables, as well as subsidy receivables amounting to \le 50.4 million.

Subsidy receivables are mainly composed of the following programs:

- "OCEAN12" for €1,018 thousand;
- "Nano 2022", amounting to €11,554 thousand.

The "State and local authorities" item includes a Research Tax Credit of €29,213 thousand, mainly composed of the 2016, 2019 and 2020 Research Tax Credits.

The 2016 research tax credit of €12,762 thousand, pre-financed with Bpifrance in the amount of €10,193 thousand, will be repaid in September 2020.

The competitiveness-employment tax credit (CICE) receivable as of March 31, 2020 amounted to €2,178 thousand, comprising CICE receivables from 2016 and 2018. 95% of this receivable is raised from Bpifrance, *i.e.* €2,117 thousand. Repayment is expected in September 2020 and 2022 respectively.

No income from the CICE was recorded since December 31, 2018.

4.2.9 LIQUID ASSETS AND MARKETABLE SECURITIES

Cash and cash equivalents primarily consist of interest-bearing accounts and term deposits readily convertible into cash that are not exposed to a significant interest rate risk.

Cash at bank is principally denominated in Euros (56% of the total) and in US dollars (44% of the total).

The amount of this item as of March 31, 2020 was €20 million for term deposits and €127 million for cash, compared to €45 million and €95 million respectively at the end of the previous year.

4.2.10 CURRENCY TRANSLATION ADJUSTMENTS

Expenses and earnings in foreign currencies are recorded at their average exchange value at the date of the transaction of the previous month.

Debts, receivables and cash in foreign currencies are recorded on the balance sheet at the exchange rate at the end of the fiscal year.

The difference resulting from this update of the value of debts and receivables in foreign currencies is recorded on the balance sheet as a "currency translation adjustment". Unrealized foreign exchange losses, which are not hedged, are subject to provisions for liabilities and charges. It amounted to €690 thousand at fiscal year-end.

4.2.11 **DEBT ISSUE EXPENSES**

Costs relating to the bond issue of €2,426 thousand will be amortized over five years. The amortization charge recognized for the past year amounted to €485 thousand.

4.2.12 EQUITY

As as of March 31, 2020, the number of shares issued by our Company was 33.278.901.

This includes 33,180,921 ordinary shares with a par value of \in 2 each and 97,980 preferred shares with a par value of €2 each.

Expenses related to the various capital increases and meeting the eligibility criteria have been reclassified as a deduction from the "share issue premium" item. The amount of the restatement amounted to €425.5 thousand.

4.2.13 OTHER EQUITY

During the year, our Company repaid €1,221 thousand of the advance received for the "Nanosmart" program, and made a payment of €484 thousand to finance its "Allégro" project.

4.2.14 LOANS AND FINANCIAL DEBTS

This item consists mainly of bonds convertible into new or existing shares (OCEANE) maturing on June 28, 2023, for an amount of €150 million.

As of March 31, 2020, our Company had available bank lines of credit of €65 million with six banks, of which €20 million had been drawn down at the end of March 2020 and are therefore included in short-term financial debt, in addition to the existing lines of credit relating to the pre-financing of the CIR and CICE, for a total amount of €31 million.

4.2.15 FINANCIAL INSTRUMENTS

Hedging derivative instruments

Our Company hedges its currency risk on some of its transactions denominated in US dollars and Japanese yen through derivatives (forward sales). These derivative instruments are solely designed to hedge currency risks on fixed commitments or highly probable future transactions.

Attributable transaction costs are recognized in the income statement when incurred.

In the absence of a hedging relationship, after initial recognition:

- realized gains and losses resulting from foreign exchange derivatives are recognized immediately in the income statement;
- net unrealized losses, calculated on an instrument-by-instrument basis, are fully provisioned; unrealized gains are not recognized in accordance with the principle of prudence.

If the instrument is used for hedging purposes, the income and expenses resulting from the use of these instruments are recorded symmetrically to the recording of the expenses and income from the hedged transactions:

• gains and losses resulting from derivatives used to hedge firm commitments or identifiable future transactions are deferred and taken into account in the valuation of the transaction concerned which occurs when it is unwound.

No provision for any risk on the futures market was recorded at the end of this fiscal year.

Company financial statements as of March 31, 2020

Notes to our Company financial statements

The following table shows the existing financial instruments as of March 31, 2020, and March 31, 2019, to hedge currency risks:

		March 31, 2020		March 31, 2019	
Type of contract (in € thousand)	Currency	Market value (net)	Hedged position	Market value (net)	Hedged position
Hedging of balance sheet items:		(1,142)		(3,295)	
of which eligible for hedge accounting (hedging of trade receivables)				(1,714)	
Forward sales	USD to EUR	(727)	73,932	(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	-	-	(690)	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	(415)	132,439	1	135
Options	USD to EUR	-	-	-	-
of which not eligible for hedge accounting:		-	-	-	-
Options	USD to EUR	-	-	-	-
TOTAL HEDGES		(1,142)		(3,295)	

The maturities of financial hedging instruments fall within the next 2020-2021 fiscal year and the first half-year of the 2021-2022 fiscal year.

The market value was estimated using one or more commonly used models.

Currency risk

Our Company's policy on exposure to currency risk on its future trading transactions is to hedge a substantial portion of the currency risk at the end of the fiscal year by using derivative instruments on the basis of operating budgets.

All of our Company's future cash flows are subject to detailed forecasts for the coming fiscal year, and the next four years as part of the Business Plan. The currency risks identified are hedged by forward sales or options contracts, in order to minimize the currency position.

Our Company's Cash Management Department is entitled to hedge the exchange rate on cash flow forecasts (taking into account available credit lines), based on cash flow forecasts using forward contracts or options.

The useful life of these instruments matches the settlement flows.

However, our policy is not to use instruments for speculative purposes.

The exchange rates of our Company's three main currencies as of March 31, 2020 were as follows:

- EUR/USD: €1 for USD1.0956 (and €1 for USD1.1235 as of March 31, 2019);
- EUR/JPY: €1 for JPY118.90 (€1 for JPY124.45 as of March 31, 2019);
- EUR/ZAR: €1 for ZAR19.61 (€1 for ZAR16.2642 as of March 31, 2019).

Credit risk

The financial instruments on which our Company potentially incurs a credit risk are mainly cash and trade receivables. Our Company has implemented a cash flow management policy with the objective of optimizing its

investments in short-term and low-risk financial liquid instruments. Our Company's cash is mainly invested with large international financial institutions.

Our Company markets its products to players in the semiconductor industry, mainly located in the United States, Asia and Europe. As of March 31, 2020, seven customers individually represented more than 5% of our Company's revenue, and together, accounted for 96% of the revenue. As of March 31, 2019, six customers individually represented more than 5% of our Company's revenue, and together, represented 84% of the revenue.

Our Company frequently assesses its customers' credit risk and financial position and allocates provisions for potential losses on receivables that cannot be recovered. The amount of these losses has remained very insignificant in recent years.

Equity risk

With the exception of its 4,442 $^{\rm (1)}$ treasury shares, our Company does not have any non-consolidated equity investments or investment securities traded on a regulated market.

Liquidity risk

Our Company's financing is based on long-term borrowing from capital markets (convertible bond issues and capital increases), finance leases for capital spending and confirmed credit lines.

Confirmed credit lines

As of March 31, 2020, our Company had bank credit lines worth €65 million from six banks. These credit lines are repayable in fine no later than March 2024. 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.

Declaration of the person responsible for the annual financial report

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Statutory Auditors' Report on our Company financial statements Statutory Auditors' Report on the Consolidated financial statements

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4.2.16 REVENUE RECOGNITION

Revenue recognition comes mainly from the sales of products. It is supplemented by license income. Revenue is recognized when it is probable that future economic benefits will flow to our Company and the revenue can be measured reliably.

The revenue recognition criteria vary depending on the nature of the services provided by our Company:

 sales of silicon wafers are recognized as revenue when the transfer of risks and benefits takes place pursuant to the terms and conditions of sale specified in customer contracts; our Company carries out an analysis of the criteria for the transfer of risks and benefits on sales relating to consignment stock transfer agreements This analysis ensures that the sale is recognized when the customer consumes the products or as soon as the products are delivered to the consignment stock; • 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.

As of March 31, 2020, deferred income consisted of royalties to be recognized in the income statement for \le 1.62 million, as well as sales of prototypes and research tax credits relating to capitalized development costs (for \le 5.5 million, \le 5.6 million and \le 1.3 million respectively).

4.2.17 R&D EXPENSES

R&D costs are recorded either in income statement or in balance sheet as intangible assets. Capitalized development costs are discussed in the "Intangible assets" section.

 $\ensuremath{\mathsf{R\&D}}$ costs recognized in income statement are essentially made up of the following:

- salaries and social charges;
- 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 related to maintaining and strengthening our Company's intellectual property rights.

This year, our Company recognized close to €21.15 million in R&D costs.

Provided that such agreements are signed and the administrative authorizations are obtained, the amounts received under the subsidy contracts are recognized as operating grants.

Support for R&D activities may also take the form of repayable advances.

Our Company receives research tax credits ("CIR").

The amount of the research tax credit granted is reduced by the grants collected during a calendar year for the projects concerned. The amount of the research tax credit received may thus vary from one period to the next depending on the level of grants received.

Research tax credits recorded in the financial statements for the 2019 calendar year totaled €14.2 million.

4.2.18 PENSION COSTS

Retirement indemnities and related benefits

French law provides for a payment of a lump-sum retirement indemnity. This indemnity is determined depending on the years of service and the level of compensation at the time of retirement. Only employees who reach retirement age while on our Company's headcount are entitled to this indemnity. Our Company has entered into an agreement to complementary statutory retirement benefits. The amount of the retirement commitment is treated as an off-balance sheet commitment.

Other pension plans

In addition to statutory benefits, our Company has granted a complementary pension plan to certain employees. This defined benefit plan is managed by an outside agency.

Defined benefit plans (Article 83 of the French General Tax Code) are measured on an actuarial basis using the projected unit credit method, which factors in demographic assumptions (salary trends, age upon

retirement, staff turnover, mortality rate) and financial assumptions (discount rate and inflation rate).

For defined contribution plans (Article 39 of the French General Tax Code), payments are recognized as costs of the fiscal year to which they relate. There are no actuarial liabilities to this end.

According to the publication on July 4, 2019 of the order on supplementary occupational pension plans, the rights related to this plan have been frozen as at December 31, 2019.

The different calculations required to value pension commitments were performed using a discount rate of 1.4%, social security contributions of 51% for managers and technicians and 46% for operators.

Retirement age assumptions range from 62 to 65 years, depending on the socio-professional category.

Our Company's retirement obligation as of March 31, 2020 amounted to €13,556 thousand up from €11,756 thousand as of March 31, 2019.

Company financial statements as of March 31, 2020



Notes to our Company financial statements

4.2.19 PROVISIONS

A provision is recognized when our Company has a present (legal or constructive) obligation arising from a past event, the amount of which can be estimated reliably, and the settlement of which is expected to result in an outflow of resources embodying economic benefits for our Company. The provisions are updated when the impact of the update is significant.

A provision for restructuring is only recognized when there is an implicit obligation to a third party, originating from a decision of Management materialized before fiscal year-end by the existence of a detailed and formalized plan and the announcement of this plan to the persons concerned.

The other provisions correspond to risks and charges identified specifically.

(in € thousand)

Provisions for disputes: HR claims, URSSAF, penalties and fines	1,816
Provisions for foreign exchange losses	690

4.2.20 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:

- Éric Meurice, Chairman;
- Paul Boudre, who also continues to lead our 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 on a proposal from NSIG;
- Laurence Delpy;
- Christophe Gegout;
- Satoshi Onishi;
- Françoise Chombar;
- Shuo Zhang.

Of the 12 Directors, five are independent directors, namely, Éric Meurice, Laurence Delpy, Françoise Chombar, Shuo Zhang and Christophe Gégout. They have no relationship with Soitec or its management that is likely to compromise the exercise of their freedom of judgment.

The semiconductor market is known for its limited number of participants, meaning that our Company maintains or is likely to maintain business relationships with Shin-Etsu Handotaï, Shanghai Simgui Technology Co. Ltd. ("Simgui"), and the French Atomic Energy and Alternative Energy Commission (*Commissariat à l'énergie atomique et aux énergies alternatives* - CEA). Some of our directors hold or have held positions within these companies.

Shin-Etsu Handotaï Co. Ltd.

Since the close of the fiscal year ended March 31, 2015, an €18 million pledge on inventories has been granted to Shin-Etsu Handotaï Co. Ltd.

During the year ended March 31, 2020, purchases of raw materials from Shin-Etsu Handotaï represented €155,502 thousand (€129,628 thousand

in the year ended March 31, 2019). A multi-year contract has also been signed to guarantee the supply of raw materials over the next few years, for which an off-balance sheet commitment of USD30 million has been reported in the notes to our Company's financial statements.

Our Company invoiced €3,599 thousand to Shin-Etsu Handotaï in respect of fiscal year 2019-2020 (€3,944 thousand for fiscal year 2018-2019).

Other related parties

In the 2019-2020 fiscal year, our Company paid the CEA $\$ 7,344 thousand under the R&D contract ($\$ 5,317 thousand in the 2018-2019 fiscal year) $\$ 834 thousand under the newly signed hosting agreement and $\$ 4,960 thousand in patent royalties ($\$ 5,020 thousand in the 2018-2019 fiscal year).

During the year, our Company paid Simgui Technology Co., Ltd. \$45.5 million for the purchase of 200 mm SOI wafers (\$23.7 million in 2018-2019).

Our Company invoiced \$19.1 million in silicon substrates (compared to \$19.3 million in the 2018-2019 fiscal year).

Our Company invoiced clean room services to Exagan, where our Company is a director and is represented Paul Boudre, our Chief Executive Officer. These invoices amounted to \leq 393 thousand in 2019-2020 (up from \leq 404 thousand in 2018-2019).

As of March 31, 2020, our Executive Committee (EXCom) had 11 members, excluding corporate officers (11 as of March 31, 2019) resulting in an average headcount of 10.5 over the year. The total gross compensation paid by our Company to executives of the EXCom, excluding corporate officers, and including their direct and indirect benefits was €3,796 thousand for the fiscal year ended March 31, 2020.

The semiconductor market is known for its limited number of participants, meaning that our Company maintains or is likely to maintain business relationships with Shin-Etsu Handotaï, Shanghai Simgui Technology Co. Ltd. ("Simgui"), and the French Atomic Energy and Alternative Energy Commission (*Commissariat à l'énergie atomique et aux énergies alternatives* - CEA). Some of our directors hold or have held positions within these companies.

(in € thousand)	March 31, 2020	March 31, 2019
Short-term benefits	3,796	2,624
Post-employment benefits	-	-
Share-based payment	-	-
TOTAL GROSS COMPENSATION PAID TO EXECUTIVES OF OUR COMPANY	3,796	2,624

The gross compensation allocated to corporate officers and non-employee directors is as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Short-term benefits	1,494	1,283
Post-employment benefits	-	-
Termination benefits	-	-
Accounting valuation of share-based payments	1,068	-
TOTAL COMPENSATION AWARDED TO CORPORATE OFFICERS	2,562	1,283
Directors' fees paid	627	654
Reimbursement of travel expenses	65	52
TOTAL COMPENSATION AWARDED TO CORPORATE OFFICERS AND NON-EXECUTIVE DIRECTORS	3,254	1,989

4.2.21 STATUTORY AUDITORS' FEES

The total amount of statutory auditors' fees recorded in the income statement for the fiscal year was €656 thousand. These fees include the certification and examination of the consolidated financial statements

and of the individual financial statements for \leqslant 609 thousand and the performance of other duties and services directly pertaining to the audit for \leqslant 47 thousand.



4.3 BALANCE SHEET AND INCOME STATEMENT **INFORMATION**

4.3.1 FIXED ASSETS

Items (in € thousand)	Gross value beginning of year	Revaluation	Acquisitions
Other intangible fixed asset items	69,428	-	52,572
Land	1,811	-	373
Land constructions	7,238	-	203
Technical installations, equipment and industrial tools	218,927	-	17,782
General installations, fixtures, fittings	53,829	-	4,081
Transport equipment	89	-	12
Office, IT equipment and furniture	12,022	-	992
Tangible fixed assets in the process of construction	27,722	-	38,421
Tangible fixed assets	391,067	-	114,435
Shares in consolidated and non-consolidated companies	218,501	-	242,094
Loans and other financial investments	592	-	223
Investments	219,093	-	242,104
GRAND TOTAL	610,160	-	356,539

Items (in € thousand)	Reclassifications	Assignment, decommissioning	Gross value end of year
Other intangible fixed asset items	32,736	7	89,257
Land	-	-	2,185
Land constructions	-	230	7,210
Technical installations, equipment and industrial tools	-	10,564	226,145
General installations and various fixtures	-	3,686	54,223
Transport equipment	-	-	101
Office, IT equipment and furniture	-	19	12,996
Tangible fixed assets in the process of construction	23,372	15,707	27,064
Tangible fixed assets	56,108	30,213	419,181
Shares in consolidated and non-consolidated companies	214	198,440	261,941
Loans and other financial investments	-	57	758
GRAND TOTAL	56,108	228,710	681,881

4.3.2 DEPRECIATION

Items (in € thousand)	Beginning of the fiscal year	Expenses	Reversals	End of the fiscal year
Other intangible assets	46,000	3,744	1	49,742
Land	163	63	0	226
Land constructions	4,082	480	230	4,331
Technical installations, equipment and tooling	174,714	12,351	4,026	183,040
General installations and fixtures	33,841	2,903	1,180	35,564
Transport equipment	76	5	0	81
Office, IT equipment and furniture	10,681	669	19	11,331
Tangible fixed assets	223,556	16,471	5,454	234,574
GRAND TOTAL	269,556	20,215	5,455	284,316

Breakdown of expenses (in € thousand)	Reversals of accelerated tax depreciation
Other intangible assets	129
GRAND TOTAL	129

Costs spread over several fiscal years (in € thousand)	Beginning of the fiscal year	Increases	Expense for the period	Net amount at end of fiscal year
Costs to be spread over several fiscal years	2,062	0	485	1,577

Balance sheet and income statement information

4.3.3 PROVISIONS IN THE BALANCE SHEET

Items (in € thousand)	Beginning of the fiscal year	Expenses	Reversals	End of the fiscal year
Special depreciation allowances	521	0	129	392
Regulated provisions	521	0	129	392
Provisions for litigation	1,758	234	177	1,816
Provisions for losses on forward markets	1,581	-	1,581	=
Provisions for fines and penalties	-	-	-	-
Provisions for foreign exchange losses	515	690	515	690
Provisions for restructuring	335	-	335	-
Other provisions for contingencies and charges	-	-	0	-
Provisions for contingencies and expenses	4,190	925	2,609	2,506
Provisions for intangible fixed assets	237	0	0	237
Provisions for tangible fixed assets	7,577	32	2,342	5,267
Provisions for equity loans	67,881	67	67,542	407
Provisions for other financial investments	253	68	73	248
Provisions for inventory and work-in-progress	6,576	10,523	6,576	10,523
Provisions for customer accounts	304	0	230	74
Provisions for impairment	82,829	10,689	76,762	16,757
GRAND TOTAL	87,540	11,614	79,500	19,654
Operating expenses and reversals	-	10,789	9,659	-
Financial expenses and reversals	-	825	69,711	-
Exceptional contributions and recoveries	-	-	129	-

4.3.4 RECEIVABLES AND PAYABLES

Receivables statement (in € thousand)	Amount (gross)	Up to 1 year	More than 1 year
Receivables linked to investments	76,635	76,635	0
Other financial assets	758	0	758
Doubtful and disputed trade receivables	74	74	-
Other trade receivables	123,409	123,409	-
Staff and related accounts	229	229	-
Social security and other social agencies:			
State, other local authorities: income tax	33,203	30,158	3,044
State, other local authorities: VAT	845	845	-
State, other local authorities: miscellaneous receivables	14,219	10,332	3,887
Other debtors	1,939	1,939	-
Prepaid expenses	1,690	1,690	-
GRAND TOTAL	253,002	245,312	7,690



Balance sheet and income statement information

Debt statement (in € thousand)	Amount (gross)	Up to 1 year	More than 1 year and up to 5 years	More than 5 years
Convertible bonds	150,000	-	150,000	-
Loans and debts of 1 year maximum initially	31,282	31,282	0	-
Prepayments received on orders	0	0	-	-
Trade payables and related accounts	82,461	82,461	-	-
Staff and related accounts	19,922	19,922	-	-
Social security and other social agencies	15,130	15,130	-	-
State and other local authorities: income tax	0	0	-	-
State and other local authorities: VAT	2,390	2,390	-	-
• State and other local authorities: other duties, taxes and related payments	5,157	5,157	-	-
Amount due on fixed assets and related accounts	8,492	8,492	-	-
Group and related parties	16,981	16,981	0	-
Other liabilities	5,532	3,984	1,548	-
Treasury instruments	0	0		
Pre-paid income	14,018	1,854	5,563	6,602
GRAND TOTAL	351,364	187,653	157,110	6,602

4.3.5 ITEMS RELATING TO SEVERAL BALANCE SHEET ITEMS

Items (in € thousand)	Related parties	Participations
Total non-current assets		
Participations	172,438	12,462
Receivables linked to investments	76,635	-
Current assets		
Customer receivables and related accounts	55,096	2,412
Other receivables	0	-
Debts		
Trade payables	13,841	3,398
Amount due on fixed assets and related accounts	13,831	-

4.3.6 CURRENCY TRANSLATION ADJUSTMENTS ON RECEIVABLES AND PAYABLES IN FOREIGN CURRENCIES

Type of adjustments (in € thousands)	Asset – Unrealized losses	Adjustments offset by currency hedging	Provisions for foreign exchange losses	Liabilities – Unrealized gains
Investments		-		1,327
Receivables	0	-	0	952
Financial debt	433	-	433	-
Operating debts	257	-	257	54
TOTAL	690	-	690	2,333

Balance sheet and income statement information

4.3.7 COMPOSITION OF THE SHARE CAPITAL

		Number of shares		
Categories of (equity) shares	At fiscal year-end	Created during the fiscal year	Converted during the fiscal year	Nominal value
Ordinary shares	33,180,921	1,813,354	-	€2
Preferred shares	97,980	97,980	269,365	€2

Position at the beginning of the fiscal year		Balance
EQUITY BEFORE DISTRIBUTION ON PREVIOUS EARNINGS	-	310,170
EQUITY AFTER DISTRIBUTION ON PREVIOUS EARNINGS	-	310,170
Changes during the fiscal year	Less	Моге
Changes in the share capital		3,796
Changes in share premiums		21,226
Changes in reserves		(3,188)
Changes in regulatory provisions	129	-
Other changes: Period earnings	-	99,727
BALANCE	-	121,432
Position at the end of the fiscal year	-	Balance
EQUITY BEFORE DISTRIBUTION	-	431,602

4.3.8 APPROPRIATION OF EARNINGS SUBMITTED FOR APPROVAL OF THE SHAREHOLDERS' GENERAL MEETING

(in € thousand)	Amount
1 – Origin	
Period earnings	99,727
including current earnings after tax	164,617
TOTAL	99,727
2 - Appropriations	Amount
Statutory reserve	380
Retained earnings	99,348
TOTAL	99,727

4.3.9 PROVISIONS FOR CONTINGENCIES AND EXPENSES

		Position and changes			
Items (in € thousand)			Decre	ases	
	Provisions at the start of the fiscal year	Increases in expenses for the fiscal year	Amounts used during the fiscal year	Amounts not reversed in the fiscal year	
Labor disputes	472	93	30	10	525
Other litigation	1,286	142	0	137	1,291
Risk on futures market	1,581	0	1,581	0	0
Foreign exchange loss	515	690	0	515	690
Restructuring	335	0	335	0	0
TOTAL	4,190	925	1,947	662	2,506



Average headcount

Headcount	Salaried personnel	Personnel at disposal of our Company
Operators	370	-
Technicians and office workers	372	-
Engineers and executives	386	-
TOTAL	1,128	-

As of March 31, 2020, eight employees had been transferred to Soitec Lab.

4.3.10 BREAKDOWN OF REVENUE

Items (in € thousand)	France revenue	Export revenue	Total March 31, 2020	Total March 31, 2019	% 2020-2019
By geographic market	64,322	513,034	577,355	448,694	29%

4.3.11 EXTRAORDINARY INCOME AND EXPENSES

Breakdown of extraordinary income and expenses (in € thousand)	Expenses	Income
771700 Extraordinary income tax relief	-	0
Extraordinary income on management transactions	-	0
775000 Income from disposal of assets	-	23,856
775600 Extraordinary income from the disposal of financial assets	-	0
Extraordinary income on capital transactions	-	23,856
787250 Reversal of special provisions for depreciation	-	129
787500 Reversals of exceptional provisions*	-	-
Reversals on provisions and transfer expenses	-	129
671000 Extraordinary management operating costs	1	-
671200 Penalties and fines	90	-
672000 Extraordinary expenses in previous years	14	-
Extraordinary costs on management transactions	105	-
675000 Disposal of operating assets	21,517	-
675600 Exceptional expenses on asset disposals	67,252	-
678000 Miscellaneous extraordinary costs	-	-
Extraordinary costs on capital transactions	88,769	
GRAND TOTAL	88,874	23,985

On October 1, 2019, Soitec S.A. sold its equity investment in its Singaporean subsidiary Soitec Microelectronics Singapore Pte Ltd. to Soitec Asia Holding Pte Ltd. for a price of USD 1. The net result of this disposal is a loss of \in 67,252 thousand recorded under exceptional items. Income and expenses from the disposal of assets mainly correspond to leaseback transactions.

4.3.12 DEFERRED AND UNREALIZED TAX POSITION

Items (in € thousand)	Amount
Tax due on:	
Currency translation adjustment: Assets	224
TOTAL INCREASES	224
Prepaid tax on:	
Temporary non-deductible costs (to be deducted the following year):	
Organic	100
Currency translation adjustment	224
Other (Provision for risks and litigation)	1,789
Other: pension plans	4,396
TOTAL TAX RELIEF	6,509
Net deferred tax position	(6,285)
Credit to be charged to:	
Deficits carried forward (in € thousand)	(211,774)
Net underlying tax position	211,774
Calculation with a contribution rate of 32.43%.	

FINANCIAL COMMITMENTS, OTHER INFORMATION

LEASING COMMITMENTS 4.4.1

Items (in € thousand)	Land	Buildings	Equipment and tooling	Other fixed assets	Total
Initial value	-	-	65,021	-	65,021
Depreciation					
Running for previous fiscal years	-	-	13,379	-	13,379
Current fiscal year	-	-	7,228	-	7,228
Total	-	-	20,607	-	20,607
NET VALUE	-	-	44,414	-	44,414
Royalties paid					
Running for previous fiscal years	-	-	15,416	-	15,416
Current fiscal year	-	-	7,455	-	7,455
Total	-	-	22,871	-	22,871
Royalties to be paid					
Less than 1 year	-	-	9,130	-	9,130
More than 1 year and less than 5 years	-	-	31,574	-	31,574
More than 5 years	-	-	4,339	-	4,339
Total	-	-	45,043	-	45,043
RESIDUAL VALUE	-	-	-	-	-
Amount accounted for in the fiscal year	-	-	7,131	-	7,131

OFF-BALANCE SHEET COMMITMENTS 4.4.2

Items (in € thousand)	Off-balance sheet amount
Guarantees and bonds (customs)	4
Pension plans obligations	13,556
Other commitments given	70,744
Of which	
Long-term lease commitments	57
Guarantees given	25,305
Other commitments (1)	27,382
Pledge on inventory ⁽²⁾	18,000
TOTAL	84,304

A reinforced purchase commitment was signed on March 31, 2020 with SK Siltron, taking effect only on April 1, 2020. A penalty (contractual compensation undertaking) has

Contingent liabilities consist of a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation for which an outflow of resources is unlikely. Contingent liabilities are not recognized but are disclosed in the notes.

As of March 31, 2020, guarantees/pledges/commitments given amounted to €25 million and the main beneficiaries are:

• the project company for the Touwsrivier solar power plant (CPV Power Plant n° 1): €20.0 million;

- the buyers of the Desert Green and Rians solar power plants: €3.2 million;
- a letter of comfort given to its subsidiary Frec|n|sys to enable it to negotiate and meet its commitments: €0.6 million;
- guarantee (joint and several) given by Soitec (corresponding to 60%) to its subsidiary Dolphin Design, in order to guarantee payment of all sums due (but still unpaid) in accordance with the lease for the new Dolphin Design headquarters building: €1.5 million.

Principal commitments given to subsidiaries (guarantees and sureties)	Amount (in € thousand)
Soitec Solar US	3,240
Frec n sys	600
Dolphin Design	1,465
Soitec Solar RSA	20,000

been agreed in the amount of USD110,000,000.

A pledge of €18 million on inventories and a contractual compensation commitment of €27 million were given as security for Shin-Etsu Handotai's long-term commitment to



Principal commitments given on behalf of Soitec S.A. (guarantees and sureties)	Amount (in € thousand)
Pledge of the SEH inventory	18,000
Contractual commitment from SEH	27,382

The Dolphin Design shareholder agreement includes a put option granted to MBDA (minority shareholder). Under this option, MBDA may require Soitec to purchase the 40% of the (equity) shares that MBDA holds in Dolphin Design, between November 1 and December 31, 2022 (option also to repurchase a 1st tranche of 20% in November 2020). This option constitutes an obligation valued at €6,767 thousand as of March 31, 2020, according to the best estimate of the achievement of the performance criteria, presented in financial liabilities (€7,775 thousand as of March 31, 2019)

As of March 31, 2020, EpiGaN nv'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 (options may be exercised in several tranches between January 2023 and May 2024). This debt has been assessed at fair value, *i.e.* €3,069 thousand on March 31, 2020 (€1,013 thousand on the acquisition date).

4.5 LIST OF SUBSIDIARIES AND HOLDINGS

Name Registered Office	Share capital Equity (in local currencies)	Portion held Dividends received	Gross value of (equity) shares Net value of the (equity) shares (in €)	Loans, advances Guarantees (in €)	Revenue Profit (loss) (in €)
Subsidiaries (more than 50%)					
Soitec Asia Holding Pte Ltd. 81 Pasir Ris Industrial Drive 1 Singapore 518220 Singapore	1 142,078,000	100%	126,392,973 126,392,973	32,863 -	- (752,793)
Soitec Japan Inc. West Tower 20F, Otemachi First Square 1-5-1 Otemachi, Chiyoda-Ku Tokyo Japan 100-0004	300,500,000 1,063,909,000	100%	2,636,988 2,636,988	0 -	51,146,425 3,403,274
Soitec Korea LLC Kyunggi-do hwasung-si Bansong Dong 93-10 Shinyoung Gwell Korea	500,000,000 700,740,513	100%	328,483 328,483	-	23,372
Soitec Trading (Shanghai) Co. Ltd. 3261 Dong Fang Road Shanghai China	860,594 (2,036,000)	100%	102,138 102,138	-	0 (388,528)
Soitec USA Holding Inc. 11182 El Camino Real Suite 260 San Diego CA 92130 United States	1,000 314,738,000	100%	16,796 16,796	-	8,753,132
Frec n sys SAS 18 rue Alain Savary 25000 Besançon France	499,500 1,326,481	100%	2,949,287 2,949,287	171,832 -	794,174 (460,911)
Soitec Corporate Services SAS Parc Technologique des Fontaines Chemin des Franques 38190 Bernin France	1,000 (16,062)	100%	1,000 1,000	-	0 (2,269)
Soitec Lab SAS (Ex NewCo 1) Parc Technologique des Fontaines Chemin des Franques 38190 Bernin - France	1,000,000 2,166,195	100%	2,166,195 2,166,195	317,830	0
Soitec Newco 2 SAS Parc Technologique des Fontaines Chemin des Franques 38190 Bernin - France	1,000 1,000	100%	1,000 1,000	-	0

List of subsidiaries and holdings

Name Registered Office	Share capital Equity (in local currencies)	Portion held Dividends received	Gross value of (equity) shares Net value of the (equity) shares $(in \in)$	Loans, advances Guarantees (in €)	Revenue Profit (loss) (in €)
Soitec Newco 3 SAS	1,000	100%	1,000	-	0
Parc Technologique des Fontaines Chemin des Franques 38190 Bernin - France	1,000		1,000		0
Soitec Newco 4 SAS	1,000	100%	1,000	-	0
Parc Technologique des Fontaines Chemin des Franques 38190 Bernin - France	1,000		1,000	-	0
Concentrix Holding SAS	1,000	100%	1,000	0	0
Parc Technologique des Fontaines Chemin des Franques 38190 Bernin - France	(500,194,231)		1,000	-	1,877,476
Dolphin Design SAS	5,500,000	60%	3,300,001	2,100,000	20,715,000
Immeuble Le Taillefer 1 <i>bis</i> A et 2 A chemin du Pré Carré 38240 Meylan France	5,308,138		3,300,001	1,465	431,329
EpiGaN nv ⁽¹⁾	9,742,000	96.70%	34,441,030		1,916,000
Kempische Steenweg 293 3500 Hasselt Belgium	8,800,000		34,441,030		(1,210,000)
Investments (10 to 50%)					
Greenwaves Technologies SAS	1,774,551	16.63%	3,298,873	=	294,881
Pépinière des entreprises Bergès Avenue des Papeteries 38190 Villard Bonnot France	10,098,054		3,298,873	-	(1,761,857)
Exagan SAS	108,256	14.07%	1,438,471	-	377,610
7 parvis Louis Néel 38040 Grenoble Cedex 9 France	2,319,329		1,438,471	-	(2,551,621)
Investments less than 10%					
Technocom 2	29,343,887	8%	2,350,000	-	0
23, Rue Royale 75008 Paris France	29,652,715		2,350,000	-	(465,365)
Technocom 3	7,938,658	8%	1,000,000	-	0
23, Rue Royale 75008 Paris France	7,447,836		933,313	-	(490,822)
Shanghai Simgui Co. Ltd.	315,000,000	2.7%	4,440,962	-	76,245,198
200, Puhui Road Jiading District Shanghai China	705,322,725		4,440,962	-	233,299
Cissoid	1,706,054	0.19%	339,903	=	1,700,000
Chemin du Cyclotron 6 - B- 1348 Louvain La Neuve Belgium	1,242,000		-	-	(149,000)

(1) EpiGaN nv is now called Soitec Belgium nv since June 2020

In the table presented above, the share capital and equity of subsidiaries and holdings are presented in local currencies:

- in US dollars for Soitec Asia Holding Pte Ltd.;
- in Japanese yen for Soitec Japan Inc.;
- in Korean won for Soitec Korea LLC;
- in Chinese yuan for Soitec Trading (Shanghai) Co. Ltd. and Shanghai Simgui Technology Co. Ltd.;
- in US dollars for Soitec USA Holding Inc. and Soitec USA LLC;
- in euros pour Frec|n|sys SAS, Soitec Corporate Services SAS, Soitec Lab SAS, Soitec NewCo 2 SAS, Soitec NewCo 3 SAS, Soitec NewCo 4 SAS, Concentrix Holding SAS, Dolphin Design SAS, Exagan SAS, Technocom 2, Greenwaves Technologies SAS, Cissoid and EpiGaN nv.

For investments below 10%, no loan, advance or deposit was granted during the fiscal year.







5.1 CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2020

5.1.1 CONSOLIDATED INCOME STATEMENT

(In thousands of euros)	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
Sales	3.1	597,549	443,946
Cost of sales	-	(402,123)	(278,917)
Gross margin	-	195,426	165,029
Sales and marketing expenses	-	(10,195)	(9,792)
Research and development costs	4.2	(32,494)	(20,017)
General and administrative expenses	-	(35,042)	(26,815)
Current operating income/(loss)	-	117,695	108,405
Other operating income	4.4	1,911	566
Other operating expenses	4.4	(100)	(106)
Operating income/(loss)	3.1	119,506	108,865
Financial income	4.5	3,229	1,956
Financial expense	4.6	(7,302)	(10,038)
Financial income/(expense)	-	(4,073)	(8,082)
Profit/(loss) before tax	4.7	115,433	100,783
Income tax	4.7	(4,885)	(10,932)
Net profit/(loss) from continuing operations		110,548	89,851
Net profit/(loss) from discontinued operations	4.9	(867)	336
CONSOLIDATED NET PROFIT/(LOSS)	-	109,681	90,187
NET PROFIT (LOSS) (GROUP SHARE)	-	109,681	90,187
Basic earnings/(loss) per share (in €)	4.8	3.40	2.88
Diluted earnings/(loss) per share (in €)	4.8	3.32	2.69

Basic earnings per share is \in 3.40, divided between continuing operations ($+ \in$ 3.43) and discontinued operations ($- \in$ 0.03).

Diluted earnings per share is \le 3.32, divided between (+ \le 3.35) for continuing operations and (- \le 0,03) for discontinued operations.

) Other items of comprehensive income

(In thousands of euros)	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
Consolidated net profit/(loss)	-	109,681	90,187
Items of comprehensive income that may be reclassified to the income statement		4,129	(426)
• of which: foreign exchange gains/(losses) on translation of foreign operations	-	4,411	6,880
of which: changes in the fair value of hedging instruments	-	(415)	(11,143)
of which: tax on items recognized in other comprehensive income		133	3,837
Items of comprehensive income that may not be reclassified to the income statement		(1,545)	(1,471)
 of which: actuarial gains/(losses) on defined benefit plans 	-	(2,088)	(1,759)
of which: changes in the fair value of non-current assets		-	(485)
of which tax impact		543	773
Income and expenses recognized in other comprehensive income	-	2,584	(1,897)
COMPREHENSIVE INCOME FOR THE PERIOD	-	112,265	88,290
Total comprehensive income (Group share)	-	112,265	88,290

Consolidated financial statements as of March 31, 2020

5.1.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (in € thousand)	Notes	March 31, 2020	March 31, 2019
Non-current assets			
Intangible assets	3.2	87,471	38,479
Tangible fixed assets	3.3	297,154	253,593
Non-current financial assets	3.5	14,428	11,018
Other non-current assets	3.6	8,997	44,351
Deferred tax assets	4.7	37,176	25,560
Total non-current assets	-	445,226	373,001
Current assets			
Inventories	3.7	123,291	72,333
Trade receivables and related accounts	3.8	167,409	139,344
Other current assets	3.9	73,945	45,601
Current financial assets	3.10	351	255
Cash and cash equivalents	3.11	190,998	175,308
Total current assets	-	555,994	432,841
Assets held for sale	3.12	-	16,697
TOTAL ASSETS		1,001,220	822,539

Equity and	liabilities
------------	-------------

(in € thousand)	Notes	March 31, 2020	March 31, 2019
Equity			
Share capital	3.13	66,558	62,762
Share premium	3.13	82,426	61,200
Reserves and retained earnings		395,355	269,553
Other reserves	3.13	7,387	4,802
Equity (Group share)		551,726	398,317
Total equity	-	551,726	398,317
Non-current liabilities			
Long-term financial debt	3.15	192,521	199,178
Provisions and other non-current liabilities	3.16	40,515	21,431
Total non-current liabilities	-	233,036	220,609
Current liabilities			
Short-term financial debt	3.15	52,182	22,605
Trade payables and related accounts	3.17	76,318	62,239
Provisions and other current liabilities	3.18	87,958	112,596
Total current liabilities	-	216,458	197,440
Liabilities directly related to assets held for sale	3.12	0	6,173
TOTAL EQUITY AND LIABILITIES		1,001,220	822,539



Consolidated financial statements as of March 31, 2020

5.1.3 STATEMENT OF CHANGES IN EQUITY

(în € thousand)	Share capital	Share premium	Treasury shares	Reserves and retained earnings	Other reserves	Equity (Group share)	Total equity
March 31, 2018	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	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					(426)	(426)	(426)
 of which: foreign exchange gains/(losses) on translation of foreign operations 					6,880	6,880	6,880
• of which: changes in the fair value of hedging instruments					(11,143)	(11,143)	(11,143)
of which: tax on items recognized in other comprehensive income					3,837	3,837	3,837
Items of comprehensive income that may not be reclassified to the income statement					(1,471)	(1,471)	(1,471)
• of which: changes in the fair value of non-current assets					(485)	(485)	(485)
• of which: actuarial gains/(losses) on defined benefit plans					(1,759)	(1,759)	(1,759)
of which tax impact					773	773	773
Total income and expenses in the fiscal year recognized in other comprehensive income					(1,897)	(1,897)	(1,897)
Income/(loss) for the period from continuing operations				89,851		89,851	89,851
Income/(loss) for the period from discontinued operations				336		336	336
COMPREHENSIVE INCOME FOR THE PERIOD				90,187	(1,897)	88,290	88,290
Share-based payments				17,957		17,957	17,957
Oceane 2023 convertible bonds (net of issue expenses and deferred tax liabilities)				13,359		13,359	13,359
Other				(239)		(239)	(239)
MARCH 31, 2019	62,762	61,200	(432)	269,985	4,803	398,317	398,317

(in € thousand)	Share capital	Share premium	Treasury shares	Reserves and retained earnings	Other reserves	Equity (Group share)	Total equity
March 31, 2019	62,762	61,200	(432)	269,985	4,803	398,317	398,317
Items of comprehensive income that may be reclassified to the income statement					4,129	4,129	4,129
 of which: foreign exchange gains/(losses) on translation of foreign operations 					4,411	4,411	4,411
• of which: changes in the fair value of hedging instruments					(415)	(415)	(415)
of which: tax on items recognized in other comprehensive income					133	133	133
Items of comprehensive income that may not be reclassified to the income statement					(1,545)	(1,545)	(1,545)
 of which: changes in the fair value of non-current assets 						-	-
 of which: actuarial gains/(losses) on defined benefit plans 					(2,088)	(2,088)	(2,088)
of which tax impact					543	543	543
Total income and expenses in the fiscal year recognized in other comprehensive income					2,584	2,584	2,584
Income/(loss) for the period from continuing operations				110,548		110,548	110,548
Income/(loss) for the period from discontinued operations				(867)		(867)	(867)
COMPREHENSIVE INCOME FOR THE PERIOD				109,681	2,584	112,265	112,265
Capital increase	3,796	21,226		(3,187)		21,835	21,835
Share-based payments and tax impact				20,295		20,295	20,295
Change in debt on commitment to repurchase the non-controlling interests				(981)		(981)	(981)
Other			55	(60)		(5)	(5)
MARCH 31, 2020	66,558	82,426	(377)	395,732	7,387	551,726	551,726

5.1.4 STATEMENT OF CASH FLOWS

(in € thousand)	Notes	March 31, 2020	March 31, 2019
Net profit/(loss) from continuing operations		110,548	89,851
Net profit/(loss) from discontinued operations		(867)	336
CONSOLIDATED NET PROFIT/(LOSS)		109,681	90,187
Adjustments for:			
Depreciation and amortization expenses	3.2, 3.3 and 4.3	45,520	24,597
Reversals of impairment of fixed assets and accelerated depreciation and amortization	3.3	32	414
Provisions, net	3.5 - 3.7 - 3.8	1,854	(53
Provisions for retirement benefit obligations	5.1	(207)	685
Income on asset disposal	4.4	(790)	(556
Income tax	4.7	4,884	10,931
Financial income/(expense)	4.5-4.6	4,073	8,082
Share-based payments		19,526	17,957
Impact in equity of first-time application of IFRS 15			379
Non-cash items relating to discontinued operations		(79)	(2,845
Changes in:			
Inventories		(51,914)	(32,971
Trade receivables and related accounts		(33,794)	(56,936
Other receivables		11,096	(19,827
Trade payables and related accounts		11,790	18,28
Other liabilities		3,749	12,723
Change in working capital requirement and tax paid on discontinued operations		(139)	256
Income tax paid		(25,649)	(14,215
NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES		99,633	57,089
of which continuing operations		100,718	59,342
Purchases of intangible assets		(31,085)	(21,627
Purchases of property, plant and equipment		(53,037)	(99,024
Proceeds from sales of intangible assets and property, plant and equipment		2,217	1,555
Acquisition of subsidiary, net of cash acquired		(25,502)	1,845
(Acquisition) and disposal of financial assets		(1,175)	(3,447
(Investment)/divestment flows related to discontinued operations		17,085	1,132
NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES		(91,497)	(119,566
of which continuing operations		(108,582)	(120,698
Convertible bond (net of issuance expenses) – OCEANE 2023			147,577
Capital increase		21,834	(
Financing received from minority shareholders		900	400
Drawings of credit lines		22,274	8,922
Repayment of borrowings (including leases)		(31,320)	(41,975
Interest received		437	1,096
Interest paid		(1,998)	(875
Financing flows related to discontinued operations		18	2,104
NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES		12,145	117,249
of which continuing operations		12,127	115,14
Effects of exchange rate fluctuations		(4,591)	577
CHANGE IN NET CASH POSITION		15,690	55,349
of which continuing operations		(328)	54,360
Cash at beginning of the period		175,308	119,959
		190,998	175,308

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5.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2020

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NOTE 1. OVERVIEW OF OUR COMPANY AND BUSINESS

Soitec S.A. is a joint stock company (*société anonyme*) governed by French law and listed on Euronext Paris in compartment A. Soitec S.A. and its consolidated subsidiaries are hereinafter referred to as our "Group". Our Company, Soitec S.A., is hereafter referred to as our "Company".

During fiscal year 2019-2020, our Group operated in two business segments:

 Electronics: historical activity in the semiconductor sector, representing the production and marketing of substrates and components for the semiconductor industry; Other activities: operations that have largely been discontinued by our Group, including mainly the Solar Energy sector. It included in particular the financing activities related to the Touwsrivier solar power plant in South Africa (sold during the financial year, see note 2.4 "Highlights") and includes some ongoing maintenance activities, primarily in Europe and the United States.

On Jun 10, 2020, the Board of Directors adopted our Group's annual consolidated financial statements for the year ended March 31, 2020, which will be submitted for approval at the Shareholders' General Meeting to be held in September 2020.

NOTE 2. ACCOUNTING POLICIES

2.1 Statement of compliance

Pursuant to Regulation (EC) no. 1606/2002 of July 19, 2002 on the application of international accounting standards, the consolidated financial statements of our Group have been prepared in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB), adopted by the European Union and made compulsory for the approval of accounts.

This reference framework, available from the European Commission website, incorporates international accounting standards (IAS and IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRIC).

2.2 Basis of preparation

Presentation currency

Our Group's presentation currency is the euro. The consolidated financial statements are stated in thousands of euros and all amounts are rounded to the nearest thousand unless stated otherwise.

Change in accounting policies

The accounting policies are identical to those applied in the consolidated financial statements for the period ended March 31, 2019.

The standards, amendments and interpretations used to prepare the consolidated financial statements for the period ended March 31, 2020, are those published in the Official Journal of the European Union (OJ) before March 31, 2020, and mandatory on that date. This reference framework is available from the European Commission website.

Notes to the consolidated financial statements as of March 31, 2020

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 have had no material impact on our Group's financial statements for the fiscal year ended 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, 2020

The new standards, interpretations and amendments to existing standards applicable to fiscal years beginning on or after January 1, 2020, were not early adopted by our Group on March 31, 2020. These concern the amendments to IAS 1 and IAS 8 "Definition of Material". No significant impact is expected on our Group's financial statements.

2.3 Significant accounting judgments

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

- the impairment of non-current assets;
- 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; or
- for 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 of the consolidated financial statements for the period ended March 31, 2020. Depending on changes in the assumptions used or economic conditions that differ from those existing as of that date, in particular given the current environment in relation to Covid-19 leading to a certain degree of uncertainty regarding the future, the amounts presented in our Group's future financial statements could differ significantly from the current estimates.

2.4 Highlights of the year

Please refer to the paragraph entitled "Highlights" of our Company's financial statements as of March 31, 2020 (Section 4 of this report).

Exit from the solar business

On May 7, 2019, Soitec signed an agreement to sell its 20% stake in CPV Power Plant n° 1 (CPV #1), the project company for the Touwsrivier solar power plant in South Africa, to Pele Green Energy. This disposal was completed during the fiscal year, on March 30, 2020. These shares were valued at ZAR102 million in our Group's financial statements.

On July 25, 2019, an agreement was signed with Pele Green Energy in relation to the repayment of the loan featured in our Group's financial statements for ZAR184 million.

These transactions generated capital gains of €589 thousand recorded in our Group's financial statements.

Acquisition of EpiGaN nv

On May 13, 2019, Soitec announced that it had acquired 100% of the share capital of EpiGaN nv, 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 nv'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 \leq 30,479 thousand in cash, with part of the payment being deferred (\leq 2,540 thousand).

As of March 31, 2020, EpiGaN nv'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 on the acquisition date (€1,013 thousand). Our Group used the early acquisition method.

Total goodwill amounted to €11,947 thousand as of March 31, 2020 after recognition of technology valued at €18 million. See note 3.2 "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.

Employee shareholding plans

CONVERSION OF PREFERRED SHARES INTO ORDINARY SHARES

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. Therefore, as from July 26, 2016, conditional rights to preferred shares have on several occasions been granted free of charge by the Board of Directors to employees and corporate officers of our Group.

At the end of the three-year period following the allocations made under this plan, 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 our Company's ordinary shares over the 30 trading days following the publication date of the last consolidated annual accounts, *i.e.* June 12, 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").
- On December 6, 2019, our Company converted 6,630 preferred shares with a par value of €0.10 into 32,220 newly issued ordinary shares with a par value of €2.00.

Consolidated financial statements as of March 31, 2020



Notes to the consolidated financial statements as of March 31, 2020

ALLOCATION OF FREE SHARES

In the context of the authorizations granted by the Combined Shareholders General Meeting held on July 26, 2019, the Board of Directors of our Company, at a meeting held on December 18, 2019, resolved to grant a total of 23,953 ordinary shares to the employees and corporate officers of our Company and its affiliates within the meaning of Article L. 225-197-2 of the French Commercial Code.

Then, at its meeting on March 25, 2020, the Board of Directors of our Company allocated 14,863 ordinary shares to the employees and corporate officers of our Company and its affiliates within the meaning of Article L. 225-197-2 of the French Commercial Code.

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

These allocations are accompanied by:

- a continued employment condition until August 1, 2022;
- performance conditions based on:
 - EBITDA and revenue objectives for the fiscal year ending March 31, 2022, and
 - the performance of the Total Shareholder Return (TSR) of our Company's ordinary shares based on the Euro Stoxx 600 Technology index between July 26, 2019, and the reporting date of our Group's consolidated financial statements for the fiscal year ending March 31, 2022.

"TOPAZ" CO-INVESTMENT PLAN

The Extraordinary Shareholders' General Meeting of July 26, 2019 created a new category of preferred shares (PS 2) convertible into ordinary shares 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 (resolution no. 33).

Based on the delegation granted by the Extraordinary Shareholders' General Meeting of July 26, 2019 (resolution no. 34), the Board of Directors decided on December 18, 2019 to grant Topaz's participants with 195,960 PS 2 (including 31,982 PS2 to Mr. Paul Boudre, Chief Executive Officer of the Company).

Subject to a presence condition, such PS 2 granted for free will be definitively acquired by each Topaz's participants at the end of three acquisition periods:

- 40% of the PS 2 granted on December 18, 2019 will be definitively acquired on December 18, 2020;
- 30% of the PS 2 granted on December 18, 2019 will be definitively acquired on August 1, 2021; and
- 30% of the PS 2 granted on December 18, 2019 will be definitively acquired on August 1, 2022.
- Based on the delegation granted by the Extraordinary Shareholders' General Meeting of July 26, 2019 (resolution no. 35), the Board of Directors decided on December 18, 2019 a share capital increase of the Company through the issue of PS 2. In this context, Topaz's participants subscribed for 97,980 PS 2 (including 15,991 PS2 subscribed for by Mr. Paul Boudre, Chief Executive Officer of the Company) at a unit price of €84.17, as determined by an external independent accountant). Such subscription generated a share capital increase of €8,247 thousand on December 18, 2019.

"JADE 2020" SHARE-BASED EMPLOYEE SAVINGS PLAN

Further to a delegation of authority granted by the Shareholders' General Meeting on July 26, 2019, the Board of Directors decided on the same date to issue ordinary shares to employees having joined a Group savings plan. The transaction, entitled "Jade 2020", consists of a single leveraged offer with guaranteed capital. Employees of our Group have the option to subscribe, *via* a company mutual fund, for a certain number of ordinary shares with a 30% discount. Those subscribing for the offer must retain

the units in our Company mutual fund for five years, *i.e.* until February 28, 2025, other than in the event of a case of early release.

206,007 ordinary shares in our Company were subscribed for by employees and the structuring bank, leading to an increase of €14,013 thousand in the share capital. The subscription price (€68.02) was calculated on the basis of the average price from the 20 stock market trading sessions prior to January 23, 2020, after application of a 30% discount.

FREE SHARES ALLOCATION PLANS FOR OUR EMPLOYEES

Our Board of Directors of March 28, 2018 set up two free ordinary share plans for all Group employees to recognize and reward their efforts in creating value. Under these two plans, subject to continued employment and length of service conditions but no performance conditions, 0.6% of our Company's share capital as of such date was allocated to employees for their loyalty and contribution to efforts made in recent years.

The ordinary shares thus allocated (170,247 shares) were vested by beneficiaries subject to continued employment by our Company on the first working day following March 28, 2020.

SUMMARY OF THE CAPITAL INCREASES

Further to these transactions, the share capital is now comprised of 33,180,921 ordinary shares with a par value of $\{0.00\}$ 2.00 each and 97,980 preferred shares (PS 2) with a par value of $\{0.00\}$ 2 each, *i.e.* a total of $\{0.00\}$ 66.557.802.

Increase in the POI production capacity at Bernin 3

On September 13, 2019, our Company announced an increase in production capacity for its piezoelectric-on-insulator (POI) substrates at Bernin 3 in order to meet the growing demand from customers for 4G and 5G smartphone filters. 4G and 5G networks use an increasing number of frequencies to enable the fast transmission of data. 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.

Next-generation silicon carbide substrates joint development program with Applied Materials

Further to the announcement of a joint development program with Applied Materials, a pilot line dedicated to innovative silicon carbide substrates is currently being installed at the Substrate Innovation Center on the CEA-Leti site. Our Group expects to deliver the first samples of silicon carbide substrates produced using its Smart Cut[®] technology in the second half of 2020. The aim is to overcome challenges relating to the supply, yield, and cost of silicon carbide substrates in order to meet the growing demand generated by electric car, telecommunications, and industrial application requirements.

A long-term loan of €200 million by the Banque des Territoires

On March 27, 2020, Soitec was granted a €200 million 12-year loan from the Banque des Territoires (Caisse des Dépôts Group) pursuant to the *Programme d'investissements d'avenir* (PIA) as part of the Nano 2022 plan. Drawdowns from this credit line will be staggered over the next few years to support both the financing of R&D programs and investments in first-time industrialization infrastructure projects in France.

The Nano 2022 support plan for technological developments up to their pre-industrialization phase, marks France's recognition of the importance of a solid, innovative electronic and microelectronic sector nationally to improve industrial competitiveness. Nano 2022 is the French component of a very large Important Project of Common European Interest (IPCEI). Within this IPCEI, Soitec is one of the seven industrial leaders and coordinates technological projects related to "high energy efficiency electronic components".

Notes to the consolidated financial statements as of March 31, 2020

Covid-19

While concentrating on its employees' safety, since the beginning of the Covid-19 health crisis, our Group's priority has been to protect the health of its own employees as well as that of the people employed by its various partners, subcontractors, customers and all the communities with which our Group interacts. All of our teams have maintained, and continue to maintain, ongoing exchanges with all of our Group's suppliers and partners in order to ensure continuity of operations in all businesses. Strictly applying the instructions given by the various countries in which it operates, our Group has required its employees to work remotely from home when physical presence is not necessary. At the same time, firmly determined to support its customers in this difficult environment, our Group has so far been able to maintain production, in particular at the Bernin and Singapore sites, by implementing drastic safety measures. Our Group has continued, and continues, to deliver to its customers to meet their requirements. Our Group is also pursuing all its major R&D projects to secure their progress schedule.

AS of the date of publication of this report, our Group has therefore not been significantly impacted, the assumptions for closing the financial statements have each been reviewed regarding the information relating to the Covid-19 crisis without any significant impact on the financial statements as of March 31, 2020.

The Covid-19 health crisis has demonstrated the robustness of the semiconductor supply chain in which our Group operates but is nevertheless creating uncertainty around the overall level of consumption.

Tax inspection

Since December 24, 2019, Soitec's financial statements and all of its tax returns covering the period from April 1, 2016 to March 31, 2019 have been audited and the results subject to corporate income tax for the period from April 1, 2015 to March 31, 2016 that contributed to our Company's overall deficit have been audited in accordance with the provisions of Article L. 169 paragraph 7 of the Book of Tax Procedures.

Due to the exceptional situation related to the Covid-19 outbreak, audit operations are suspended until further notice.

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

2.5 Significant accounting policies

A. Consolidation principles and scope

All the entities that our Group controls are fully 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.

As of March 31, 2020, the consolidated financial statements included the financial statements of our Company and the subsidiaries listed below:

Entity	Date of consolidation	Percentage interest	Country	Functional currency
Soitec USA LLC	1997	100%	United States	US dollar
Soitec Japan Inc.	June 2004	100%	Japan	Japanese yen
Soitec Microelectronics Singapore Pte Ltd.	June 2006	100%	Singapore	US dollar
Soitec Korea LLC	July 2011	100%	South Korea	US dollar
Soitec Corporate Services SAS	July 2012	100%	France	Euro
Soitec Trading Shanghai Co., Ltd.	November 2013	100%	China	Yuan
Frec n sys SAS	October 2017	100%	France	Euro
Dolphin Design SAS (1)	August 2018	100%	France	Euro
Dolphin Ltd. (1)	August 2018	100%	Israel	Shekel
Dolphin Inc (1)	August 2018	100%	Canada	Canadian dollar
Soitec Lab (2)	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 ⁽³⁾	May 2019	100%	Belgium	Euro
Entities of the Solar Energy segment				
Soitec USA Holding Inc.	December 2009	100%	United States	US dollar
Soitec Solar Industries LLC	December 2009	100%	United States	US dollar
Soitec Solar Development LLC	September 2010	100%	United States	US dollar
Soitec Solar RSA Ltd.	April 2011	100%	South Africa	Rand
Soitec Solar France SAS	October 2011	100%	France	Euro
Concentrix Holding SAS	March 2018	100%	France	Euro
Project entities in the solar segment (4)				
CPV Power Plant n° 2 (Pty) Ltd.	September 2010	100%	South Africa	Rand

⁽¹⁾ Acquisition of 60% of the shares but a commitment has been made to repurchase all non-controlling interests.

⁽²⁾ Soitec Newco 1 SAS was re-named Soitec Lab.

⁽²⁾ Solice Newco 1 SAS was re-named Solice Lab.

(3) Acquisition of 96.7% of the shares but a commitment has been made to repurchase all non-controlling interests.

⁽⁴⁾ 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.





Notes to the consolidated financial statements as of March 31, 2020

DEPARTURES FROM SCOPE

- Soitec Solar Chile S.p.A (solar business) was liquidated in January 2020.
 This liquidation has had no impact on the consolidated financial statements of our Group.
- Our Group has sold its interests in the companies CPV Power Plant n° 1 Ltd. (Touwsrivier) and CPV Power Plant n° 1 Bond SPV Ltd. during the fiscal year in the context of its withdrawal from solar activities. See note 2.4

Balances and transactions between Group companies are eliminated in the consolidated financial statements.

Business combinations are accounted for using the acquisition method. In the event of an acquisition, the acquired entity's identifiable assets and liabilities that meet the IFRS 3 recognition criteria are carried at fair value as determined at the acquisition date, except for any non-current assets classified as assets held for sale which are recorded at fair value, less selling costs.

Accounting rules regarding business combinations and transactions with non-controlling interests include the following:

- acquisition costs are expensed at the acquisition date;
- the impact of repurchases of non-controlling interests in a subsidiary that is already controlled and of divestments of interests with no loss of control is recognized directly in equity without impacting goodwill or income:
- changes in the value of assets and liabilities relating to acquisitions recognized on a provisional basis (due to independent appraisal reports or further analyses not yet having been completed) are recorded as a retrospective adjustment to goodwill if they occur within 12 months of the acquisition date. After this period, any changes are recorded directly in income statement. Contingent considerations (earn-outs) are measured at acquisition-date fair value. If the obligation to pay a contingent consideration meeting the definition of a financial instrument was classified in equity it is not remeasured and is recognized in equity when settled. Otherwise, any contingent considerations are measured at fair value at the end of each period and any potential changes are recorded directly as profit/(loss). Changes in the value of debt linked to non-controlling interest commitments, other than the impact of accretion, are recorded as other comprehensive income items.

B. Conversion of the financial statements of foreign subsidiaries

Our Group's presentation currency is the euro. Our Company's functional currency is the euro and the functional currency of each subsidiary is specified in the previous paragraph.

The financial statements of Group entities with functional currencies other than the euro are translated into euros as follows:

- assets and liabilities are translated at the closing rate on March 31, 2020;
- income statement items of each foreign operation are translated at the average exchange rate for the period or fiscal year which is deemed to represent the rate applicable on the effective transaction date;
- exchange differences resulting from the application of these different rates are recognized in other items of comprehensive income and accumulated in reserves under "Foreign exchange gains/(losses) on translation of foreign operations".

Monetary items forming part of a net investment in a foreign operation include debt, loans and receivables denominated in foreign currencies that relate to a foreign business and for which settlement is neither planned nor probable in the foreseeable future. Exchange differences relating to these items are recognized among other items of comprehensive income (OCI), under "Foreign exchange gains/(losses) on translation of foreign operations".

C. Intangible assets

GOODWILL

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (CGU) or groups of CGUs that are expected to benefit from the combination. Goodwill is not amortized but is tested for impairment at the end of each reporting period or whenever there are indications that its value may be impaired. Impairment losses recognized against goodwill cannot be reversed.

OTHER INTANGIBLE ASSETS

Intangible assets acquired separately by our Group are recognized at their acquisition cost, which corresponds to their acquisition-date fair value for assets acquired through business combinations. They mainly include software applications, which are accounted for at their purchase price and amortized using the straight-line method (one to five years) and project development costs (amortized over their estimated useful lives, typically between 8 and 10 years).

In accordance with IAS 38, development costs are capitalized if the following criteria are met:

- our Group has the intention and technical ability to complete the development project;
- it is highly probable that the future economic benefits attributable to the development costs will flow to our Group, generally evidenced by current orders or contracts;
- the costs can be measured reliably;
- our Group has the capacity to use or sell the intangible asset;
- our Group has the necessary resources to complete the project.

R&D costs that do not fully meet the above criteria are recognized in the income statement under the "R&D costs" item, as expenses for the fiscal year when incurred.

Our Group has defined an eight-stage life cycle for R&D projects. Upon the completion of each stage (milestone), a decision is made to either continue or discontinue the project. The first five stages cover exploratory research (evaluation of technologies), while the following two phases correspond to product development, generally in conjunction with a potential customer. The final stage involves high-volume industrialization of the product.

Costs incurred during exploratory research phases are recognized in the income statement, development costs are capitalized if they meet the criteria of IAS 38, otherwise they remain expensed. Costs incurred in the industrialization phase are recognized in cost of sales.

Prototype sales and subsidies (including the research tax credit) relating to capitalized development costs are initially recorded as deferred income and then recognized in the income statement as and when the associated development costs are amortized.

D. Property, plant and equipment

Property, plant and equipment are measured, in accordance with IAS 16, at their acquisition cost less accumulated depreciation and any impairment losses. Subsequent expenditure is included in the carrying amount of the asset or, where applicable, recognized as a separate asset when it is probable that the future economic benefits associated with the asset will flow to our Group and the cost of the asset can be measured reliably. The carrying amount of replaced components is derecognized. All repair and maintenance costs are recognized in the income statement.

Declaration of the person responsible for the annual financial report

Management report Report on corporate

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Statutory Auditors' Report on our Company financial statements Statutory Auditors' Report on the Consolidated financial statements

Notes to the consolidated financial statements as of March 31, 2020

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Buildings, fixtures and fittings	15 to 30 years
Equipment and tooling	3 to 8 years
Other fittings and fixtures	5 to 10 years
Transport equipment	5 years
IT and office equipment	3 to 7 years
Office furniture	5 to 10 years

Residual value may be recognized where appropriate. The assets' residual value, useful life and depreciation method are reviewed at the end of each annual reporting period and amended on a prospective basis where applicable.

E. Leases

When signing an agreement, our Group determines whether this constitutes or contains a lease agreement. Any agreement which constitutes or contains a lease agreement grants the right to control the use of the asset identified for a certain period of time, in exchange for a consideration. To determine whether an agreement grants the right to control the use of an identified asset, our Group applies the definition of a lease provided by IFRS 16.

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

Lease payments are apportioned between payments of the interest and the principal of the outstanding liability. The assets linked to rights of use are depreciated over the term of the lease agreement plus any optional periods for which there is a reasonable certainty of exercise.

Our Group applies the exemptions provided for by IFRS 16 for leases with a lease term of 12 months or less and for leases whose underlying asset is of low value when new (less than USD5,000). These rents are recognized directly as expenses.

F. Fixed asset acquisition expenses

Acquisition costs increase the value of property, plant and equipment, intangible assets and investment property, as the case may be.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale (generally over six months) are included in the cost of that asset. All other borrowing costs are expensed as incurred.

G. Impairment of non-current assets

IAS 36 defines the procedures that a company must apply to ensure that the carrying amount of its assets does not exceed their recoverable amount, which is the amount that is expected to be recovered from their use or sale. Besides goodwill and intangible assets with an indefinite life that are systematically tested for impairment each year, the recoverable amount of an asset is estimated whenever there is an indication that the asset's value may be impaired.

CASH-GENERATING UNITS (CGU)

A cash-generating unit is the smallest group of identifiable assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

In the Electronics business segment, our Group has identified three CGUs, each of which was centrally managed with production capacity organized so as to optimize utilization regardless of geographical location. These CGUs are:

- Electronics 300 mm, primarily serving the digital market and leveraging the production capacity of the Bernin 2 plant and the Singapore plant;
- Electronics small diameter, primarily serving the radio frequency and power market and leveraging the production capacity of the Bernin 1, Bernin 3, Frec|n|sys (Besançon) and Hasselt (Belgium) plants for the GaN business:
- Integrated circuits design: design of low-power electronic circuits, (Dolphin Design business).

IMPAIRMENT INDICATORS

Our Group regularly compares actual results to forecast results for all of its businesses in order to detect any impairment.

DETERMINING THE RECOVERABLE AMOUNT

When circumstances or events indicate that a non-current asset may be impaired, our Group reviews the recoverable amount of the asset (or of the group of assets to which it belongs).

Capitalized development costs, if not yet commissioned, are subject to impairment tests at least once a year.

The recoverable amount is the higher of its fair value less costs to sell and its value in use. It is estimated separately for each asset. Where this is not possible, assets are pooled into groups of CGUs for which the recoverable amount is then calculated.

Fair value less selling costs is the amount that could be obtained from the sale of an asset in an arm's length transaction between knowledgeable willing parties, less costs to sell.

Value in use is the present value of the future cash flows expected to be derived from the continuous use of an asset and from its disposal at the end of its useful life. Value in use is determined using cash flows estimated on the basis of business plans or budgets typically drawn up for a period of five years, taking into account the specific risks inherent to the technological nature of our Group's business activity.

IMPAIRMENT

An impairment loss is recognized as soon as the carrying amount of an asset or the CGU to which it belongs exceeds its recoverable amount. Impairment losses are expensed under "Other operating income and expenses".

Except in the case of goodwill, impairment losses recognized in previous years may be reversed if, and only if, there has been a change in the estimates used to calculate the recoverable amount of the asset since the previous recognition of an impairment loss. However, the reversal of an impairment loss must not result in the carrying amount of the asset exceeding the carrying amount that would have been determined had no impairment been recognized for the asset in previous years.

H. Financial assets

In accordance with IFRS 9, financial assets are divided into three categories on the basis of type and holding intention:

- assets measured at amortized cost;
- assets measured at fair value through profit or loss;
- assets measured at fair value through other comprehensive income.

Consolidated financial statements as of March 31, 2020

Notes to the consolidated financial statements as of March 31, 2020

IFRS 9 stipulates that financial assets are generally classified based on the business model of holding the asset and the characteristics of its contractual cash flows.

Financial assets	Classification according to IFRS 9
Non-consolidated investments	Assets measured at fair value through profit or loss
Derivative financial instruments (positive fair value)	Fair value – hedging instrument
Deposits and guarantees	Assets at amortized cost
Other	Assets at amortized cost
Trade receivables and related accounts	Assets at amortized cost
Cash and cash equivalents	Assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following criteria and if it is not designated at fair value through profit or loss:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows:
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are measured at amortized cost according to the effective interest rate. The amortized cost is net of impairment. Interest revenue, foreign exchange gains and losses and impairment are recognized in profit or loss. Gains and losses resulting from derecognition are recorded in profit or loss.

A financial instrument is measured at fair value through other comprehensive income if it meets both of the following criteria and it is not designated at fair value through profit or loss:

- the asset is held within a business model whose objective is achieved by both the collection of the contractual cash flows and by the sale of financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are measured later at fair value. Interest revenue calculated by applying the effective interest rate method, foreign exchange gains or losses and impairment are recognized in profit or loss. The other gains and losses are recognized in other comprehensive income. At derecognition, the gains and losses cumulated in other comprehensive income are reclassified to profit or loss.

The term "principal" refers to the fair value of the financial asset when it was initially recognized. "Interest" refers to the consideration for the time value of money, the credit risk associated with the principal amount outstanding for a given period, and the other risks and expenses related to a base loan and a margin.

All financial assets that are not classified as such at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss. These assets are measured at fair value. Net gains and losses, including interest or dividends collected, are recognized in profit or loss.

All standard purchases and sales of financial assets are recognized at the settlement date.

I. Financial liabilities

Financial liabilities are classified into two categories:

- financial liabilities at amortized cost;
- financial liabilities at fair value through profit or loss.

Financial liabilities:	Classification according to IFRS 9
Derivative financial instruments	Fair value – hedging instrument
Other borrowings and debt	Amortized cost
OCEANE convertible bonds	Amortized cost
Committed credit line used	Amortized cost
Other financial liabilities	Amortized cost
Trade pavables and related accounts	Amortized cost

FINANCIAL LIABILITIES AT AMORTIZED COST

Loans and other financial liabilities (including trade payables) are accounted at amortized cost by applying the effective interest rate method. Issuance costs and premiums as well as redemption premiums are included in the amortized cost of loans and debt. They are presented in reduction or increase of the loans, as appropriate, and are amortized on an actuarial basis.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial liability is classified as a financial liability at fair value through profit or loss if it is held for the purposes of transactions, whether it is a derivative or designated as such at the time of its initial recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value, and the resulting net gains and losses, taking into account interest expense, are recognized in profit or loss.

J. Financial instruments

HEDGING DERIVATIVE INSTRUMENTS

Our Group hedges its currency risk on some of its transactions denominated in US dollars through derivatives (forward sales, options contracts). These

derivative instruments are solely designed to hedge currency risks on fixed commitments or highly probable future transactions.

Derivatives are initially recognized at fair value upon acquisition. Attributable transaction costs are recognized in the income statement when incurred. In the absence of a hedging relationship, following the initial recognition, the changes in the fair value of derivatives are immediately expensed.

If the derivative is designated as a hedge of the fair value of assets or liabilities recognized in the consolidated balance sheet, changes in the value of the derivative and of the hedged item are recognized in profit or loss in the same period.

If the derivative is designated as a cash flow hedge, changes in the value of the effective portion of the derivative are recognized in other comprehensive income. It is recognized in income when the hedged item is itself recognized in profit or loss. However, the ineffective portion of the derivative is immediately recognized in financial income/(expense).

FAIR VALUE OF FINANCIAL INSTRUMENTS

Our Group applies IFRS 7 regarding financial instruments measured at fair value in the balance sheet. Fair value measurements are broken down by level in the fair value hierarchy, as follows:

- Level 1: the instrument is quoted in an active market;
- Level 2: fair value is determined using valuation techniques based on observable inputs, other than the prices quoted in level 1, either directly (prices) or indirectly (pricing data);
- Level 3: at least one significant fair value component is based on nonobservable inputs.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency, and those prices represent regularly occurring market transactions. These instruments are classified in Level 1.

The fair value of financial instruments not quoted in an active market (e.g., over-the-counter derivatives) is calculated using valuation techniques. These valuation techniques maximize the use of observable market data if available and rely as little as possible on our Group's own estimates. If all inputs required to calculate the fair value of an instrument are observable, the instrument is classified in Level 2 of the fair value hierarchy.

If one or more of the principal inputs is not based on observable market price data, the instrument is classified in Level 3.

K. Inventories

Inventories of raw materials and consumables are stated at acquisition cost. A provision for impairment is booked for obsolete or surplus items.

Finished goods are carried at production cost except for those whose cost exceeds their selling price during the start-up phase of production and obsolete or surplus items. A provision for impairment writes down the carrying amount of finished goods to their realizable value less proportionate selling expenses.

Work-in-progress is measured using the same principles in accordance with the percentage of completion of production.

L. Trade receivables

Trade receivables are measured initially at the transaction price if they do not have a significant financing component. After initial recognition, they are carried at amortized cost calculated using the effective interest rate method.

Trade receivables in foreign currencies are re-evaluated at the closing rate.

IMPAIRMENT

A provision for loss is recorded if there is an objective indication based on a case-by-case analysis that our Group might not be able to recover part of or all of its receivables.

M. Assets held for sale

Non-current assets held for sale (or disposal groups) are classified as "Assets held for sale" when it is highly likely that they will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale may consist of an entity, a disposal group or a separate pon-current asset

At their initial classification as held for sale, non-current assets and disposal groups are accounted at the lower of their carrying amount and their fair value less selling costs.

Impairment losses resulting from the classification of an asset (or a group of assets and liabilities) as held for sale or distribution plus gains and losses from subsequent revaluations are recognized in profit or loss. Once classified as assets held for sale, intangible assets and property plant and equipment are no longer depreciated.

The fair value of the assets held for sale is estimated by our Group management on the basis of multiple criteria including in particular some values from recent acquisition proposals and from reports by experts involved in the preparation for the sale of these assets to a third party.

N. Cash and cash equivalents

Cash and cash equivalents primarily consist of interest-bearing accounts and term deposits readily convertible into cash that are not exposed to a significant interest rate risk.

Investments with a maturity of more than three months with no early exit options along with investments in money-market UCITS (OPCVM) which do not meet the criteria for recognition as cash equivalents under IAS 7 are classified within other financial assets.

O. Equity

EQUITY INSTRUMENTS AND COMPOUND INSTRUMENTS

Classification in equity depends on a specific analysis of the characteristics of each instrument issued.

TRANSACTION COSTS ON EQUITY INSTRUMENTS

External costs directly related to capital transactions or equity instruments are recognized net of income tax as a deduction from equity. Other costs are expensed as incurred.

TREASURY SHARES

Purchases of treasury shares are recorded as a deduction from our Group equity based on their acquisition cost. Any gains or losses upon disposal or use are recognized in other reserves. When treasury shares are used as payment for an acquisition, the value used for accounting purposes corresponds to their market price at the transaction date.

SHARE-BASED PAYMENTS

In accordance with IFRS 2 "Share-based Payment", equity-settled transactions are measured at the grant date. The fair value of these instruments, determined by an independent expert, is calculated using a model that reflects the instrument's characteristics. This valuation model takes into account the exercise price and life of the option, the price of the underlying shares, the expected volatility of the share price and the risk-free interest rate over the life of the option. The value of these options is recognized on a straight-line basis in employee-related costs between the grant date and the acquisition date, with a corresponding adjustment to equity, since the options are equity-settled plans.

Regarding free share plans, their fair value is also determined based on the characteristics of the plan, stock market data at allocation date and an assumption of the employee's continuing presence on the payroll at the end of the vesting period. If the plan does not specify the vesting arrangements, the expense is recognized in full as soon as the plan is awarded. Otherwise, the expense is recognized over the vesting period as and when the vesting conditions are met.

P. Provisions

A provision is recognized when our Group has a current contractual or implicit obligation arising from a past event, the amount of which can be estimated reliably, and the settlement of which is expected to result in an outflow of resources representing economic benefits for our Group. The provisions are updated when the impact of the update is significant.

Consolidated financial statements as of March 31, 2020



Notes to the consolidated financial statements as of March 31, 2020

A provision for restructuring is only recognized when there is an implicit obligation to a third party, originating from a decision of Management materialized before fiscal year-end by the existence of a detailed and formalized plan and the announcement of this plan to the persons concerned.

Contingent liabilities consist of a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation for which an outflow of resources is unlikely. Contingent liabilities are not recognized but are disclosed in the notes.

Q. Retirement benefit obligations and related benefits

RETIREMENT INDEMNITIES AND RELATED BENEFITS

French law provides for a payment of a lump-sum retirement indemnity. This indemnity is determined depending on the years of service and the level of compensation at the time of retirement. Only employees who reach retirement age while on our Company's headcount are entitled to this indemnity.

OTHER PENSION PLANS

Our Group has entered into an agreement to supplement statutory retirement benefits. In addition to statutory benefits, our Group operates a complementary pension plan for certain employees. This defined benefit plan is managed by an outside agency.

In the US, Soitec USA Inc. pays into a funded pension plan under section 401(k) of the US Internal Revenue Code. This defined contribution pension plan is exempt from tax and covers the majority of our US employees.

Defined benefit plans are measured on an actuarial basis using the projected unit credit method, which factors in demographic (salary trends, age upon retirement, staff turnover, mortality rate) and financial (discount and inflation rate) assumptions. Actuarial gains and losses resulting from the revision of calculation assumptions are immediately recognized in other items of comprehensive income (equity) under "Actuarial gains/ (losses) on defined benefit plans".

For defined contribution plans, payments are expensed as incurred. There are no actuarial liabilities to this end.

R. Revenue recognition

All trade receivables are reported under "Trade and other receivables".

Contract liabilities mostly consist of prepayments from customers or credit notes to be drawn up as well as goods sent to customers for which control has not been transferred before fiscal year end.

In accordance with IFRS 15, revenue is recognized when control of goods or services is passed to customers in exchange for the consideration to which our Group expects to be entitled. Recognition is based on a five-step analysis:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract;
- recognize revenue when (or as) the entity satisfies a performance obligation.

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, and, in particular:

- 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.

When these criteria are met, revenue is recorded.

S. Gross margin

Gross margin represents "income from ordinary activities" less the total cost of sales. Cost of sales includes the cost of resources used in the production of goods sold (raw materials, consumables, employee-related costs, depreciation and amortization, energy and fluids).

T. Sales and marketing expenses

Sales and marketing expenses comprise costs incurred by the Sales & Business Development and the Strategic Marketing Departments. They primarily consist of employee-related costs and expenses relating to trade fairs, consulting and travel.

U. R&D expenses

This item includes costs that do not meet the criteria for capitalization as defined in note C. "Intangible assets". These costs are net of prototype sales made as part of the R&D activity, any research tax credits and grants recognized in profit or loss for the period.

Subsidies received (for which financing agreements have been signed and administrative authorizations obtained) are recorded as deferred income in the balance sheet (if they relate to projects meeting IAS 38 criteria). Grants are invoiced to the relevant bodies following project reviews, based on the milestones set out in the grant agreements.

If they do not pertain to capitalized projects, the subsidies are recognized immediately in profit or loss based on the progress of the projects in question.

Support for R&D activities may also take the form of repayable advances. These advances are recorded as financial liabilities in the balance sheet if the related projects meet the criteria for capitalization as R&D costs or if it is likely that the advance will be repaid. If the

criteria are not met, redeemable advances are treated in the same way as subsidies received.

V. General and administrative expenses

General and administrative expenses comprise costs incurred by support functions less the portion allocated to production costs. These support functions include General Management, finance, human resources, legal, communications, quality and IT.

W. Other operating income and expenses

This item shows the effects of major events occurring during the accounting period that are liable to skew analyses of our Group's recurring performance. This includes a limited number of income and expenses of unusual character, infrequent occurrence and significant amount. It includes non-recurring restructuring costs, impairment losses charged against non-current assets and goodwill, and transaction costs related to acquisitions of equity interests.

X. Financial income/(expense)

Financial income/(expense) comprises the cost or income of debt, dividends received from non-consolidated subsidiaries, changes in the fair value of financial assets excluding cash and derivatives not eligible for hedge accounting, gains and losses on the disposal of financial assets, gains and losses on discounting and foreign exchange gains and losses on items not included in net debt.

Y. Income tax and deferred taxes

Income tax expense represents the sum of income tax due by our Group's companies and deferred taxes. Income tax is recognized in profit and loss except where it relates to items recognized in other items of comprehensive income. Then, it is also recognized in other items of comprehensive income.

Deferred tax is accounted for using the balance sheet approach. The amount of tax expense calculated is influenced by the change in the receivable or liability due to the change in the income tax rate from one year to the next (liability method of tax allocation).

A deferred tax asset is recognized when the following conditions are met:

- the entity has sufficient taxable temporary differences involving the same taxation authority and the same taxable entity or tax group, which will result in taxable amounts against which the unused tax credits or tax losses may be utilized before they expire;
- it is probable that the entity will generate taxable income before the unused tax credits or tax losses expire.

No deferred tax asset is recognized to the extent that it is unlikely that the entity will post taxable income against which the unused tax credits or tax losses can be utilized.

Z. Earnings per share

Earnings per share are calculated based on the weighted average number of shares depending on the date of issuance of shares during the fiscal year, less any treasury shares held. Diluted earnings per share are calculated using the treasury stock method, which adds to the denominator the number of shares that would result from dilutive instruments (options), less the number of shares that may be bought back at market price using the funds raised from exercising the relevant instruments. The number of shares used to compute diluted earnings per share takes into account the weighted average number of ordinary shares outstanding during the

period, adjusted for the impact of the potential ordinary shares that could result from the exercise of options, share warrants and other financial instruments that may be converted into ordinary shares, where their impact is dilutive.

Dilutive instruments are not taken into account in the calculation of diluted earnings per share when they lead to a reduction in the loss per share based on the average number of shares outstanding.

AA. Discontinued operations

A discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale, and:

- represents either a separate major line of business or a geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively for resale.

The discontinued operation classification must be used as soon as the operation has been sold or the business meets the conditions to be classified as held for sale.

The discontinued operation classification results in the separate presentation of "Net income/(loss) from discontinued operations" in the income statement.

This line comprises the following items:

- income generated by the discontinued operation as well as any expenses directly attributable to the operation, net of income tax, for the entire period presented:
- any impairment losses recognized when evaluating the assets and liabilities identified as held for sale in accordance with IFRS 5;
- any gain or loss on disposal when these assets and liabilities are effectively derecognized.

The net cash flows attributable to operating, investing and financing activities of discontinued operations are calculated as the difference between these aggregate amounts and the amounts of continuing operations in the statement of cash flows and separately in the notes to the financial statements.

Since the criteria set out in IFRS 5 are met, the net income/(loss) from the discontinued operations are therefore shown separately within "net profit/(loss) from discontinued operations" in the income statement. The share of income/(loss) of equity-accounted companies, which concerns assets held for sale in the Solar Energy business segment, is also shown within "Net income/(loss) from discontinued operations".

AB. Consolidated statement of comprehensive income

The main components of comprehensive income are changes in the fair value of financial assets for which changes in fair value are recognized under this heading, actuarial gains or losses on defined benefit plans, changes in the fair value of cash flow hedges and changes in translation adjustments arising from subsidiaries whose accounts are denominated in currencies other than the euro.

Other comprehensive income is broken down by distinguishing the components of other comprehensive income that are required to be reclassified to net profit/(loss) at a later date from those that cannot be reclassified to net profit/(loss).

Consolidated financial statements as of March 31, 2020



Notes to the consolidated financial statements as of March 31, 2020

NOTE 3. NOTES TO THE BALANCE SHEET

3.1 Segment reporting

Segment reporting is presented in accordance with IFRS 8.

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

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

EBITDA presented in the segment analysis table represents operating income (EBIT) before depreciation, amortization, impairment, non-monetary items related to share-based payments, and changes in provisions on current assets and provisions for risks and contingencies, and excluding any profit or loss from asset disposals. The impact in equity of the first-time application of IFRS 15 is included in EBITDA as of March 31, 2019

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

		March 31, 2020			March 31, 2019	
(in € thousand)	Electronics	Other Activities	Total	Electronics	Other Activities	Total
Sales	597,549		597,549	443,946		443,946
Gross margin	195,426		195,426	165,029		165,029
Gross R&D costs	(66,889)		(66,889)	(51,279)		(51,279)
Sales of prototypes and other income	9,013		9,013	9,236		9,236
Grants and repayable advances	25,382		25,382	22,026		22,026
Net R&D costs	(32,494)		(32,494)	(20,017)		(20,017)
Sales and marketing expenses	(10,195)		(10,195)	(9,792)		(9,792)
General and administrative expenses	(35,042)		(35,042)	(26,815)		(26,815)
Current operating income/(loss)	117,695		117,695	108,405		108,405
Other operating income	1,911		1,911	566		566
Other operating expenses	(100)		(100)	(106)		(106)
Other operating income and expenses	1,811		1,811	460		460
Operating income (EBIT)	119,506		119,506	108,865		108,865
Depreciation	45,520		45,520	24,597		24,597
Impairment of non-current assets and accelerated depreciation/amortization	32		32	414		414
Share-based payments	19,526		19,526	17,957		17,957
Provisions, net	1,854		1,854	(53)		(53)
Provision for retirement benefit obligations	(207)		(207)	685		685
Gains/(losses) on disposals of assets	(790)		(790)	(556)		(556)
IFRS 15 first-time adoption	-		-	379		379
EBITDA from discontinued operations		(946)	(946)		(2,510)	(2,510)
EBITDA	185,441	(946)	184,495	152,288	(2,510)	149,778

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> Breakdown of the consolidated statement of financial position

	March 31, 2020			March 31, 2019		
(in € thousand)	Electronics	Other Activities	Total	Electronics	Other Activities	Total
Intangible assets, net	87,471		87,471	38,479		38,479
of which goodwill	20,765		20,765	8,471		8,471
Property, plant and equipment, net	297,154		297,154	253,593		253,593
Non-current financial assets	14,428		14,428	11,018		11,018
Other non-current assets	8,997		8,997	44,351		44,351
Non-current assets (1)	408,050	-	408,050	347,441		347,441
Inventories	123,291		123,291	72,333		72,333
Trade receivables and related accounts	167,409		167,409	139,344		139,344
Other current assets	73,820	125	73,945	45,601		45,601
Current financial assets:	351		351	255		255
Current assets (2)	364,871	125	364,996	257,533		257,533
Trade payables and related accounts	(76,100)	(218)	(76,318)	(62,239)		(62,239)
Other current and non-current liabilities	(118,661)	(5,555)	(124,216)	(134,027)		(134,027)
Current and non-current liabilities (3)	(194,761)	(5,773)	(200,534)	(196,266)		(196,266)
Assets held for sale (a)		-	-		16,697	16,697
Liabilities directly related to assets held for sale (b)		-	-		(6,173)	(6,173)
Net assets held for sale (4 = a + b)		-	-		10,524	10,524
CAPITAL EMPLOYED (1) + (2) - (3) + (4)	578,160	(5,648)	572,512	408,708	10,524	419,232

) Breakdown of revenue

Revenue by segment and product type breaks down as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Electronics – 300 mm SOI	294,363	205,671
Electronics small diameters	274,933	220,991
Royalties	28,253	17,284
Total Electronics	597,549	443,946
TOTAL REVENUE	597,549	443,946

Sales as of March 31, 2020 includes:

- €20,467 thousand from Dolphin Design (€10,472 thousand as of March 31, 2019 consolidated from August 2018);
- €1,910 thousand from EpiGaN nv, acquired in May 2019.

3.2 Intangible assets

Intangible assets break down as follows:

(in € thousand)	Gross values	Accumulated amortization	Provisions for depreciation	Net value
Goodwill – Electronics segment	21,766		(13,295)	8,471
Concessions, patents and other rights	5,583	(5,583)		0
Software	63,017	(56,333)		6,684
Other intangible assets	1,900	(217)		1,683
Intangible assets in progress	21,880		(239)	21,641
MARCH 31, 2019	114,146	(62,133)	(13,534)	38,479
Goodwill – Electronics segment	34,060		(13,295)	20,765
Capitalized development projects	28,496	(1,159)		27,337
Concessions, patents and other rights	5,519	(5,519)		0
Software	73,954	(62,600)		11,354
Other intangible assets	19,900	(2,224)		17,676
Intangible assets in progress	10,576		(237)	10,339
MARCH 31, 2020	172,505	(71,502)	(13,532)	87,471

In the year to March 31, 2020, changes in the net value of each asset category break down were as follows:

(in € thousand)	Goodwill	Capitalized development projects	Concessions, patents and other rights	Software	Other intangible assets	Intangible assets in progress	Total
MARCH 31, 2018	1,402		17	1,559		5,201	8,179
Assets put into service				4,846		(4,846)	-
Acquisitions				402		21,223	21,625
Change in scope	7,069			2,017	1,900		10,986
Currency translation adjustments				63		65	128
Depreciation (expense for the period)			(17)	(2,205)	(217)		(2,439)
MARCH 31, 2019	8,471	-	0	6,682	1,683	21,643	38,479
Assets put into service		26,853		6,039		(32,892)	-
Acquisitions		1,643		4,729		23,198	29,570
Change in scope	11,947				18,000		29,947
Reclassification between categories and other changes	347			(274)		(1,630)	(1,557)
Currency translation adjustments				63		20	83
Depreciation (expense for the period)		(1,159)		(5,885)	(2,007)		(9,051)
MARCH 31, 2020	20,765	27,337	0	11,354	17,676	10,339	87,471

As as of March 31, 2020, intangible assets in progress included €4,928 thousand related to capitalized development projects. The remaining part concerned software purchases.

Most of the software for €6,039 thousand installed over the fiscal year was production management software at the Pasir Ris (Singapore) and Bernin (France) facilities.

For a description of the acquisition of EpiGaN nv, see note "Highlights of the year" in Section 2.4. Goodwill from the acquisition of EpiGaN nv mostly relates to employee know-how and technical expertise as well as expected business synergies with our Group.

Net assets repurchased amounted to \leq 18,507 thousand. Goodwill amounts to \leq 11,947 thousand.

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

(in € thousand)	
Consideration (A)	30,454
Fair value of identifiable net assets (B)	18,507
GOODWILL (A) - (B)	11,947

The consideration amounted to \leq 30,454 thousand after taking into account:

- a firm price of €29,441 thousand (of which €2,540 thousand is subject to a payment deferred over three years);
- the sale option granted over 3.39% of EpiGaN nv's shares valued at €1,013 thousand (fair value valuation) net of the price received by Soitec for the repurchase of these shares by EpiGaN nv's directors.

(in € thousand)	Book value	Fair value adjustment	recognized for the acquisition
Intangible assets	1,366	16,634	18,000
Tangible fixed assets	3,958	241	4,199
Inventories	471		471
Trade receivables	246		246
Cash and cash equivalents	1,398		1,398
Other current non-current assets	382		382
Financial debt	(722)	(245)	(967)
Deferred taxes		(4,500)	(4,500)
Trade and other payables	(1,880)	1,158	(722)
TOTAL IDENTIFIABLE NET ASSETS ACQUIRED	5,220	13,288	18,507

Technology valued at €18 million was identified from this acquisition. It was valued using the excess earnings method. It is amortized over 10 years which corresponds to the estimated residual life. The discount rate used for this valuation is 19%.

This goodwill has been allocated to a separate CGU ("Small diameters").

During the period between the acquisition date (May 9, 2019) and March 31, 2020, EpiGaN nv contributed the amount of €1,909 thousand to consolidated revenue and -€2,449 thousand to our Group's net profit/ (loss). If the acquisition had taken place on April 1, 2019, the contribution to consolidated revenue would have amounted to €2,028 thousand and the contribution to net profit/(loss) to -€2,604 thousand.

The acquisition costs, recorded as expenses, amounted to \leq 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 as of March 31, 2019.

3.3 Property, plant and equipment

Property, plant and equipment break down as follows:

(in € thousand)	Gross values	Accumulated amortization	Provisions for depreciation	Net values
Buildings	264,682	(181,095)	(38)	83,549
Equipment and tooling	453,334	(359,844)	(11,222)	82,268
Other property, plant and equipment	15,196	(12,262)		2,934
Tangible fixed assets in the process of construction	88,137		(3,295)	84,842
MARCH 31, 2019	821,349	(553,201)	(14,555)	253,593
Buildings*	276,484	(193,584)		82,900
Equipment and tooling*	550,072	(386,733)	(4,386)	158,953
Other tangible fixed assets*	19,698	(14,142)		5,556
Tangible fixed assets in the process of construction	52,366		(2,621)	49,745
MARCH 31, 2020	898,620	(594,459)	(7,007)	297,154
Of which Property, Plant and Equipment related to leases pursuant to IFRS 16	71,517	(12,626)	(1,741)	57,150

^{*} Of which assets under lease contracts:

(in € thousand)	Gross values	Accumulated amortization	Provisions for depreciation	Net values
Buildings	10,469	(1,980)	-	8,489
Equipment and tooling	21,187	(1,779)	(3,188)	16,220
Other property, plant and equipment	691	(303)	-	388
Tangible fixed assets in the process of construction	12,004	-	-	12,004
MARCH 31, 2019	44,351	(4,062)	(3,188)	37,101
Buildings	13,869	(3,560)		10,309
Equipment and tooling	56,841	(8,609)	(1,741)	46,491
Other property, plant and equipment	807	(457)		350
MARCH 31, 2020	71,517	(12,626)	(1,741)	57,150

(in € thousand)	Buildings	Equipment and tooling	Other fixed assets	Total
Net book value as of March 31, 2019	8,489	28,224	388	37,101
Increase in rights-of-use	3,200	21,522	50	24,772
Depreciation of rights-of-use	(1,488)	(6,485)	(190)	(8,163)
Other changes	39	3,230	100	3,369
Foreign exchange gains/(losses)	69		2	71
NET CARRYING AMOUNT OF RIGHTS OF USE AS OF MARCH 31, 2020	10,309	46,491	350	57,150

In the year to March 31, 2020, changes in the net value by category of property, plant and equipment break down as follows:

		Equipment		Tangible fixed assets in the process of	
(in € thousand)	Buildings	and tooling	Other	construction	Total
MARCH 31, 2018	69,749	41,164	613	22,817	134,343
Assets put into service	13,994	49,999	1,677	(65,670)	-
Acquisitions			355	103,971	104,326
Change in scope			328		328
Leased assets (IFRS 16)	6,967	3,311	587	22,061	32,926
Reclassification between categories and other changes	(685)	(104)	229	789	229
Currency translation adjustments	2,939	553	17	1,987	5,496
Depreciation (expense for the period)	(8,630)	(12,763)	(764)		(22,157)
Impairment and accelerated depreciation				(414)	(414)
Disposals or retirements (net value)	(785)			(699)	(1,484)
MARCH 31, 2019	83,549	82,160	3,042	84,842	253,593
Assets put into service	2,306	65,738	2,369	(70,413)	-
Acquisitions	2,854	1,094	751	45,463	50,162
Change in scope	868	1,451	944	935	4,198
Leased assets (IFRS 16)	3,200	32,288	50	(10,766)	24,772
Reclassification between categories and other changes	(127)	(703)	(78)	(892)	(1,800)
Currency translation adjustments	1,003	1,146	34	899	3,082
Depreciation (expense for the period)	(10,753)	(24,161)	(1,556)		(36,470)
Impairment and accelerated depreciation				(32)	(32)
Disposals or retirements (net value)		(60)		(291)	(351)
MARCH 31, 2020	82,900	158,953	5,556	49,745	297,154

Acquisitions mostly pertained to industrial investments for the Bernin and Pasir-Ris facilities.

3.4 Value of non-current assets

Impairment testing

The Singapore plant was built in order to increase 300 mm-wafer production capacity. Due to the downturn in demand, production of 300 mm wafers had been transferred to the Bernin plant in September 2013, and the Singapore clean room has since been dormant. Pursuant to IAS 36, at December 31, 2015, our Company re-appraised the market value of its

asset and, at the same time, determined its value in use on the basis of its business plan. As a result of this test, our Group had recognized an impairment loss of €20 million in fiscal year 2015-2016. The reopening of the Singapore site, announced in September 2017, and the updated value in use as of March 31, 2020 (based on our Group's business plan which confirms the need to expand capacity to produce 300 mm wafers) confirms that no additional impairment charge should be recognized as of March 31, 2020.

The assumptions used for the March 31, 2020 impairment tests are as follows:

	Singapore	Dolphin	Project development costs (filters)
Long-term growth rate	1.5%	1.5%	Not applicable (period closed)
Discount rate	12.9%	19.0%	16.0%

These tests showed no loss of value as of March 31, 2020.

3.5 Non-current financial assets

Non-current financial assets break down as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Financial assets – Investments	14,745	11,698
Loans	180	180
Deposits and guarantees	85	4
Derivative financial instruments (positive fair value)	5	=
Gross value	15,015	11,882
Financial assets – Investments	(407)	(684)
Loans	(180)	(180)
Other financial assets		
Provision for impairment	(587)	(864)
NON-CURRENT FINANCIAL ASSETS, NET	14,428	11,018

"Financial assets – Investments" break down as follows:

	March 31, 2020 March 31, 20			March 31, 2020 March 31, 2019			larch 31, 2019	
(in € thousand)	Gross value	Provisions	% held	Gross value	Provisions	% held		
Cissoïd	340	(340)	0.19%	340	(340)	0.19%		
Exagan ⁽¹⁾	3,310	-	15.24%	1,438	-	15.24%		
Shanghai Simgui Technology Co. Ltd.	4,441	-	2.70%	4,441	-	2.70%		
Technocom (2)	3,350	(67)	8.00%	2,175	(344)	8.00%		
Greenwaves Technologies	3,299	-	16.58%	3,299	-	16.58%		
Other	5	-		5	-			
TOTAL FINANCIAL ASSETS – INVESTMENTS HELD	14,745	(407)		11,698	(684)			

- (1) Our Company restated at fair value its equity investment in Exagan by €1,872 thousand.
- (2) Our Company increased its equity investment in Technocom by €1,175 thousand, and holds an 8% stake.

3.6 Other non-current assets

Other non-current assets break down as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Tax receivables	4,853	42,516
Prepayments on orders of non-current assets	3,527	1,170
Deposits and guarantees	617	463
Other assets	-	202
Gross value	8,997	44,351
OTHER NON-CURRENT ASSETS, NET	8,997	44,351

The tax receivable of €4,853 million as of March 31, 2020 mostly represents:

- the non-current portion of our Company's research tax credit for the first quarter of 2020 for €2,576 thousand as well as €1,062 thousand concerning the research tax credit of our subsidiaries for previous years (€39,138 thousand as of March 31, 2019 for 2016, 2017, 2018, and the 1st quarter 2019). The sharp reduction in comparison with March 31, 2019 is due to the re-classification of these receivables as short-term on the basis of their anticipated use over the course of the next 12 months;
- the non-current portion of the French job competitiveness and employment tax credit (CICE) for the calendar year 2018 for €1,215 thousand (€3,380 thousand as of March 31, 2019).

The total amount of the research tax credit receivable (current portion and non-current portion) is $\le 34,342$ thousand as of March 31, 2020 ($\le 52,824$ thousand as of March 31, 2019).

3.7 Inventories

Inventories break down as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Raw materials	85,070	40,033
Work-in-progress	18,008	13,098
Finished products and goods	31,034	25,777
Gross value	134,112	78,908
Provisions for depreciation	(10,821)	(6,575)
INVENTORIES, NET	123,291	72,333

3.8 Trade receivables and related accounts

Trade receivables break down as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Trade receivables, gross	167,632	139,731
Provisions for impairment	(223)	(387)
TRADE RECEIVABLES, NET	167,409	139,344

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Notes to the consolidated financial statements as of March 31, 2020

There has been no significant movement concerning provisions for impairment on trade receivables:

(in € thousand)	March 31, 2020	March 31, 2019
Provision for impairment at beginning of period	(387)	(556)
Expense for the period	(63)	-
Reversals of utilized provisions: bad debts	230	-
Reversals of unutilized provisions	-	177
Currency translation adjustment	(3)	(8)
Change in scope	-	-
PROVISION FOR IMPAIRMENT AT END OF PERIOD	(223)	(387)

As of March 31, 2020, the aged analysis of receivables is as follows:

(in € thousand)	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	167,631	158,479	7,255	480	554	863
Provision for impairment	(223)					(223)
Net value as of March 31, 2020	167,408	158,479	7,255	480	554	640
Gross value	139,732	131,426	2,219	2,340	2,620	1,127
Provision for impairment	(387)	-	-	-	-	(387)
Net value as of March 31, 2019	139,345	131,426	2,219	2,340	2,620	740

3.9 Other current assets

Other current assets break down as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Tax and social security receivables	42,598	22,425
Prepaid expenses	2,141	875
Subsidies receivable	25,927	19,561
Advances, goods paid for on order	1,565	980
Deposits and guarantees	39	39
Other	1,704	1,721
Gross value	73,974	45,601
Provisions for depreciation	(29)	-
OTHER CURRENT ASSETS, NET	73,945	45,601

- As of March 31, 2020, tax receivables included a research tax credit amounting to €31,633 thousand, in relation in particular to the 2016 and 2019 calendar years (€11,860 thousand as of March 31, 2019 for the calendar years 2014 and 2015).
- Operating subsidies receivable are as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Operating subsidies receivable at beginning of period	19,561	4,972
Change in scope and reclassification	792	
Received during the period	(11,505)	(5,914)
Recognized in income statement	16,853	20,267
Currency translation adjustment	226	236
Operating subsidies receivable at end of period	25,927	19,561

The subsidies receivable concern primarily the "Nano 2022" (\leq 11,554 thousand) for Soitec S.A. as well as programs financed by the Singapore Economic Development Board (\leq 9,167 thousand) for Singapore.

3.10 Current financial assets

These break down as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Loans	34	34
Accrued interest	90	102
Prepaid expenses	78	65
Deposits and guarantee	139	=
Derivative financial instruments (positive fair value)	10	52
Other	-	2
Gross value	351	255
Provisions for depreciation	-	-
CURRENT FINANCIAL ASSETS, NET	351	255

3.11 Cash and cash equivalents

Cash and cash equivalents break down as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Cash	170,994	130,304
Cash equivalents	20,004	45,004
TOTAL CASH AND CASH EQUIVALENTS	190,998	175,308

Cash at bank is principally denominated in Euros (49% of the total) and in US dollars (41% of the total). The balance as of March 31, 2020 also includes €16,382 thousand held in ZAR (9%) due to the sale of the solar business.

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

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

The cash balance as of March 31, 2020 includes ZAR125 million (€6.4 million), related to the sale of the shares held in our South African subsidiary, held in the bank account of our notary public in South Africa pending the repatriation of these funds to France.

3.12 Assets and liabilities held for sale

As of March 31, 2020, further to the sale of the financial assets related to the solar power plant in South Africa (equity-accounted investments in CPV Power Plant n° 1 (20% stake), and the repayment of the loan granted to one of the shareholders of the Touwsrivier plant), there are no further assets or liabilities held for sale.

The provisions relating to business either abandoned or sold and to the commitments underlying such abandonment or sales (mainly guarantees issued) have been reclassified with the other provisions in the balance sheet.

	Assets and liabilities held for sale		
(in € thousand)	March 31, 2020	March 31, 2019	
Solar power plant projects			
Equity-accounted companies		5,250	
Non-current financial assets		11,313	
Other non-current assets		6	
Non-current assets	-	16,569	
Inventories			
Trade receivables and related accounts		11	
Other current assets		34	
Current financial assets:		83	
Current assets	-	128	
TOTAL ASSETS (1)	-	16,697	
Long-term financial debt			
Provisions and other non-current liabilities			
Non-current liabilities	-	-	
Short-term financial debt		-	
Trade payables and related accounts		365	
Provisions and other current liabilities		5,808	
Current liabilities	-	6,173	
TOTAL LIABILITIES (2)	-	6,173	
NET ASSETS (1) - (2)	-	10,524	

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3.13 Issued capital and reserves

Share capital and share premiums

As of March 31, 2020, the number of our Company shares outstanding was 33,180,921. These are ordinary shares with a par value of \leq 2.00 each and preferred shares with a par value of \leq 2.00 each.

(in number of shares)	March 31, 2020	March 31, 2019
Ordinary shares with a par value of €2.00	33,180,921	31,367,567
Preferred shares with a par value of €2.00	97,980	269,365
TOTAL	33,278,901	31,636,932

During the fiscal year 2019-2020, the following movements in the share capital were recorded (see note "Highlights" for more detail):

- July 26, 2019: unwinding of the 1st tranche of the management free share allocation plan, issuance of 1,248,019 ordinary shares (creation of 20,639 preferred shares 1 "PS 1" followed by the cancellation of 256,796 PS 1): share capital increase of €2,472,422 via off-setting against the reserves;
- December 6, 2019: unwinding of the 2nd tranche of the management free share allocation plan, issuance of 32,220 ordinary shares (creation of 2,832 preferred shares 1 "PS 1" followed by the cancellation of 6,630 PS 1): share capital increase of €64,060 via off-setting against the reserves:
- December 18, 2019: issuance of 97,980 preferred shares 2 ("PS 2") subscribed for by certain employees and officers of our Group at a price of €84.17 in cash in the context of the "Topaz" co-investment plan: share capital increase of €195,960 and share issue premium of €8,051,016;

- February 28, 2020: "Jade 2020" share-based employee savings plan: increase in the share capital further to the subscription of 206,007 ordinary shares by employees and the structuring bank at a price of €68.03 (share issue premium: €13,600,582) in cash;
- March 28, 2020: unwinding of plans 1 and 2 for all: issuance of 170,247 ordinary shares, share capital increase of €340,494 via offsetting against the reserves;
- March 28, 2020: unwinding of the 3rd tranche of the management free share allocation plan, issuance of 156,861 ordinary shares (creation of 2,867 preferred shares 1 "PS 1" followed by the cancellation of 32,277 PS 1): share capital increase of €310,781 via off-setting against the reserves.

In addition, €427 thousand was charged against the share issue premium on the basis of issue costs generated by the "Jade 2020" and "Topaz" plans.

Treasury shares

As of March 31, 2020, our Company held 4,442 treasury shares.

	March 31, 2020	March 31, 2019
Number of treasury shares	4,442(1)	5,077
Gross value (in € thousand)	377	432
Unrealized capital gain/(loss) (in € thousand)	(67)	(73)

⁽¹⁾ Among which 91 shares were allocated on April 6, 2020 with a retroactive effect at March 30, 2020.

The cost of these treasury shares along with gains or losses on disposal are deducted from equity.

Other reserves

Actuarial gains and losses on defined benefit plans are recorded in other items of comprehensive income against the provision for retirement benefit obligations.

(in € thousand)	Revaluation differences		Changes in fair value of foreign exchange hedging	Deferred taxes	Gains/(losses) on disposals of treasury shares	Other changes	Currency translation adjustment	First-time adoption of IFRS 15	Total
March 31, 2018	485	(3,630)	7,307	-	1,001	(16,104)	17,266	-	6,325
Changes in the period	(485)	(1,759)	(7,306)	772		-	6,880	375	(1,523)
March 31, 2019	-	(5,389)	1	772	1,001	(16,104)	24,146	375	4,802
Changes in the period	-	(2,088)	(415)	676		-	4,411		2,584
MARCH 31, 2020	-	(7,477)	(414)	1,448	1,001	(16,104)	28,557	375	7,386

The currency translation adjustment reserve includes all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as the foreign exchange differences arising from the conversion of monetary items forming part of a net investment in a foreign operation.

Dividends

Our Board of Directors will ask the Shareholders' General Meeting to be held in September 2020 to transfer earnings to the reserves and retained earnings and not distribute a dividend.

3.14 Share-based payment

Impact of share-based payments on the consolidated income statement

LONG TERM MANAGEMENT INCENTIVE PLAN OF JULY 26, 2016

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 26,346 preferred shares vested in fiscal year 2019-2020.

In fiscal year 2019-2020, all preference shares were converted into ordinary shares.

The expense recognized in the income statement for the free preferred share plan in the year ended March 31, 2020 was €1,915 thousand, including social security contributions.

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 were definitively acquired by those beneficiaries present as employees on the first working day following March 28, 2020. 170,247 ordinary shares have been in this manner.

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.

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 expense recognized in the income statement for these free share allocation plans for employees of Soitec in the year ended March 31, 2020 was €13,567 thousand, including social security contributions.

CO-INVESTMENT PLAN

The Extraordinary Shareholders' General Meeting of July 26, 2019 created a new category of preferred shares (PS 2) convertible into ordinary shares 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 (resolution no. 33).

Based on the delegation granted by the Extraordinary Shareholders' General Meeting of July 26, 2019 (resolution no. 34), the Board of Directors decided on December 18, 2019 to grant Topaz's participants with 195,960 PS 2 (including 31,982 PS2 to Mr. Paul Boudre, Chief Executive Officer of the Company).

Subject to a presence condition, such PS 2 granted for free will be definitively acquired by each Topaz's participants at the end of three acquisition periods:

- 40% of the PS 2 granted on December 18, 2019 will be definitively acquired on December 18, 2020;
- 30% of the PS 2 granted on December 18, 2019 will be definitively acquired on August 1, 2021; and

- 30% of the PS 2 granted on December 18, 2019 will be definitively acquired on August 1, 2022.
- Based on the delegation granted by the Extraordinary Shareholders' General Meeting of July 26, 2019 (resolution no. 35), the Board of Directors decided on December 18, 2019 a share capital increase of the Company through the issue of PS 2. In this context, Topaz's participants subscribed for 97,980 PS 2 (including 15,991 PS2 subscribed for by Mr. Paul Boudre, Chief Executive Officer of the Company) at a unit price of €84.17, as determined by an external independent accountant). Such subscription generated a share capital increase of €8,247 thousand on December 18, 2019.

The subscription price of €84.17 per PS 2 was calculated by an external independant accountant.

The fair value of each of the three series was valued using our best estimate:

- of the probability of achieving the income and EBITDA objectives (according to our business plan);
- of the number of instruments to be issued, given the turnover rate of employees (3.7%).

This plan generated a charge of \leq 3,963 thousand (of which \leq 464 thousand is linked to social security contributions) in the income statement as of March 31, 2020.

"JADE 2020" SHARED-BASED EMPLOYEE SAVINGS PLAN

Our Group has put in place a transaction known as "Jade 2020" which consists of a single leveraged offer with guaranteed capital, *via* a company mutual fund.

Payments made to Soitec's Jade 2020 company mutual fund are those of the personal contributions made by employees and bank financing paid by the bank directly to our Company mutual fund, calculated as 9 times the value of the personal contributions made by employees.

At the end of a vesting period of five years or in the case of an early exit event, each subscriber receives, for each share subscribed for, in addition to the capital initially invested which is guaranteed, an amount corresponding to the higher of either:

- a yield of 3% per annum, calculated on the personal contribution made;
 and
- performance linked to changes in Soitec's share price over this period.

This shareholding plan, forming part of our Group's policy on promoting share ownership among employees, covers France and Singapore and is aimed at sharing our Group's development more closely with employees.

At the Combined Ordinary and Extraordinary Shareholders' Meeting held on July 26, 2019, our shareholders delegated authority to the Board of Directors to decide on an increase in the share capital of our Company, on one or several occasions, in a maximum par value of €560,000 and corresponding to 280,000 ordinary shares, *via* the issuance of new shares restricted to employees of our Company and of its French and foreign affiliates.

Further to a delegation of authority from our Board of Directors dated July 26, 2019, our Chief Executive Officer set the definitive detailed terms and conditions for the transaction on January 23, 2020. On the same date, he set the subscription price for the new shares at €68.02 (after application of a 30% discount on the reference share price set at €97.16), which corresponds to the reference share price minus a discount of 30%. The reference share price is set, in accordance with Article L. 3332-19 of the French Labor Code, at the average price for Soitec shares on the Euronext Paris regulated market over the 20 trading sessions prior to January 23, 2020.

Those subscribing for the offer must retain the units in our Company mutual fund for five years, *i.e.* until February 28, 2025, other than in the event of a case of early release.

5)

Consolidated financial statements as of March 31, 2020

Notes to the consolidated financial statements as of March 31, 2020

The IFRS expense was calculated using the difference between the share price on the date of allocation (\in 87.55) and the subscription price (\in 68.02), after application of a discount for inability to sell.

This plan generated an expense of $\leq 2,121$ thousand in the consolidated income statement as of March 31, 2020.

FREE SHARE ALLOCATION PLAN DATED DECEMBER 18, 2019

In the context of the authorizations granted by the Combined Shareholders General Meeting held on July 26, 2019, the Board of Directors of our Company, at a meeting held on December 18, 2019, resolved to grant a total of 23,953 ordinary shares to the employees and corporate officers of Soitec and its affiliates.

Then, at its meeting on March 25, 2020, the Board of Directors of our Company allocated 14,863 ordinary shares to the employees and corporate officers of our Company and its affiliates within the meaning of Article L. 225-197-2 of the French Commercial Code.

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

These allocations are accompanied by:

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

This plan generated a charge of €164 thousand (of which €24 thousand is linked to social security contributions) in the income statement as of March 31, 2020.

Share-based payments

Free shares: the table below shows to what extent the authorizations granted by the Shareholders' General Meeting relating to the allocation of free shares have been implemented during the fiscal year ended March 31, 2020:

Date of Shareholders' General Meeting	3/23/2018	3/23/2018	3/23/2018	7/26/2019	7/26/2019
Date of Board of Directors' meeting	3/28/2018	3/28/2018	7/26/2018	12/18/2019	3/25/2020
Number of shares	125,188	62,561	344,981	23,953	14,863
Beneficiaries number	970	704	1,088	16	20
Vesting period	from 03/28/2018 to 03/28/2020	from 03/28/2018 to 03/28/2020	from 07/26/2018 to 07/26/2021	from 12/19/2019 to 08/01/2022	From 03/26/2020 to 08/01/2022
Holding period	n/a	n/a	n/a	n/a	n/a
Number of shares vested	110,767	59,480	403	-	-
Number of shares remaining	-	-	302,848	23,953	14,863

Preferred shares: the table below shows to what extent the authorizations granted by the Shareholders' General Meeting relating to the allocation of preferred shares have been implemented during the fiscal year ended March 31, 2020:

Date of Shareholders' General Meeting	04/11/2016 & 04/29/2016	07/26/2019					
Date of Board of Directors' meeting	07/26/2016	12/06/2016	03/30/2017	07/26/2016	12/06/2016	03/30/2017	12/18/2019
Number of preferred shares (PS) allocated	236,157	3,798	29,410	20,639	2,832	2,867	195,960 (*)
Of which number of preferred shares for corporate officers	44,947						163,978
Beneficiaries number	18	2	9	3	1	1	31,982
Date of contingent allocation of PS	07/26/2016	12/06/2016	03/30/2017	07/26/2016	12/06/2016	03/30/2017	12/18/2019
Date of definitive allocation of PS	07/26/2017	12/06/2017	03/30/2018	07/26/2019	12/06/2019	03/30/2020	08/01/2022
Date of conversion into ordinary shares (OS)	07/26/2019	12/06/2019	03/30/2020	07/26/2019	12/06/2019	03/30/2020	08/01/2022
Number of ordinary shares issued	1,147,713	18,456	142,928	100,306	13,764	13,934	
Maximum number of ordinary shares still to be issued	-	-	-	-	-	-	611,395

^{* 97,980} PS purchased by employees and 195,960 PS allocated free of charge

3.15 Loans and financial liabilities

(in € thousand)	Interest rate (in %)	Currency	Maturity date	March 31, 2020	March 31, 2019
Current					
Industrial equipment (in EUR)	0.25% - 1.68%	EUR	2023-2027	9,657	6,128
Other equipment (in JPY)	3.48%	JPY	2022	14	9
Leases	0.60% - 3.48%	EUR	2020-2028	1,374	1,000
Leases	3.48%	USD	2020-2023	71	140
Leases	3.48%	JPY	2021-2024	92	85
Leases	3.48%	KRW	2022	11	15
Leases	2.60% - 2.69%	Other currency	2020-2024	35	84
Loans					
Bank loan	3.2% - 5.5%	EUR	2022	46	40
Other					
Redeemable advances	-	EUR	2020	1,664	1,161
Derivative financial instruments	-	EUR	2020	1,096	3,348
financial services payables	-	EUR	2020	999	26
Authorized credit line drawn down (principal, in EUR)	0.24% - 0.8%	EUR	2021	34,021	10,160
Authorized credit line drawn down (accrued interest, in EUR)	0.24% - 0.8%	EUR	2020		9
Authorized credit lines drawn down (in USD)		USD			-
Repurchase commitment		EUR	2020	2,000	0
Other financial liabilities	1.63%	EUR	2020	1,101	400
CURRENT BORROWINGS AND DEBT				52,182	22,605
Non-current Non-current					
Leases (IFRS 16)					
Industrial equipment (in EUR)	0.25% - 1.68%	EUR	2023-2027	37,427	24,592
Other equipment (in JPY)	3.48%	JPY	2022	19	34
Leases	0.60% - 3.48%	EUR	2020-2028	3,990	4,993
Leases	3.48%	USD	2020-2023	24	62
Leases	3.48%	JPY	2021-2024	11	95
Leases	3.48%	KRW	2022	11	0
Leases	2.60% - 2.69%	Other currency	2020-2024	98	0
Loans					
Bond: OCÉANE 2023	0.00%	EUR	2023	134,829	130,432
Bank loan	3.2% - 5.5%	EUR	2022	61	108
Other					
Redeemable advances	-	EUR	2021-2028	6,605	8,917
Used committed credit lines	0.24% - 0.8%	EUR	2021	0	22,221
Derivative financial instruments	-	EUR		63	
Repurchase commitment	-			7,836	
Other financial liabilities	-	EUR	2022	1,548	7,724
NON-CURRENT DEBT				192,523	199,178

Borrowings and debt break down as follows:

OCEANE 2023

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

After evaluating the debt component at \le 129,293 thousand, an amount of \le 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 fiscal year ended March 31, 2020, for interest expenses related to the discounting the debt and amortizing issuance fees amounted to \le 4,398 thousand.

Leases

Our Group signed new equipment leasing agreements (financing of production equipment for our Bernin and Hasselt sites) in the total amount of €24,125 thousand, bearing interest at rates of between 0.24% and 1.68%. €605 thousand were re-stated on the basis of other lease agreements. This relates mainly to property leasing, both premises and vehicles.

Further to the consolidation of EpiGaN nv, the real estate lease and vehicle leasing contracts (impact of \le 206 thousand on financial liabilities as of March 31, 2020) as well as three leases covering industrial equipment for a total of \le 3,199 thousand as of March 31, 2020 bearing interest at EURIBOR three months +1.5%.

Consolidated financial statements as of March 31, 2020



Notes to the consolidated financial statements as of March 31, 2020

Bank credit lines

As of March 31, 2020, our Group had bank credit lines worth €65 million from six banks, of which €20 million had been drawn by end March 2020. and therefore are shown as short-term financial liabilities. These credit lines are repayable in fine no later than March 2024. They bear a commitment fee of 0.20%, and a utilization fee ranging from EURIBOR $\pm 0.70\%$ to $\pm 0.80\%$ depending on the credit lines. No covenant is attached

For the fiscal year 2019-2020, credit lines totaling €21,257 thousand were repaid in relation to the financing facility on Soitec S.A.'s 2015 research tax credit and competitiveness and employment tax credit further to the repayment of the latter to the tax authorities.

Redeemable advances

The debts related to the redeemable advances collected under the Nanosmart and Guépard 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.

A significant upward revision of the long-term sales forecasts of FD-SOI and SOI for radiofrequency applications could result in the reclassification as debt of a portion of the redeemable advance received on the basis of the Nanosmart program recorded as profit or loss in previous fiscal years. The theoretical maximum amount that could be reclassified is €11,867 thousand, and the probability of reaching such a level is extremely

Similarly, a significant upward revision of the long-term sales forecasts for products for radiofrequency, photonic, and spatial solar applications could result in the reclassification as debt of a portion of the redeemable advance received on the basis of the Guépard program recorded as profit or loss in previous fiscal years. The theoretical maximum amount that could be reclassified is €5,121 thousand, and the probability of reaching such a level is extremely low.

Conversely, if sales forecasts are revised downwards, the maximum amount of advances posted booked as debt in the balance sheet which could be reclassified to profit and loss would be €8,269 thousand.

Repurchase commitments

The Dolphin Design shareholder agreement includes a put option granted to MBDA. Under this option, MBDA may require Soitec to purchase the 40% of the shares that MBDA holds in Dolphin Design, between November 1 and December 31, 2022 (option also to repurchase a 1st tranche of 20% in November 2020). This option constitutes an obligation valued at €6,767 thousand as of March 31, 2020, according to the best estimate of the achievement of the performance criteria, presented in financial liabilities (€7,775 thousand as of March 31, 2019).

As of March 31, 2020, EpiGaN nv'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, i.e. €3,069 thousand on March 31, 2020 (€1,013 thousand on the acquisition date).

Other financial liabilities

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

Borrowings and debt fall due as follows:

		March 31, 2020						
(in € thousand)	< 1 year	1 to 5 years	> 5 years	Total	March 31, 2019			
Leases (IFRS 16)								
Equipment leases	9,671	33,122	4,323	47,116	30,763			
Other leases	1,584	4,057	77	5,719	6,474			
Loans				0	0			
Bond: OCÉANE 2023		134,829		134,829	130,432			
Bank loan	46	61		107	148			
Other loans and financial liabilities				0	0			
Redeemable advances	1,664	3,221	3,384	8,269	10,078			
financial services payables	999			999	26			
Derivative financial instruments	1,096	63		1,159	3,348			
Committed credit line used	34,021			34,021	32,390			
Repurchase commitment	2,000	7,836		9,836	7,725			
Other financial liabilities	1,101	1,548		2,649	400			
TOTAL LOANS AND FINANCIAL LIABILITIES	52,182	184,737	7,784	244,704	221,784			

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

(in € thousand)	Net carrying amount of rental liabilities as of March 31, 2019	Change in scope	Increase in rental liabilities	Reduction in rental liabilities	exchange	Net carrying amount of rental liabilities as of March 31, 2020
Leases restated under IFRS 16, by category						
Buildings	6,124	244	465	(1,416)	6	5,423
Equipment	30,720	722	24,169	(8,497)	2	47,116
Other fixed assets	393		181	(279)	1	296
TOTAL LEASES RESTATED UNDER IFRS 16	37,237	966	24,815	(10,192)	9	52,835

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3.16 Provisions and other non-current liabilities

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

(in € thousand)	March 31, 2020	March 31, 2019
Pre-paid income	16,914	8,515
Deferred tax liabilities	4,257	6
Non-current liabilities	21,171	8,521
Provisions	19,344	12,910
PROVISIONS AND OTHER NON-CURRENT LIABILITIES	40,515	21,431

As of March 31, 2020, deferred income is in particular comprised of:

- ullet royalties to be recognized as revenue in the amount of ${ ilde {
 m 1,241}}$ thousand (1.6 million as of March 31, 2019);
- sales of prototypes and research tax credits/subsidies relating to capitalized development costs (for €4,807 thousand and €4,874 thousand respectively compared with €3.9 million and €3 million respectively as of March 31, 2019);
- subsidies to be recorded as profit/(loss) for €5,592 thousand.

Provisions for non-current contingencies and expenses were mainly comprised of the €14,382 thousand provision for retirement benefit obligations (€12,910 thousand as of March 31, 2019), as well as €4,962 thousand in provisions linked to commitments given in relation to the solar business (presented as liabilities linked to activities held for sale as of March 31, 2019).

Statement of change in provisions

Provisions break down as follows:

(in € thousand)	March 31, 2019	Expense for the period	Reversals (utilized)	Reversals (not utilized)	Currency translation adjustment	Actuarial gains/ (losses) categorized in Other Comprehensive	Other changes	March 31, 2020
Current provisions								
Litigation	1,787	281	(40)	(140)				1,888
Restructuring	185	20	(173)				203	235
Total current	1,972	301	(213)	(140)	0	0	203	2,123
Non-current provisions								
Retirement benefit obligations	12,910	1,570	(1,334)	(361)	6	1,898	(308)	14,382
Total non-current	12,910	1,570	(1,334)	(361)	6	1,898	(308)	14,382
Provisions linked to solar*		1,328	(665)	(823)	(60)		5,775	5,555
TOTAL PROVISIONS	14,882	3,199	(2,212)	(1,324)	(54)	1,898	5,670	22,060

Or which €593 thousand current and €4,962 thousand non-current.

The provision for retirement benefit obligations is analyzed in note 5.1.

The provisions are related to operations that have been discontinued or sold (solar business) and the commitments underlying these disposals or sales of operations are as follows:

(in € thousand)	March 31, 2019	Expense for the period	Reversals (utilized)	Reversals (not utilized)	Currency translation adjustment	Reclassifications	March 31, 2020
Employee departure plan	3			(4)			(1)
 Cost of cessation of operations 	332			(332)			0
Bernin site	335	0	-	(336)	-	0	(1)
 Employee departures 	0						0
 Dismantling of solar power plants (excl. US) & compensation 	3,980	119	(29)	(225)			3,845
 Cost of cessation of operations 	553	483	(208)				828
Freiburg site	4,533	602	(237)	(225)	-	0	4,673
 Cost of cessation of operations 	383	379	(263)	(93)	10		416
 Employee departures 	0						0
 Dismantling of solar power plants located in the United States & compensation 	167			(169)	2		0
San Diego site	550	379	(263)	(262)	12	0	416
 Cost of cessation of operations 	357	347	(165)		(72)		467
South African site	357	347	(165)	-	(72)	0	467
TOTAL	5,775	1,328	(665)	(823)	(60)	0	5,555

The cost of discontinued operations has been estimated essentially on the basis of forecasts of the maintenance expenses to be incurred prior to extinguishing the current commitments.

The provisions for compensation are based on management best estimates about contract-based risks to spend resources on the ongoing litigations.

These provisions linked to the solar business have been re-classified, as of March 31, 2019, they feature in the balance sheet entry "liabilities relating to assets held for sale".

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Notes to the consolidated financial statements as of March 31, 2020

3.17 Trade payables and related accounts

Trade payables break down as follows:

(in € thousand)	March 31, 2020	March 31, 2019
TRADE PAYABLES	76,318	62,239

3.18 Provisions and other current liabilities

Provisions and other current liabilities break down as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Prepayments received on customer orders	16,768	24,104
Payable to fixed asset suppliers	11,538	21,987
Tax and social security debts	51,600	62,657
Pre-paid income	3,084	605
Other	2,252	1,271
Other liabilities	85,242	110,624
Provisions	2,716	1,972
PROVISIONS AND OTHER CURRENT LIABILITIES	87,958	112,596

Provisions are detailed in note 3.16.

The reduction in the "tax and social security debts" item is mainly due to a non-recurrent tax due March 31, 2019. The items of deferred income correspond mainly to the short-term portion of revenue for which recognition has been deferred (prototypes, subsidies, and tax credits).

NOTE 4. NOTES TO THE INCOME STATEMENT

4.1 Personnel-related costs

Employee-related costs break down as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Personnel-related costs, including social charges (1)	(124,149)	(101,764)
Competitiveness and employment tax credit (CICE)	-	894
Pension costs	208	(678)
Share-based payment expenses (2)	(21,730)	(19,872)
TOTAL EMPLOYEE-RELATED COSTS	(145,671)	(121,420)

 ⁽¹⁾ The personnel-related costs presented also include the expense for incentives and profit-sharing.
 (2) Including social security contributions.

The main change in personnel-related costs relates to the integration over a full fiscal year of Dolphin and, to a lesser extent, of EpiGaN nv, and to the increased workforce as well as share-based payments.

Our Group's average number of employees measured on a full-time equivalent basis is as follows:

(full-time equivalent)	March 31, 2020	March 31, 2019
Production	919	806
R&D	339	301
Sales and marketing	31	49
General Management and administrative staff	196	175
TOTAL WORKFORCE IN FULL-TIME EQUIVALENT	1,484	1,332

4.2 R&D expenses

R&D costs break down as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Gross R&D operating costs	(66,889)	(51,279)
of which cost of depreciation of capitalized projects	(987)	-
Sales of prototypes	7,859	9,086
R&D grants recognized in profit/(loss)	11,246	8,200
Research tax credit	14,136	13,826
Other income	1,154	150
Total income deducted from gross operating costs	34,395	31,262
TOTAL R&D OPERATING COSTS, NET	(32,494)	(20,017)
Gross expenditure	(66,889)	(51,279)
Subsidies/research tax credits/prototype sales	34,395	31,262
Net R&D	(32,494)	(20,017)

In fiscal year 2019-2020, development costs of €17,544 thousand were capitalized (€13,427 thousand in 2018-2019).

4.3 Depreciation and amortization expenses

Depreciation and amortization expenses in the income statement break down as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Cost of sales	(35,496)	(19,160)
R&D costs	(8,250)	(4,249)
Sales and marketing expenses	(137)	(131)
Administrative expenses	(1,637)	(1,057)
TOTAL DEPRECIATION AND AMORTIZATION EXPENSES	(45,520)	(24,597)

The increase in depreciation and amortization expenses is due to the high level of investment over the last few years.

IFRS 16 "Leases"

(in € thousand)	Amortization expense of rights-of-use for the fiscal year ended March 31, 2020	Interest expense on lease liabilities for the fiscal year ended March 31, 2020	Rental expenses for the fiscal year ended March 31, 2020
Leases restated under IFRS16			
Buildings	(1,396)	(111)	(1,352)
Equipment	(7,228)	(227)	(7,455)
Other fixed assets	(277)	(6)	(284)
Total leases restated under IFRS16	(8,901)	(344)	(9,091)
Leases not restated under IFRS16			
Short term or low value leases (exemption)			(907)
Total leases not restated	0	0	(907)
TOTAL	(8,901)	(344)	(9,998)

4.4 Other operating income and expenses

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

(in € thousand)	March 31, 2020	March 31, 2019
Capital gain on sale of Villejust facility	1,906	566
Other operating income	5	-
Total other operating income	1,911	566
Expenses relating to restructuring measures and litigation	-	(100)
Other operating expenses	(100)	(6)
Total other operating expenses	(100)	(106)
TOTAL OTHER OPERATING INCOME AND EXPENSES, NET	1,811	460

On September 13, 2019, our Group sold its Villejust industrial facility for €1,906 thousand. There had been no activity for four years and it had been completely depreciated in the financial statements.

As of March 31, 2019, other operating income mostly comprised the capital gain on the sale of the land at the Villejust facility.

4.5 Financial income

Financial income breaks down as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Statement of financial assets at fair value	1,872	-
Other interest income	424	369
Other financial income		1,306
Reversal of provisions	344	281
Net foreign exchange gains/(losses)*	589	
TOTAL FINANCIAL INCOME	3,229	1,956

^{*} Foreign exchange gains and losses are presented net.

As of March 31, 2020, financial income comprised:

- of the statement at fair value of financial assets (investments held) for €1,872 thousand;
- of interest received, for €424 thousand;
- of a reversal of provisions on investments held for €344 thousand;
- of net foreign exchange gains/(losses) of €589 thousand (net foreign exchange loss of €4,607 thousand as of March 31, 2019).

As of March 31, 2019, other financial income consisted of a reversal of the provision for late interest payments.

4.6 Financial expenses

Financial expenses break down as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Interest on borrowings and bank current accounts	(230)	(210)
Interest on leases	(381)	(202)
Interest on OCEANE bonds	(4,398)	(3,230)
Other interest expense	(370)	(323)
Provision for impairment of financial assets – Investments	(67)	(65)
Other financial expenses	(1,856)	(1,401)
Net foreign exchange gains/(losses)*		(4,607)
TOTAL FINANCIAL EXPENSES	(7,302)	(10,038)

^{*} Foreign exchange gains and losses are presented net.

As of March 31, 2020, other interest and financial expenses mostly related to the accretion of redeemable advances for R&D projects, and the interest expense relating to retirement benefit obligations.

4.7 Income tax

As of March 31, 2020, the net tax expense for the fiscal year is €4,885 thousand and results from a current tax expense of €15,411 thousand originating mainly from our Company and our Japanese subsidiary, partially offset by the recognition of deferred tax assets of

€10,526 thousand (of which €7,015 thousand tax loss carryforwards capitalized during the fiscal year).

The difference between the theoretical income tax calculated at the standard tax rate in France (34.43%) and the effective tax expense in the income statement breaks down as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Theoretical income tax benefit at the applicable rate	(39,445)	(34,815)
Unrecognized deferred tax assets	(1,419)	(1,774)
Non-deductible provisions and expenses (permanent difference)	(76)	(45)
Non-taxable income (research tax credit – CICE)	5,748	6,510
Use of tax loss carryforwards	22,213	18,937
Recognition of tax loss carryforwards	7,015	6,987
Adjustments for differences in income tax rates	2,987	(622)
Share-based payments	(6,382)	(6,183)
Other differences	4,474	74
TOTAL INCOME TAX BENEFIT (LIABILITY)	(4,885)	(10,932)

Deferred tax assets and liabilities chiefly break down as follows, by nature:

	(Change through			
(in € thousand)	March 31, 2019	the income statement	Change through OCI	Change in scope	March 31, 2020
Deferred tax assets					
Tax losses carried forward, net	32,430	7,015			39,445
Temporary difference (1)	2,958	(469)		(118)	2,371
Other items (2)	5,838	2,706	1,314		9,858
Total deferred tax assets	41,226	9,252	1,314	(118)	51,674
Deferred tax liabilities					
Net deferred tax on leases	(5,282)	831			(4,451)
Deferred taxes on financial instruments	1,073	(902)	133		304
Other items (2)	(11,457)	1,345		(4,496)	(14,608)
Total deferred tax liabilities	(15,666)	1,274	133	(4,496)	(18,755)
DEFERRED TAXES, NET	25,560	10,526	1,447	(4,614)	32,919

⁽¹⁾ Temporary differences mainly comprise non-tax-deductible provisions.

Our Group recognized in its deferred tax assets the amount of €39,445 thousand in relation to the tax loss carryforwards in France which it intends to use in the coming years. Non-capitalized tax loss carryforwards (base) in France (Soitec S.A. is the main contributor) totaled €653,447 thousand as of March 31, 2020.

4.8 Earnings/(loss) per share

Data on shares used to calculate basic and diluted earnings/(loss) per share are as follows:

(in number of shares)	March 31, 2020	March 31, 2019
Weighted average number of ordinary shares (excluding treasury shares) used to calculate basic earnings/(loss) per share	32,245,503	31,362,490
Effects of dilution		
Preferred shares	0	1,437,042
OCEANE convertible bonds	1,435,818	1,085,714
Free shares	302,848	386,605
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (EXCLUDING TREASURY SHARES) ADJUSTED		
FOR THE DILUTED EARNINGS PER SHARE	33,984,169	34,271,851

4.9 Net profit/(loss) from discontinued operations

(in € thousand)	March 31, 2020	March 31, 2019
Sales	-	124
Expenses for the period	(162)	(77)
Current operating income/(loss)	(162)	47
Other operating expenses, net	(421)	409
Operating income/(loss)	(583)	456
Capital gain on sale of residual assets in South Africa	589	-
Financial income/(expense)	(819)	(97)
Profit/(loss) before tax	(813)	359
Income tax	(54)	(438)
Share of profit/(loss) of equity-accounted companies	-	415
NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	(867)	336

As of March 31, 2020, operating income/(loss) was a loss of $\tt \$867$ thousand, mainly due to:

- capital gains on the sale of the CPV1 shares;
- recovery of unused provisions (minus operating losses);

• off-set by adverse currency conversion conditions.

As of March 31, 2019, operating income was positive due to the reversals of unused provisions (fewer operating losses).

⁽¹⁾ Interpolar applications making complex non-interpolar applications on the asset side for €3.4 million, redeemable advances on the liabilities side for €4.4 million, the equity capital part of our OCEANE 2023 convertible bonds for €3.8 million, as well as deferred tax liabilities on any intangible assets identified in the context of acquisitions (in particular, €4.5 million relating to technology identified in the context of the acquisition of EpiGaN nv).



NOTE 5. OTHER INFORMATION

5.1 Retirement benefit obligations and other employee benefits

Benefit obligations

(in € thousand)	March 31, 2020	March 31, 2019
Retirement benefit obligations	14,800	13,320
Fair value of plan assets	(418)	(410)
BENEFIT OBLIGATIONS RECOGNIZED IN THE BALANCE SHEET	14,382	12,910

Our Group recognizes retirement benefit obligations as liabilities in the balance sheet at the amount of the obligation as estimated using the most probable assumptions at the reporting date. The impact of changes in actuarial assumptions is recognized under other items of comprehensive income under "Actuarial gains/(losses) on defined benefit plans".

Retirement benefit obligations

DESCRIPTION OF PLANS

Retirement and other employee benefits granted to long-term personnel relate solely to active employees. Benefits are granted under either

defined contribution or defined benefit plans. Provisions are set aside only for defined benefit plans. These mainly consist of retirement indemnities plus other pension obligations and supplementary retirement gratuities.

In certain cases, obligations under defined benefit plans are covered by funds, which are regularly valued by independent actuaries. The value of any such funds is deducted from the corresponding liability. Plan assets include secure/dynamic investment vehicles, based on an analysis carried out with the entity of its obligations in light of the expected retirement dates of its employees.

	March 31, 2020	March 31, 2019
Retirement age	62-65 years of age depending on the category	62-65 years of age depending on the category
Turnover assumptions (average)	0.00% to 5.75% depending on age	0.00% to 5.75% depending on age
Annual inflation rate	2.00%	2.00%
Annual salary increase rate	1.00% to 2.50%	1.00% to 2.50%
Contribution rate	24%	0%
Annual discount rate	1.40%	1.05%

The sensitivity of the retirement benefit obligation to these assumptions is detailed below: sensitivity of results to the discount rate (increase or decrease of 0.5 percentage point compared to the base rate).

	Annual discount rate	
1.90%	1.40%	0.90%
(+0.5 point)	(base rate)	(-0.5 point)
(8%)	100%	9%

CHANGE IN RETIREMENT BENEFIT OBLIGATION

(in € thousand)	March 31, 2020	March 31, 2019
Benefit obligation at beginning of the period	13,320	9,785
Service cost	1,245	704
Interests	147	147
Benefits paid	(1,334)	(9)
Other benefits	(361)	0
Change in scope	(308)	930
Acquisition		0
Actuarial gains/(losses) (assumptions and experience adjustments)	2,090	1,763
BENEFIT OBLIGATION AT END OF THE PERIOD	14,799	13,320

CHANGE IN FAIR VALUE OF PLAN ASSETS

(in € thousand)	March 31, 2020	March 31, 2019
Fair value of plan assets at beginning of the period	410	402
Expected return on plan assets	4	5
Actuarial gains/(losses)	4	3
Fair value of plan assets at end of the period	418	410

CHANGE IN BENEFIT OBLIGATIONS RECOGNIZED IN THE BALANCE SHEET

(in € thousand)	March 31, 2020	March 31, 2019
Benefit obligation at beginning of the period	12,910	9,383
Service cost	1,245	704
Interests	147	147
Expected return on plan assets	(4)	(5)
Actuarial gains/(losses)	2,086	1,760
Benefits paid – benefits paid out of insurance fund	(1,334)	(9)
Change in scope	(308)	930
Other benefits	(361)	
Acquisition		
BENEFIT OBLIGATION AT END OF THE PERIOD	14,381	12,910

EXPENSES RECOGNIZED IN THE INCOME STATEMENT

(in € thousand)	March 31, 2020	March 31, 2019
Service cost	1,245	704
Interests	147	147
Expected return on plan assets	(4)	(5)
TOTAL EXPENSE RECOGNIZED IN THE INCOME STATEMENT	1,388	846

5.2 Contractual obligations and commitments

Contractual obligations and commitments break down as follows:

		March 31, 2020			March 31, 2019	
(in € thousand)	< 1 year	1 to 5 years	> 5 years	Total	Total	
Commitments given shown off-balance sheet						
Lease obligations	57			57	80	
Pledges			18,000	18,000	18,000	
Guarantees given		4,900	20,265	25,165	40,993	
Other commitments			27,382	27,382	38,002	
Total	57	4,900	65,647	70,604	97,075	
Commitments received						
COMMITTED CREDIT LINE UNUSED		45,000		45,000	35,000	

A reinforced purchase commitment was signed on March 31, 2020 with SK Siltron, taking effect on April 1, 2020. A penalty (contractual compensation undertaking) has been agreed in the amount of USD110,000 thousand.

As of March 31, 2020, guarantees/pledges/commitments given totaled \in 71 million and the main beneficiaries are:

- Shin-Etsu Handotaï: a pledge of €18 million on inventories and a contractual compensation commitment USD30 million (€27 million) were given as security for the long-term commitment to supply raw materials;
- the project company for the Touwsrivier solar power plant (CPV Power Plant n° 1): €20 million;
- \bullet buyers of the Desert Green and Rians solar power plants: ${\in}3.2$ million.

5.3 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:

- Éric Meurice;
- Paul Boudre, who also continues to lead our 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 on a proposal from NSIG;
- Laurence Delpy;
- Christophe Gegout;
- Satoshi Onishi;
- Françoise Chombar;
- Shuo Zhang.

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

The semiconductor market is known for its limited number of participants, meaning that our Group maintains or is likely to maintain business relationships with Shin-Etsu Handotaï, Shanghai Simgui Technology Co. Ltd. ("Simgui"), and the French Atomic Energy and Alternative Energy Commission (*Commissariat à Dénergie atomique et aux énergies alternatives* – CEA). Some of our directors hold or have held positions within these companies, as described in the individual summaries presented in Section 3.1.1.2 b. of this report.

Shin-Etsu Handotaï Co. Ltd.

Since the close of the fiscal year ended March 31, 2015, an €18 million pledge on inventories has been granted to Shin-Etsu Handotaï Co. Ltd.

During the year ended March 31, 2020, purchases of raw materials from Shin-Etsu Handotaï represented €185,276 thousand (€132,715 thousand in the year ended March 31, 2019). A multi-year contract has also been signed to guarantee the supply of raw materials over the next few years, for which an off-balance sheet commitment of \$30 million has been reported in the notes to the consolidated financial statements.

Our Group invoiced €3,599 thousand to Shin-Etsu Handotaï in respect of fiscal year 2019-2020 (€3,944 thousand for fiscal year 2018-2019).

Other related parties

In the 2019-2020 fiscal year, our Group paid the CEA $\[\in \]$ 7,344 thousand under the R&D contract ($\[\in \]$ 5,317 thousand in the 2018-2019 fiscal year) $\[\in \]$ 834 thousand under the newly signed hosting agreement and $\[\in \]$ 4,960 thousand in patent royalties ($\[\in \]$ 5,020 thousand in the 2018-2019 fiscal year). Our Group invoiced $\[\in \]$ 79 thousand for services provided ($\[\in \]$ 145 thousand as of March 31, 2019).

During the fiscal year, our Group paid Simgui \$45,500 thousand for the purchase of 200 mm SOI wafers (\$23,700 thousand in the 2018-2019 fiscal year).

Our Group invoiced Simgui \$19,100 thousand in silicon substrates (compared to \$19,300 thousand in the 2018-2019 fiscal year).

Our Group invoiced clean room services to Exagan, where our Company is a director represented by Chief Executive Officer Paul Boudre. These invoices amounted to €393 thousand in 2019-2020 (up from €404 thousand in 2018-2019).

As of March 31, 2020, our Executive Committee (EXCom) had 11 members, excluding corporate officers (11 as of March 31, 2019), resulting in an average headcount of 10.5 over the year. The total gross compensation paid by our Group to members of the EXCom, excluding corporate officers, and including direct and indirect benefits of executives was €7,625 thousand for the fiscal year ended March 31, 2020.

(in € thousand)	March 31, 2020	March 31, 2019
Short-term benefits	3,796	3,499
Post-employment benefits		
Accounting valuation of share-based payments	3,829	4,043
TOTAL GROSS REMUNERATION PAID TO GROUP EXECUTIVES	7,625	7,542

As of March 31, 2020, preferred shares were valued in accordance with IFRS 2. Over the 2019-2020 fiscal year, executives excluding corporate officers were allocated:

- 12,771 free ordinary shares subject to performance conditions.
- A further 969 shares were subscribed for under the "Jade 2020" plan.
- 110,504 preferred shares under the "Topaz" plan;

The amount of the gross compensation allocated to corporate officers and non-employee directors is as follows:

(in € thousand)	March 31, 2020	March 31, 2019
Short-term benefits	1,494	1,283
Post-employment benefits		
Termination benefits		
Accounting valuation of share-based payments	1,068	1,175
Total compensation awarded to corporate officers	2,562	2,458
Director's fee	627	654
Reimbursement of travel expenses	65	52
Total compensation awarded to corporate officers and non-executive directors	3,254	3,164

During the fiscal year 2019-2020, 31,982 preferred shares were allocated to corporate officers under the "Topaz" plan.

5.4 Financial risk management

Financial risk management objectives and policies

Our Group's objectives are to hedge foreign exchange risk on commercial transactions recognized in the balance sheet and on highly probable future transactions. During fiscal year 2019-2020, our Group's policy regarding exposure to foreign exchange risk on its future commercial transactions

was to hedge a substantial portion of the foreign exchange risk for 2019-2020 by means of derivatives (mainly futures) based on operating budgets. The useful life of these instruments matches our Group's settlement flows. Our Group applies hedge accounting as defined by IFRS 9. Our Group's policy also consists of managing its interest expense using a combination of fixed-rate and floating-rate borrowings. Our Group's policy is not to use instruments for speculative purposes.

The table below summarizes the maturity profile of our Group's financial liabilities as of March 31, 2020 and March 31, 2019:

(in € thousand)	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Loans and financial debts	5,212	17,367	196,865	2,313	221,757
Other financial liabilities	26	0			26
Trade payables and related accounts	56,923	5,316			62,239
Other liabilities	64,927	47,669	8,775	12,656	134,027
MARCH 31, 2019	127,088	70,352	205,640	14,969	418,049
Loans and financial debts	23,270	27,913	184,738	7,784	243,705
Other financial liabilities	999				999
Trade payables and related accounts	69,286	7,032			76,318
Other liabilities	58,479	29,479	15,358	20,900	124,216
MARCH 31, 2020	152,034	64,424	200,096	28,684	445,238

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'101	CII	91	,	20

	MdICH 51, 2020						
(in € thousand)	Notes	Net book value	At fair value through other comprehensive income	At fair value through profit or loss	Amortized cost		
Non-current financial assets							
Non-consolidated investments	3.5	14,338		14,338			
Derivative financial instruments (positive fair value)	3.5	5		5			
Deposits and guarantees	3.5	85			85		
Non-current financial assets	3.5	14,428	-	14,343	85		
Current financial assets							
Derivative financial instruments (positive fair value)	3.10	10		10			
Other	3.10	341			341		
Current financial assets	3.10	351	-	10	341		
Trade receivables and related accounts	3.8	167,409			167,409		
Cash and cash equivalents	3.11	190,998		190,998			
TOTAL FINANCIAL ASSETS	-	373,186	-	205,351	167,835		
Financial liabilities							
Derivative financial instruments	3.15	(1,159)	(415)	(744)			
Other borrowings and debt	3.15	(73,697)			(73,697)		
Oceane 2023	3.15	(134,829)			(134,829)		
Committed credit line used	3.15	(34,021)			(34,021)		
Current and non-current financial liabilities	3.15	(243,706)	(415)	(744)	(242,547)		
Other financial liabilities	3.15	(999)			(999)		
Trade payables and related accounts	3.17	(76,318)			(76,318)		
TOTAL FINANCIAL LIABILITIES	-	(321,023)	(415)	(744)	(319,864)		

The data as of March 31, 2019 was as follows:

			March 31, 2019		
(in € thousand)	Notes	Net book value	At fair value through other comprehensive income	At fair value through profit or loss	Amortized cost
Non-current financial assets					
Non-consolidated investments	3.5	11,014		11,014	
Derivative financial instruments (positive fair value)	3.5				
Deposits and guarantees	3.5	3			3
Non-current financial assets		11,017	-	11,014	3
Current financial assets					
Derivative financial instruments (positive fair value)	3.10	52	1	51	
Other	3.10	120			120
Current financial assets		172	1	51	120
Trade receivables and related accounts	3.8	139,345			139,345
Cash and cash equivalents	3.11	175,308		175,308	
TOTAL FINANCIAL ASSETS	-	325,842	1	186,373	139,468
Financial liabilities					
Derivative financial instruments	3.15	3,348		3,348	
Other borrowings and debt	3.15	55,587			55,587
Oceane convertible bonds	3.15	130,432			130,432
Committed credit line used	3.15	32,390			32,390
Current and non-current financial liabilities	3.15	221,757	-	3,348	218,409
Other financial liabilities	3.15	26			26
Trade payables and related accounts	3.17	62,239			62,239
TOTAL FINANCIAL LIABILITIES		284,022	-	3,348	280,674

Classification of financial instruments pursuant to IFRS 13 $\,$

The breakdown of financial instruments by level in the fair value hierarchy is as follows:

(in € thousand)	Notes	Level 1	Level 2	Level 3	Net value on the balance sheet
Assets					
Non-consolidated investments	3.5			14,338	14,338
Cash and cash equivalents	3.11	190,998			190,998
Derivative financial instruments (positive fair value)	3.10		15		15
Liabilities					
Derivative financial instruments (liabilities)	3.15		(1,159)		(1,159)
NET VALUE AS OF MARCH 31, 2020		190,998	(1,144)	14,338	204,192
Assets					
Non-consolidated investments	3.5			11,014	11,014
Cash and cash equivalents	3.11	175,308			175,308
Derivative financial instruments (positive fair value)	3.10		52		52
Liabilities					
Derivative financial instruments (liabilities)	3.15		(3,348)		(3,348)
Net value as of March 31, 2019		175,308	(3,296)	11,014	183,026

The fair value hierarchy is described in note 2.5.J.

Financial instruments used

CURRENCY RISK

The translation rates used to translate our subsidiaries' financial statements that use a functional currency other than the euro have the following exchange value in euros:

	Average	e rate	Closing rate		
Currencies	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	
US dollar	0.90155	0.86723	0.91274	0.89008	
Yen	0.00829	0.00783	0.00841	0.00804	
Rand	0.05566	0.06187	0.05100	0.06149	

The following table shows the financial instruments in place as of March 31 to hedge foreign exchange risks:

		March 31, 2020		March 31, 2019	
Type of contract (in € thousand)	Currency	Market value Hedged (net) position		Market value (net)	Hedged position
Hedging of balance sheet items:		(1,142)		(3,295)	
of which eligible for hedge accounting					
(hedging of trade receivables):				(1,714)	
Forward sales	USD to EUR	(727)	73,932	(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	-	-	(690)	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	(415)	132,439	1	135
Options	USD to EUR	-	-	-	-
of which not eligible for hedge accounting:		-	-	-	-
Options	USD to EUR	-	-	-	-
TOTAL HEDGES		(1,142)		(3,295)	

The market value was estimated using one or more commonly used models.

SENSITIVITY ANALYSIS OF NET EXPOSURE AFTER CURRENCY HEDGING.

The exchange rates of our Company's three main currencies as of March 31, 2020 were as follows:

- EUR/USD: €1 for USD1.0956 (€1 for USD1.1235 as of March 31, 2019);
- EUR/JPY: €1 for JPY118.90 (€1 for JPY124.45 as of March 31, 2019);

• EUR/ZAR: €1 for ZAR19.61 (€1 for ZAR16.2642 as of March 31, 2019).

The scope used to analyze sensitivity to exchange rate risks includes receivables and other assets, debts and other liabilities and cash, the portion of commercial cash flows falling within the hedged period as well as derivatives used to hedge these foreign exchange exposures. A 10% increase in the value of the euro against these currencies as of March 31 would negatively impact earnings by the amounts indicated below. For this analysis, all other variables, specifically interest rates, are assumed to remain constant.

(in € thousand)	March 31, 2020	March 31, 2019
US dollar	(7,534)	253
Yen	219	574
Singapore dollar	(674)	(1,089)
Rand	(1,440)	(1,727)
Other currencies	(443)	(453)
Increase (decrease) in net income resulting from a 10% increase in the value of the euro	(9,872)	(2,442)

A 10% decrease in the value of the euro against these currencies as of March 31 would positively impact earnings in the amounts indicated below. For this analysis, all other variables, specifically interest rates, are assumed to remain constant.

(in € thousand)	March 31, 2020	March 31, 2019
US dollar	9,208	(309)
Yen	(268)	(702)
Singapore dollar	824	1,331
Rand	1,760	2,111
Other currencies	541	553
Increase (decrease) in net income resulting from a 10% decrease in the value of the euro	12,065	2,985

INTEREST RATE RISK

Our Group's medium and long-term debt is partly variable rate and partly fixed rate.

A 1% increase in interest rates applied to floating-rate debt and investments would have led to a decrease of approximately €101 thousand in financial income/(expense).

A 1% decrease in interest rates applied to floating-rate debt and investments would have led to an increase of approximately €28 thousand in financial income/(expense).

CREDIT RISK

The financial instruments on which our Group potentially incurs a credit risk are mainly cash and trade receivables. Our Group has set up a cash management policy in order to optimize its investments in liquid short-term and low-risk financial instruments. Our Group's liquid assets are mainly invested with large international financial institutions.

Our Group markets its products to players in the semiconductor industry, mainly located in the United States, Asia and Europe. As of March 31, 2020, eight customers individually represented more than 5% of our Group's

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Consolidated financial statements as of March 31, 2020

Notes to the consolidated financial statements as of March 31, 2020

revenue, and jointly represented 88% of the revenue. As of March 31, 2019, eight customers individually represented more than 5% of our Group's revenue, and jointly represented 76% of the revenue.

Our Group frequently assesses its clients' credit risk and financial position, and provisions for potential losses on receivables that cannot be recovered. The amount of these losses has remained very insignificant in recent years.

EOUITY RISK

Our Group does not hold any non-consolidated equity stakes or securities traded on a regulated market.

LIQUIDITY RISK

Our Group's financing is based on long-term borrowing from the capital markets (convertible bond issues and capital increases), finance leases for capital spending, and committed credit lines.

Repayment schedule for financial liabilities and debt

This table shows the repayment schedule of financial liabilities recognized as of March 31, 2020 at their nominal amount, including interest recognized and not discounted.

	Contract maturity date Amount owing						
						Amount recorded on the balance	
(in € thousand)	Under 1 year	1 to 2 years	2 to 3 years	3 to 5 years	5 years to 5 years and over	Total	sheet as of March 31, 2020
Non-derivative financial instruments							
Leases pursuant to IFRS 16	11,570	11,388	11,016	15,384	4,417	53,775	52,834
Bonds and other borrowings	39,906	3,310	156,395	3,233	3,384	206,228	206,153
Trade payables	76,318					76,318	76,318
Other payables (excluding tax and social security payables)	30,558					30,558	30,558
Total non-derivative financial instruments	158,352	14,698	167,411	18,617	7,801	366,879	365,863
Derivative financial instruments						-	
Interest rate derivatives:						-	
Currency derivatives:	1,096	63				1,159	
Other derivatives:						-	
Total derivative financial instruments	1,096	63	-	-	-	1,159	-
TOTAL FINANCIAL LIABILITIES	159,448	14,761	167,411	18,617	7,801	368,038	365,863

CONFIRMED CREDIT LINES

As of March 31, 2020, our Group had bank credit lines worth €65 million from six banks. These credit lines are repayable in fine no later than March 2024. 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.

Capital management

Our Group's primary objective is to have the necessary and sufficient financial resources to fund the growth of its business. To this end, it has in the past called on its shareholders to finance its capital spending

through capital increases and convertible bond issues. Focusing on an industrial growth strategy geared towards strong product innovation, our Group systematically reinvests its earnings.

The share capital of our Company is publicly traded, with three strategic investors each holding 11.49% of shares (Bpifrance Participations, CEA Investissement an NSIG Sunrise S.à.r.l.), and a significant number of institutional investors.

NOTE 6. SUBSEQUENT EVENTS

None.

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Company financial Consolidated financial statements

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Notes to the consolidated financial statements as of March 31, 2020







Statutory auditors' report on our Company financial statements as of March 31, 2020

This is a translation into English of the statutory auditors' report on the financial statements of our Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended 31 March 2020

To the annual general meeting of Soitec S.A.,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of Soitec S.A. for the year ended 31 March 2020.

These financial statements were approved by the Board of Directors on 10 June 2020, based on the information available at that date, in the evolving context of the Covid-19 pandemic, and the difficulties to assess its impacts and the future prospects.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of our Company as at 31 March 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit and Risks Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st of April 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, approved in the context described above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Capitalization and valuation of development expenses in the balance sheet

RISK IDENTIFIED

At 31 March 2020, capitalized development expenses represented a net amount of \in 30m in our Company's balance sheet.

As described in note "Intangible and Tangible assets" of the financial statements, the development expenses incurred by our Company in the context of its new projects are capitalized when the capitalization criteria are complied with, notably whether it is probable that the development projects will generate future economic benefits for our Company. The capitalized development expenses are tested annually for impairment.

We have identified the capitalization and valuation of development expenses as a key audit matter due to the materiality of these intangible assets in the balance sheet and the judgment exercised by the management for their initial capitalization and their impairment testing.

OUR RESPONSE

We obtained an understanding of the procedures relating to the initial capitalization of development expenses, the identification of projects presenting an indication of impairment, and the development of the estimates used to perform the impairment testing of these assets.

For the projects we selected, our work notably consisted in:

- evaluating compliance with the capitalization criteria as defined in the notes to the financial statements, and the correct application thereof;
- using sampling to test the consistency of the amounts recorded in assets at 31 March 2020 with the underlying supporting documentation;
- evaluating the data and assumptions used by our Company for the impairment testing of capitalized development expenses through inquiries of management;
- verifying the arithmetic accuracy of these tests.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors approved on 10 June 2020 and in the other documents with respect to the financial position and the financial statements provided to Shareholders. With regards to events which occurred and information that became known after the date the financial statements were approved by the Board of Directors relating to the impact of the crisis linked to Covid-19, management informed us that such events and information will be communicated to the annual general meeting called to approve the financial statements.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-4 of the French Commercial Code (Code de commerce).

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public takeover bid or exchange offer, provided pursuant to Article L.225-37-5 of the French Commercial Code, we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Soitec S.A. by your annual general meeting held on 25 July 2016.

As at 31 March 2020, our firms were in the 4th year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing our Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate our Company or to cease operations.

The Audit and Risks Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of our Company or the quality of management of the affairs of our Company.



Statutory auditors' report on our Company financial statements as of March 31, 2020

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on our Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause our Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit and Risks Committee

We submit a report to the Audit and Risks Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risks Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

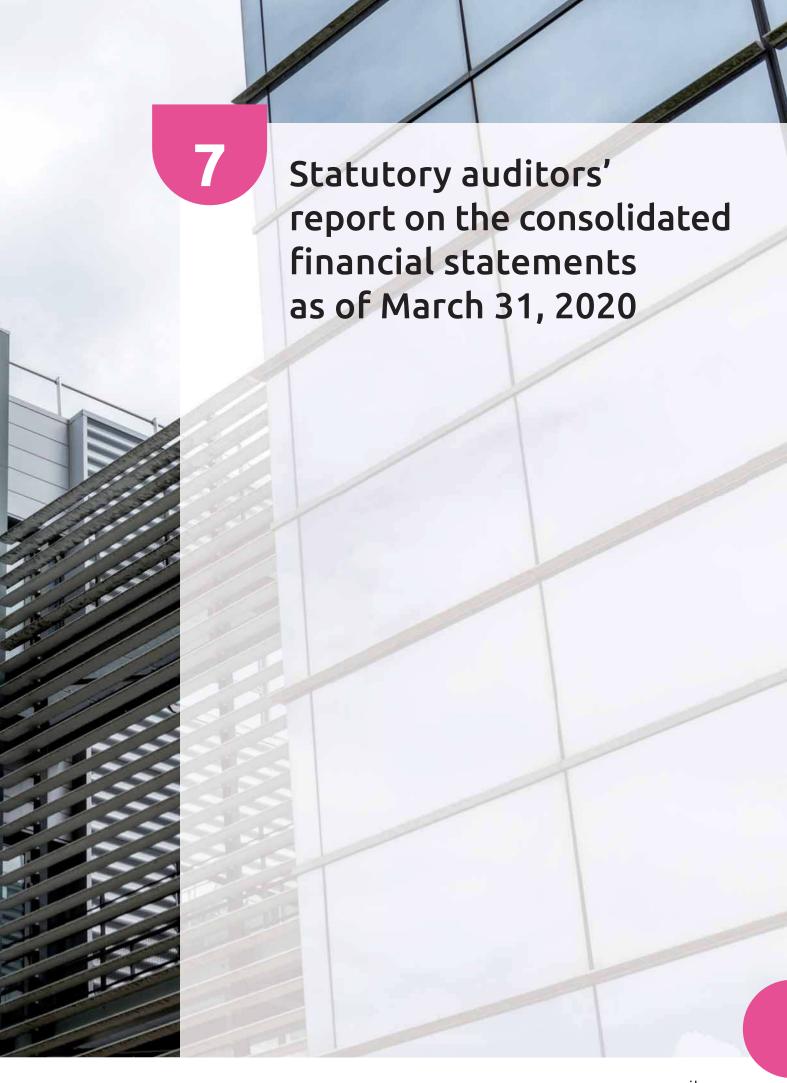
We also provide the Audit and Risks Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit and Risks Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

> The Statutory Auditors (French original signed by) Paris-La Défense and Lyon, July 6, 2020

KPMG Audit Stéphane Devin Jacques Pierre Partner Partner

Ernst & Young Audit Nicolas Sabran Partner







Statutory auditors' report on the consolidated financial statements as of March 31, 2020

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended 31 March 2020

To the Annual General Meeting of Soitec,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Soitec for the year ended 31 March 2020. These consolidated financial statements were approved by the Board of Directors on 10 June 2020, on the basis of the elements available at that date, in the evolving context of the Covid-19 pandemic, and the difficulties to assess its impacts and the future prospects.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 March 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

 $The \ audit \ opinion \ expressed \ above \ is \ consistent \ with \ our \ report \ to \ the \ Audit \ and \ Risks \ Committee.$

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 April 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*).

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, as approved in the above-mentioned context, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Recognition of deferred tax assets relating to tax loss carryforwards in France

RISK IDENTIFIED OUR RESPONSE

As at 31 March 2020, the Group recognized deferred tax assets amounting to $\[\le \]$ 39m in respect of tax loss carryforwards in France. Tax loss carryfowards in France for which no deferred tax asset was recognized amount to $\[\le \]$ 653m as at 31 March 2020, as stated in Note 4.7 to the consolidated financial statements.

A deferred tax asset relating to tax loss carryforwards is only recognized if the Group considers it probable that sufficient taxable profits will be available against which these tax loss carryforwards can be used, as described in Note 2.5.Y to the consolidated financial statements.

We considered the recognition of deferred tax assets relating to tax loss carryforwards in France to be a key audit matter due to the materiality of these tax loss carryforwards and the level of judgment exercised by Management to determine the amount of the related deferred tax assets to be recognized.

We familiarized ourselves with the methodology used by Management to identify the tax loss carryforwards existing at year-end. We reviewed the calculations of taxable income, the positions adopted and the bases for French deferred tax with the assistance of our tax experts included in the audit team.

We then assessed the documentation enabling Management to estimate the probability of being able to use the tax loss carryforwards in the future, in particular with regards to:

- the existing deferred tax liabilities that can be offset against the existing tax loss carryforwards before their possible expiry;
- the Company's ability to generate sufficient future taxable profits in France against which the tax loss carryforwards can be used, within a reasonable timeframe.

We reviewed the process used to forecast future taxable profits, by:

- familiarizing ourselves with the procedure adopted to establish and approve the taxable income forecasts used for the estimates;
- comparing the assumptions used by Management to establish the taxable income forecasts with those used in the strategic plan.

Capitalization and measurement of development costs in the balance sheet

RISK IDENTIFIED

As at 31 March 2020, capitalized development costs represent a net amount of €32m in the Group's consolidated balance sheet.

As described in Notes 2.5. and 2.5.G of the notes to the consolidated financial statements, development costs incurred by the Group in the context of its new projects are capitalized when the capitalization criteria are met, in particular when it is probable that the development projects will generate future economic benefits for the Group. Capitalized development costs are tested annually for impairment.

We identified the capitalization and valuation of development costs in the balance sheet as a key audit matter, due to the materiality of these intangible assets in the Group's consolidated financial statements and the judgment exercised by Management for their initial capitalization and their impairment testing.

UR RESPONSE

We obtained an understanding of the procedures relating to the initial capitalization of development costs, the identification of projects presenting an indication of impairment and the development of the estimates used to perform the impairment testing of these assets.

For the projects we selected, our work notably consisted in:

- assessing compliance with the capitalization criteria as defined in the notes to the consolidated financial statements, and their correct application;
- testing, by sampling, the consistency of the amounts recorded in assets as at 31 March 2020 with the the underlying supporting documentation;
- evaluating,, the data and assumptions used by the Group for the impairment testing of capitalized development costs through inquiries of Management;
- verifying the arithmetical accuracy of these tests.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information relating to the Group given in the Board of Directors' management report, as approved on 10 June 2020. Regarding any events that occurred and facts that became known after the date of the approval of the management report, relating to the effects of the Covid-19 crisis, Management has informed us that such events and facts will be communicated to the general meeting of shareholders called to approve the financial statements.

We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (Code de commerce) is included in the information relating to the Group given in the management report, it being specified that, in accordance with Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Soitec by the annual general meeting held on 25 July 2016.

As at 31 March 2020, our firms were in the fourth year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Risks Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



Statutory auditors' report on the consolidated financial statements as of March 31, 2020

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements.
- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a
 material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.
 This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the
 Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw
 attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate,
 to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit and Risks Committee

We submit to the Audit and Risks Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risks Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risks Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics for Statutory Auditors (Code de déontologie de la profession de commissaire aux comptes). Where appropriate, we discuss with the Audit and Risks Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The Statutory Auditors (*French original signed by*) Paris-La Défense and Lyon, July 6, 2020

KPMG Audit

Jacques Pierre Stéphane Devin

Partner Partner

Ernst & Young Audit Nicolas Sabran Partner Declaration of the person responsible for the annual financial report

Management report

Report on corporate governance

Company financial statements Consolidated financial statements

Statutory Auditors' Report on our Company financial statements Statutory Auditors' Report on the Consolidated financial statements Photo credits: Tomoya Fujimoto, Narracia, Daniel Rory, Christian Morel, Adobe Stock, Dolphin Design



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