

Soitec

Half-year report 2013-2014

1. Responsible persons	4
2. Statutory auditors.....	4
3. Risks factors	5
3.1. Risks related to the Company's Business:	5
3.1.1. Operational risks.....	5
3.1.2. Risks relating to the Group's expansion in energy activities.....	5
3.1.3. Industrial, regulatory or environmental risks.....	5
3.2. Technological, industrial and legal risks.....	5
3.3. Risks of dependence on third parties	5
3.4. Market risks:	5
3.5. Liquidity risk.....	5
4. Financial situation and results.....	6
4.1. Group's activities and situation	6
4.2. Electronics Division	7
4.3. Solar Energy Division	7
4.4. Lighting Division	7
4.5. Gross profit	7
4.6. Research and Development	8
4.7. Operating expenses	8
4.7.1. Sales and marketing expenses.....	8
4.7.2. Solar project development expenses	9
4.7.3. General and administrative expenses	9
4.8. Current operating result	9
4.9. Operating result.....	9
4.10. Financial result	9
4.11. Results and taxes	10
4.12. Balance sheet.....	10
4.12.1. Non-current assets.....	10
4.12.2. Working capital requirement.....	11
4.12.3. Equity	11
4.12.4. Financial debt	12
4.12.5. Net cash flow	12
4.13. Cash flow and financing	12
4.14. Cash management policy objectives.....	12
4.15. Material related party transactions	12
5. Information regarding tendencies.....	12
6. Financial information.....	14
6.1. Consolidated financial statements for the 6 month period ended September 30, 2013	14
6.1.1. Consolidated income statement	14
6.1.2. Comprehensive income	14
6.1.3. Consolidated balance sheet	15
6.1.4. Statement of changes in equity.....	16
6.1.5. Statement of cash flows	18
6.1.6. Segment reporting	19
7. Notes to the consolidated financial statements as at September 30, 2013	22
7.1. Overview of the company and of the business activity	22
7.2. Accounting policies	23
7.2.1. Basis of preparation of the financial statements.....	23
7.2.2. Significant events of the period.....	24
7.2.3. Consolidation principles	24
7.3. Notes to the balance sheet.....	25
7.3.1. Proceeds from purchases and sales of assets.....	27
7.3.2. Solar power projects	28
7.3.3. Inventories.....	28
7.3.4. Trade receivables.....	29

7.3.5.	Cash and cash equivalents	29
7.3.6.	Dividend payments	29
7.3.7.	Share-based payments	29
7.3.8.	Borrowings and financial debt	30
7.3.9.	Provisions and other non-current liabilities	30
7.4.	Notes on the income statement	31
7.4.1.	Employee costs	31
7.4.2.	Research and development expenses	32
7.4.3.	Depreciation and amortization included in the consolidated income statement	32
7.4.4.	Other operating income and expenses	32
7.4.5.	Income tax	33
7.4.6.	Earnings per share	33
7.5.	Other information	34
7.5.1.	Seasonal fluctuation in business trends	34
7.5.2.	Disclosures about related parties	34
7.6.	Post-balance sheet events	34
8.	Statutory Auditors' review Report on the Half year financial information	35

1. Responsible persons

Person in charge of the half-year financial report

Mr. André-Jacques Auberton-Hervé, CEO.

Certification of the person in charge of the half-yearly financial report

I hereby certify that, to the best of my knowledge, the consolidated accounts were established in accordance with applicable accounting rules and represent an accurate description of the company's financial situation, assets and results for each of the companies appearing in the consolidated report. The half-year financial report contains an accurate description of the important events that occurred during the first six months of the financial year and their effects on the half-yearly statements as well as a description of the principal risks and uncertainties for the next six-month period and the material related party transactions.

November 19, 2013

André-Jacques Auberton-Hervé

CEO

2. Statutory auditors

Primary statutory auditors

Cabinet Muraz Pavillet represented by Mr. Christian Muraz

3, chemin du Vieux Chêne – 38240 Meylan

- Date of first engagement letter: February 27, 1992
- Renewal term: July 7, 2010
- Expiration of current term: General shareholders' meeting called to approve the accounts for the fiscal year ending March 31, 2016.

PricewaterhouseCoopers Audit represented by Mr. Philippe Willemin

63, rue de Villiers – 92208 Neuilly sur Seine

- Date of first engagement letter: July 7, 2010
- Expiration of current term: General shareholders' meeting called to approve the accounts for the fiscal year ending March 31, 2016.

Alternate statutory auditors

René-Charles Perrot (alternate to Cabinet Muraz Pavillet)

65, boulevard des Alpes – 38240 Meylan

- Date of first engagement letter: February 27, 1992
- Renewal term: July 7, 2010
- Expiration of current term: General shareholders' meeting called to approve the accounts for the fiscal year ending March 31, 2016.

Yves Nicolas (alternate to Cabinet PricewaterhouseCoopers Audit)

63, rue de Villiers – 92208 Neuilly sur Seine

- Date of first engagement letter: July 7, 2010
- Expiration of current term: General shareholders' meeting called to approve the accounts for the fiscal year ending March 31, 2016.

3. Risks factors

The principal risks and uncertainties that the Group will encounter during the remaining six months, for the fiscal year 2013-2014, are identified in Chapter 4, "Risks," on pages 8 to 19 of Soitec's Registration Document 2012-2013 filed with the AMF on June 27, 2013, under the number D.13-0676, and in particular the following:

3.1. Risks related to the Company's Business:

3.1.1. Operational risks

Operational risks associated with the Electronic Division, including risks related to:

- the sensitivity to the technology advances, to the clients' demand,
- the cyclicity of the semi-conductor industry, management of stock and Group's overall value,
- and the impact of the short term demand trends on the Group's results;

Operational and financial risks specific to the Solar Energy Division and concentrated photovoltaic technology, including the risks related to:

- the innovative nature of this technology,
- the development cycle of solar energy generation using this technology,
- the management of growth in solar energy using this technology,
- the absence of administrative authorization for solar power station projects using this technology,
- the suppliers,
- and the requirement of substantial available liquidity to develop the activity, including, as the case may be, the need to access supplementary financial sources and the related impact on the Group's indebtedness.

3.1.2. Risks relating to the Group's expansion in energy activities

- Difficulties relating to managing the Group's growth;
- Risks relating to the development of solar power stations using concentrated photovoltaic energy;
- Risks relating to the concentrated photovoltaic energy.

3.1.3. Industrial, regulatory or environmental risks

- Use of hazardous substances;
- Regulatory framework for solar energy generation using concentrated photovoltaic technology;
- Importance of research and development for the Group.

3.2. Technological, industrial and legal risks

This concerns competition and technological risks related in particular to competitors who could develop rival solutions which could challenge the relevance of the Company's technology, intellectual property, and litigation.

3.3. Risks of dependence on third parties

This relates to dependence on key customers, and dependence on partners, since the development of solar energy production using photovoltaic technology concentration depends on the availability of funding to the Group and its customers.

3.4. Market risks:

This concerns interest rate risk, currency risk, credit risk, equity risk and risks related to the level of off-balance sheet commitments.

3.5. Liquidity risk

The Company believes that it is in a position to meet its coming obligations for fiscal year 2013-2014. In particular, in relation to the "Touwsrivier" project in South Africa, the ability to account for revenue of approximately €80 million resulting from the sale of CPV systems under the entire project is essential to maintaining resource and employment balance during fiscal year 2013-2014 and is subject to progress conditions for the construction of the first phase (22 MW) being fulfilled, and to the Company's shareholding becoming a minority interest due to the entrance of an already identified investor (who remains subject to the agreement by the South African Ministry of Energy). Up until this date, the financing of the project will be provided for by the Group, which is also studying various refinancing scenarios for some of its real properties. In the event the Touwsrivier project and/or the refinancing of some of its real properties does not occur in the course of the next 6 months, this will not call into question the Company's ability to meet its coming obligations for fiscal year 2013-2014.

In order to meet the deadline, during fiscal year 2014-2015, for the repayment of the OCEANE 2014, the Company completed: (i) in June 2013 a capital increase in the amount of €71.5 million with preferential subscription rights (see prospectus approved by the AMF under visa n° 13-313 dated June 28, 2013) and (ii) completed in September 2013 an issuance of OCEANE bonds in the amount of €103.2 million (see prospectus approved by the AMF under visa n° 13-482 dated September 10, 2013). The proceeds of these two operations will also be used to refinance the convertible bonds maturing in 2014, where the principal outstanding amount, at the date hereof, amounts to €83,004,178.05, and will strengthen the financial structure of the Group in order to allow it to pursue its growth and development strategy.

Beyond the risk linked to the revenue for the Touwsrivier project in South Africa, certain previously identified risk factors could have a significant impact on the Group's position in the second half of the fiscal year 2013- 2014 and its future prospects, notably the risks linked to the third party suppliers and the risks of running the solar power stations using concentrated photovoltaic technology. More generally, the transition phase during which the Group became exposed to an increased dependence in relations to its key staff members.

This half-year report includes certain assumptions and expectations which may lose their relevance over time. The principal risks and incertitude discussed in this section may have negative impact on the business, the financial conditions, the Group's revenue or share price, notably in the last six months of the current fiscal year.

Certain other risks and uncertainties which have not yet been identified, or are not yet considered to be significant by the Group, could also have an adverse impact in the last six months of the current fiscal year.

4. Financial situation and results

The half yearly financial report that follows here below should be read in conjunction with the interim consolidated financial statements for the half year period ended on September 30, 2013, and Soitec's 2012-2013 Registration Document which was filed with the Market Authority (AMF) on June 27, 2013, under number D. 13-0676.

4.1. Group's activities and situation

Total sales declined by more than 30% in the first half of 2013, with total revenues amounting to 91.0 million Euros, compared to 130.2 million Euros during the first six months of the previous fiscal year and 132.6 million Euros in the second half of the previous fiscal year. 34.3 million Euros of the fall in revenue of 39.2 million Euros compared to the first half of 2012-2013 was due to the 50% decrease in production of 300mm SOI wafers. The Solar Energy division also experienced a decrease in revenue amounting to 3.5 million Euros, having failed to record significant revenues during the first six months of the year.

The significant reduction in revenue had a negative impact on gross profit, down by 18.5 million Euros compared to the first half of 2012-2013. As a result, and in spite of the cost-cutting measures already implemented, the Group recorded a current operating loss of 71.9 million Euros in the first half of 2013-2014, compared to 70.2 million Euros during the first half of the previous fiscal year and 52.8 million Euros in the second half of the previous fiscal year.

A substantial reduction in research and development expenses contributed to a decrease in operating expenses, which fell from 28.8 million Euros during the first half of 2012-2013 to 19.4 million Euros in the second half of the year, and then further to 15.3 million Euros in the first half of 2013-2014. This steady reduction reflects the focusing of the Group's efforts on its strategic projects: gross research and development expenses for the Electronics division consequently decreased by 8% compared to the first half of the previous year, a reduction of 1.3 million Euros. The signing of a financing agreement in September 2013 relating to the Bright program (development of advanced substrates for LEDs) led to 3.9 million Euros being recorded under grants in the income statement of the Lighting division, corresponding to costs incurred for this program since January 1, 2012, a period of activity of 21 months. R&D subsidies have therefore increased by 4.1 million Euros compared to the first half of 2012-2013.

Cost-reduction measures have also had a favorable impact on administrative and selling expenses. Costs relating to commercial development and solar power projects increased by 1.0 million Euros in the Solar Energy division, but this increase was offset by a saving of the same amount within the Electronics division. Overall general and administrative expenses decreased by 3.3 million Euros, with a significant portion relating to the cancellation of free shares plans (2.8 million Euros).

During the first half of 2013-2014, the four operating divisions contributed to the financial results in the following manner:

- the Electronics division: operating loss of 14.1 million Euros versus a loss of 17.1 million Euros during the first half of the preceding fiscal year.
- the Solar Energy division: operating loss of 50.6 million Euros versus a loss of 40.0 million Euros during the first half of the preceding fiscal year. This is due to the increase in fixed costs resulting from the implementation of a significant production capacity in San Diego and a reinforcement of the workforce with a view to preparing a growth in activity.
- the Lighting division: operating loss of 1.8 million Euros versus a loss of 6.4 million Euros during the first half of the preceding fiscal year. This improvement is mainly related to the favorable impact of government subsidies (as part of the Bright program, for close to 4 million Euros).
- the Corporate division saw a decrease in support costs, which amounted to 5.4 million Euros versus 6.7 million Euros in the first half of 2012-2013. This improvement is mainly related to the favorable impact of the cancellation of free shares plans.

As at September 30 2013, equity amounted to 300.0 million Euros (391.1 million Euros as at March 31, 2013) and net financial debt

amounted to 200.8 million Euros (66.5 million Euros as at March 31, 2013). Available cash and cash equivalents amounted to 117.0 million Euros versus 130.1 million Euros as at March 31, 2013.

The increase in net financial debt of 134.3 million Euros reflects the significant rise in the amount of cash used during the period. The variation is largely due to the financing of the Touwsrivier solar power project in South Africa. Indeed, cash used during the six month period that was directly linked to this project amounted to 49.1 million Euros. This amount includes the deposits amounting to 11.9 million Euros and financing of working capital requirements for 37.2 million Euros. The funds raised will be released once the installation of 22MWp of the capacity of the Touwsrivier project is complete and connected to the network.

In addition to the issuance of the South African bond, the Group appealed to the financial markets during the summer of 2013 by increasing its share capital by 71.5 million Euros (68.0 million Euros net of issuance costs) and then issuing a new convertible bond for an amount of 103.2 million Euros (99.6 million Euros net of issuance costs), of which 62.0 million Euros was allocated to the partial repurchase of the convertible bonds maturing in September 2014.

4.2. Electronics Division

The Electronics division generated revenue of 89.9 million Euros in the first half of the year, down 28.6% compared to the same period of the previous fiscal year. This division nevertheless remains the largest contributor to the total revenues of the Group (98.8%). The following tables present the breakdown of the variation in revenue by region, client and wafer size.

- Geographic breakdown of revenue of the Electronics division (300mm+ small diameters + III-V materials)

	H1 2011-2012	H1 2012-2013	H1 2013-2014
United States	14 %	29 %	35 %
Europe	73 %	64 %	46 %
Asia	13 %	7 %	20 %

- Breakdown of revenue of the Electronics division by client (300mm+ small diameters + III-V materials)

	H1 2011-2012	H1 2012-2013	H1 2013-2014
Five largest clients	83 %	82 %	67 %
Clients n° 6 through n° 10	9 %	11 %	17 %
Other clients	8 %	8 %	15 %

- Breakdown of revenue of the Electronics division by family of products (300mm+ small diameters + III-V materials)

	H1 2011-2012	H1 2012-2013	H1 2013-2014
300mm	73 %	55 %	39 %
Small diameters	22 %	39 %	55 %
III-V materials	3 %	4 %	5 %
Royalties	2 %	1 %	2 %
Other	0 %	0 %	0 %

Compared to the first half of the previous fiscal year, digital sales were down by 50.3% at 33.8 million Euros. Other electronic sales decreased slightly by 4.1% at 51.9 million Euros.

Licensing and equipment sales amounted to 1.5 million Euros and 2.7 million Euros respectively for the six month period.

4.3. Solar Energy Division

The Solar Energy division recorded revenue of 0.7 million Euros in the first half of 2013-2014, compared to 4.2 million Euros in the first half of 2012-2013, which was generated by module sales in Italy for a total of 3.3 MWp. The revenue recognized during the first half of the year does not reflect the strong increase in activity within this division, as the largest portion of modules produced during the period are to be used for the Touwsrivier project and have been recorded in inventory. Revenues relating to this project will be recognized when control of the subsidiary dedicated to the project is transferred to the other shareholders.

4.4. Lighting Division

The Lighting division reported revenue of 0.4 million Euros in the first half of 2013-2014.

4.5. Gross profit

The gross profit corresponds to the total revenues minus the total cost of sales. The total cost of sales is equal to the sum of production costs, license fees and distribution costs (CEA-Leti for the right to use SmartCut™ and Fraunhofer concerning certain solar licenses).

For the Electronics division, production costs consist of the costs of raw materials, essentially silicon, manufacturing costs, including costs of direct labor and share-based payments, production material, clean room infrastructures and overhead costs allocated to production.

For the Solar Energy division, production costs include supplies used to assemble the solar systems, manufacturing costs which are similar to those in the Electronics division, but which may also entail development expenses as well as the expenses related to the installation of solar power plants.

The combined effect of the decrease in demand for 300mm SOI wafers and the implementation of generation V solar module capacity in San Diego, without an immediate contribution to revenue, resulted in a significant reduction in the Group's gross profit. Gross profit went from -12.8 million Euros (-9.9% of total sales) during the first half of 2012-2013 to -2.7 million Euros (-2.1% of total sales) during the second half of last year, before falling to -31.4 million Euros (-34.5 % of total sales) during the first half of 2013-2014.

For the Electronics division, gross profit fell substantially, going from 7.6 million Euros (6.1 % of total sales) during the first half of 2012-2013 to 19.6 million Euros (15.0 % of total sales) during the second half of 2012-2013 to only 1.6 million Euros (1.80 % of total sales) for the first half of 2013-2014. The decrease in gross profit is due to the drop in production of 300mm SOI wafers. The variation in Euro/Dollar parity also had a negative impact; the American currency depreciated by 3.9% between the first half of 2012-2013 and the first half of 2013-2014. During the first half of 2013-2014, the Solar Energy division's gross profit decreased significantly to a negative amount of 33.2 million Euros (-20.5 million Euros for the first half of 2012-2013 and -22.4 million Euros for the second half of last year). This variation can be explained by the implementation of the generation V module production lines, for which fixed costs were not absorbed.

4.6. Research and Development

Research and Development costs are expensed as incurred if the capitalization criteria stipulated by IAS 38 are not verified. Research and Development costs essentially consist of:

- wages and social security contributions, including share-based payments,
- costs of operating equipment dedicated to clean rooms and equipment necessary for R&D activities, and
- costs associated with maintaining and securing the Group's intellectual property rights.

Provided that the agreements are signed and that the administrative authorizations have been obtained, the amounts received through subsidies are deducted from gross research and development costs and the resulting net amount is recorded in the income statement.

Some of the subsidies received to finance R&D activities were made in the form of reimbursable advances. In accordance with IAS 38 and IAS 20, if the Group considers that the technical or commercial percentage of completion of any particular project hinders its likelihood for success, the corresponding research and development expenses are not capitalized but are recorded directly in the income statement and the corresponding repayable advances are deducted from these costs, independently of any notifications from financial institutions, which are only obtained once the final milestone has been reached.

The Group may have to recognize a financial liability in relation to sales forecasts for new products developed with subsidies, based on the likelihood of the technical or commercial success of the projects in question.

In France, certain research and development expenses are subject to research tax credits. Such tax credits are presented as a deduction of R&D expenses in accordance with IAS 20.

Research and development efforts decreased significantly with net expenses of 15.3 million Euros, or 16.8% of total sales, compared to 28.8 million Euros or 22.1% of total sales during the first half of 2012-2013.

Gross R&D expenses went from 34.7 million Euros (first half of 2012-2013) to 25.4 million Euros (first half of 2013-2014). The majority of the cost reductions are attributable to the Electronics division, which focused R&D efforts on FD SOI and suspended or significantly reduced activities on other projects. In particular the suspension of two projects related to technology transfers for III-V materials generated substantial savings.

The amount of subsidies granted during the period also contributed to the reduction in net research and development expenses; the signing of the financing agreement relating to the Bright program resulted in the recording of subsidies amounting to almost 4 million Euros, corresponding to costs incurred since January 1, 2012.

4.7. Operating expenses

4.7.1. Sales and marketing expenses

Sales and marketing expenses amounted to 8.7 million Euros for the six month period, compared to 8.2 million Euros for the first half of 2012-2013 and 7.5 million Euros for the second half of 2012-2013.

Rationalization measures have generated savings of 1.3 million Euros within the Electronics division. Conversely, expenses for the Solar

Energy and Lighting divisions have increased by 1.5 million Euros and 0.3 million Euros respectively as a result of the reinforcement of the workforce with a view to ensuring a growth in activity.

4.7.2. Solar project development expenses

Expenses related to the development of solar power projects amounted to 1.1 million Euros for the six month period, compared to 1.6 million Euros for the first half of 2012-2013 and 2.0 million Euros for the second half of 2012-2013. This decrease is mostly due to the fact that the development expenses for the California projects were capitalized after the approval of the regulator was granted in November 2011. In addition, the division decided to focus on projects already in progress and to temporarily slow down development activity for new projects.

4.7.3. General and administrative expenses

General and administrative expenses decreased to 15.5 million Euros for the first half of 2013-2014, compared to 18.8 million Euros for the first half of 2012-2013 and 21.2 million for the second half of that year.

This decrease of 3.3 million Euros from one year to the next is due in particular to a decrease in expenses amounting to 2.8 million relating to share-based payments, following the cancellation of free shares plans after related performance conditions were not met.

4.8. Current operating result

The Group recorded a current operating loss of 71.9 million Euros (-79% of total sales) versus a loss of 70.2 million Euros (-53.9% of total sales) for the first half of 2012-2013 and a loss of 52.8 million Euros (-39.8 % of total sales) for the second half of the previous fiscal year.

During the first half of 2013-2014, each division recognized an operating loss, which breaks down as follows: a 14.1 million Euros loss for the Electronics division, a 50.6 million Euros loss for the Solar Energy division, a 1.8 million Euros loss for the Lighting division and a 5.4 million Euros loss for the Corporate division.

4.9. Operating result

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

During the first half of 2013-2014, the Group recognized a non-current operating loss amounting to 69.3 million Euros. This expense arose from the continued effort to refocus manufacturing activities to confront the economic downturn, which resulted in the suspension of raw material recycling activities in Singapore and the suspension of all activities on the site from the end of the first half of 2013-2014, and the suspension of the generation V solar modules production line in Freiburg.

These decisions led to a write-down of related machinery and equipment for 7.4 million Euros (Singapore) and 10.3 million Euros (Freiburg). The Group also recorded provisions for restructuring expenses: support measures for workforce reductions (1.7 million Euros for Singapore and 1.0 million Euros for Freiburg); dismantling costs (0.9 million Euros for Singapore); remaining rental payments due for the manufacturing building (0.8 million Euros for Freiburg).

An asset write-down has been reversed for an amount of 2.7 million Euros in relation to equipment transferred from Singapore to Bernin to be placed back into production, as part of the resumption of raw material recycling activities at the French site.

Based on the significant discrepancies in the medium term between the business plans established at the end of the previous fiscal year and the latest forecasts, the Group has updated its impairment testing on non-current assets. Impairment tests were updated for Cash Generating Units for which there were indicators that assets may be impaired: for the Electronics division, the *Electronic 300mm* CGU and the *Electronic Equipment* CGU; for the Solar Energy division, the solar module production CGU and the Desert Green solar power plant currently under construction. These tests resulted in the goodwill resulting from the acquisition of Altatech (*Electronic Equipment* CGU) being fully impaired for an amount of 11.4 million Euros, the goodwill resulting from the acquisition of Concentrix (solar module production CGU) being fully impaired for an amount of 19.3 million Euros and the investment in the joint venture Reflexite Soitec Optical Technology being fully impaired for an amount of 13.2 million Euros.

In addition, the impairment test on the non-current assets of the American solar power plant currently being installed at Desert Green resulted in an impairment charge being recorded for 2.8 million Euros. Inventory of solar systems delivered onto the site was also written down for an amount of 1.4 million Euros. Finally the Group recorded a provision amounting to 1.8 million Euros in relation to the anticipated loss at completion once the power plant is sold.

Operating loss for the period amounted to 141.2 million Euros, compared to a loss of 126.4 million Euros for the first half of 2012-2013 and a loss of 70.5 million Euros for the second half of 2012-2013.

4.10. Financial result

For the first half of 2013-2014, the Group's net financial result constituted an expense amounting to 18.7 million Euros compared to an expense of 5.5 million Euros for the first half of 2012-2013.

This significant adverse variation in financial result is explained by the following elements:

- The recording of an expense for 3.0 million Euros corresponding to a correction regarding the amortization of issuance costs for the convertible bond maturing in 2014;
- The recording of an expense for 0.3 million Euros relating to the amortization of issuance costs for the convertible bond maturing in

2018;

- The recording of an expense amounting to 3.5 million Euros, relating to interest payments for the South African bond;
- The decrease of 0.6 million Euros in returns on financial investments, mainly due to the reduced amount of cash available and the need for highly liquid investments with less significant returns;
- A net foreign exchange loss amounting to 5.0 million Euros, of which 3.6 million Euros corresponds to unrealized losses, compared to a net gain of 1.2 million Euros in the first half of the previous fiscal year.

4.11. Results and taxes

For the first half of 2013-2014, results before tax came to a loss of 159.9 million Euros and income tax expense amounted to 4 thousand Euros.

The Group's net results for the half year amounted to a loss of 160.2 million Euros versus a loss of 132.3 million Euros for the first half of 2012-2013 and a loss of 77.2 million Euros for the second half of that year. This takes into account the results share of the JV Reflexite Soitec Optical Technology (RSOT in the text), accounted for under the equity method: a loss of 0.3 million Euros as at September 30, 2013, compared to 0.4 million Euros in the first half of 2012-2013 and 0.5 million Euros for the second half of 2012-2013.

Diluted earnings per share resulted in a loss of 1.06 Euros per share versus a loss of 1.08 Euros per share for the first half of 2012-2013.

4.12. Balance sheet

The balance sheet shows total assets amounting to 733.0 million Euros as at September 30, 2013, compared to 719.2 million Euros as at March 31, 2013. The main variations in balance sheet items are detailed below.

4.12.1. Non-current assets

Net non-current assets amounted to 369.5 million Euros as at September 30, 2013, compared to 452.4 million Euros as at March 31, 2013. The decrease of 82.8 million Euros during the period is mainly due to the significant slowdown of the Group's manufacturing investment and the results of impairment testing. Consequently the depreciation/amortization expenses and impairment charges (90.5 million Euros) largely exceeded the amount of asset additions (22.2 million Euros) during the six month period. In addition, the Group disposed of assets for an amount of 1.2 million Euros and the impact of Euro/Dollar parity at closing resulted in a decrease of 9.8 million Euros in the value of the assets of subsidiaries whose financial statements are reported in Dollars.

- Value of non-current assets

Impairment of tangible and intangible assets (write-downs)

The Group has re-evaluated the value in use of certain specific items of equipment and has recorded write-downs in order to bring the carrying value down to the value in use for each of the related production lines:

- Suspension of the raw material recycling activity at the Pasir Ris site in Singapore (leading to the complete suspension of production activity at the Singapore site): 7.4 million Euros,
- Suspension of production at the Freiburg site in Germany: 10.3 million Euros.

In addition, a write-down amounting to 2.7 million Euros has been reversed in relation to the transfer to another site of an asset that had been fully impaired as at March 31, 2013.

Impairment testing

For the September 30, 2013 closing, the Group performed impairment tests on non-current assets of CGUs for which they considered there were indicators that assets may be impaired.

- Electronics

In light of the reduced profitability observed during the period, the Group decided to review the impairment tests on non-current assets for Cash Generating Units with impairment indicators. Consequently the five year business plans for the CGUs used for the March 31, 2013 closing have been updated to integrate the latest 18 month forecasts per division (October 2013-March 2015), without modifying the medium term forecasts (fiscal years 2015-2016 to 2017-2018).

The Group considered that there were indicators of impairment in the Electronics operating segment at the September 30, 2013 closing and performed impairment testing on two of its four CGUs, defined below:

- *Electronic 300 mm*, primarily serving the digital market and based on the production capacity of the sites Bernin 2 and Pasir Ris;
- *Electronic Equipment*: design and sale of equipment primarily for the semiconductor industry, integrated with the Electronics

business since the acquisition of Altatech, with patents and production facilities on the Montbonnot site near Grenoble. Goodwill resulting from the acquisition of Altatech is tested on the basis of the *Electronic Equipment* CGU.

This impairment test has been updated for each of the two related CGUs, capping revenues to the production volumes achievable with the installed capacity.

Impairment tests were not performed on the two other CGUs, *Electronic small diameters* and *Electronic GaAs*, as the Group considered that there were no impairment indicators.

This test led to the goodwill resulting from the acquisition of Altatech (CGU *Electronic Equipment*) being fully impaired for an amount of 11.4 million Euros.

- Solar Energy

The Group considered that there were also indicators of impairment in the Solar Energy operating segment at the September 30, 2013 closing and performed an impairment test on all of the CGUs of this operating segment, defined below:

- For projects involving the design, building and operation of a solar plant, a CGU encompasses each individual project or a group of inter-dependent projects located in the same geographic area.
- For installations which shall become operational, a CGU encompasses individual installations or a number of inter-dependent installations located in the same geographic area.
- For the manufacturing and sale of solar modules, a business in which the Group is globally organized, customers managed centrally and production organized so as to optimize capacity use without any regard to geographic location, the CGU encompasses the module manufacturing business.
- The goodwill generated by the acquisition of Soitec Solar was tested on the basis of the overall Solar Energy CGU.

The impairment test performed on the solar power plants resulted in an impairment charge of 2.8 million Euros relating to the non-current assets of the Desert Green solar power plant, as the project is not expected to produce sufficient cash flows to cover the value of associated assets.

For the module production activity, the discrepancy in short-term forecasts, resulting from both a slower ramp-up and an accelerated decline in the MW sale price, resulted in the goodwill being fully impaired for an amount of 19.3 million Euros and the shares held in the joint venture dedicated to optical production being fully impaired for an amount of 13.2 million Euros.

- Other assets

The increase of 1.1 million Euros is principally due to the increase in the research tax credit (3.7 million Euros) and the decrease in advance payments made to fixed assets' suppliers (-2.3 million Euros).

4.12.2. Working capital requirement

Working capital requirements are calculated as follows:

- Operating working capital requirements, including inventory, trade receivables, accounts payable, advances or down payments either paid or received as well as any social security or tax receivables and payables not related to corporate tax.
- Non-operating working capital requirements, including receivables and fixed assets payables (including down payments either paid or received) and receivables and payables related to corporate tax.

During the first half of 2013-2014, working capital requirement more than doubled, increasing from 31.1 million Euros as at March 31, 2013 to 78.5 million Euros as at September 30, 2013. This variation can be analyzed as follows:

- Operating working capital requirements increased from 30.5 million Euros as at March 31, 2013 to 61.6 million Euros as at September 30, 2013. This increase is due to the Touwsrivier solar power project, which alone represents an impact of 37.2 million Euros.
- Non-operating working capital requirements went from 0.6 million Euros as at March 31, 2013 to 16.9 million Euros as at September 30, 2013. The main variation corresponds to a decrease in the line item fixed assets payables for an amount of 13.1 million Euros.

4.12.3. Equity

The Group's equity decreased by 91.0 million Euros during the first half of 2013-2014. The variation is primarily due to the share capital increase of Soitec S.A. for an amount of 68.0 million Euros net of issuance costs, the changes in equity components of the 2014 and 2018 OCEANE bonds for -1.9 million Euros and +13.2 million Euros respectively, the loss for the half year period amounting to 160.2 million Euros and the unfavorable foreign exchange conversion on the operations of foreign subsidiaries, for an amount of 8.8 million Euros. As at September 30, 2013, the Group's equity amounts to 300.0 million Euros compared to 391.0 million Euros as at March 31, 2013.

4.12.4. Financial debt

Financial debt increased from 196.7 million Euros as at March 31, 2013 to 317.8 million Euros as at September 30, 2013. The main variations are as follows:

The issuance of a non-convertible bond to finance the construction of the Touwsrivier solar power plant in South Africa resulted in the recognition of a debt amounting to 1 billion Rand, or 74.1 million Euros, which will be included in the consolidation scope of the Group until the control of the subsidiary dedicated to the project is transferred to the other shareholders.

The Group issued a new convertible bond maturing in September 2018; a portion of the funds raised have been allocated to the early partial repayment of the convertible bond maturing in 2014. These two operations resulted in an increase in net debt of 27.8 million Euros.

In addition, the Group drew new credit lines amounting to 26.0 million Euros and repaid debts relating to financial leases for an amount of 3.1 million Euros.

4.12.5. Net cash flow

The net cash position was negative and amounted to -200.8 million Euros as at September 30, 2013, compared to -66.6 million Euros as at March 31, 2013.

4.13. Cash flow and financing

The cash flow resulting from operating activities was negative for the first half of 2013-2014 (-85.1 million Euros), a substantial decrease compared to the same period during the previous year (-37.4 million Euros, a decrease of 47.7 million Euros). A significant portion of this adverse variation, for an amount of 37.2 million Euros, is attributable to the Group's financing of the Touwsrivier solar power project. The other significant factor behind this deterioration is the decrease in EBITDA of the Solar Energy division for an amount of 7.1 million Euros, which is directly linked to the increase in fixed costs for this operating segment.

In addition, cash flows from manufacturing investment declined substantially from 97.0 million Euros during the first half of 2012-2013 to just 32.0 million Euros during the first half of 2013-2014. On the other hand, the construction of the Touwsrivier solar power plant strongly impacted the levels of cash used in financial investments: deposits amounting to 11.9 million Euros and investment of the funds raised in South Africa for an amount of 72.9 million Euros, with these funds unavailable until 50% of the capacity of the plant is installed and connected to the network.

Cash flows related to financing activities are largely positive for the first half of 2013-2014 (+191.6 million Euros). This amount can be explained by the following elements:

- The share capital increase of Soitec S.A., conducted in June 2013, for an amount of 68.0 million Euros (net of issuance costs),
- The issuance of 2018 OCEANE bonds by Soitec France for an amount of 99.6 million Euros net of issuance costs and non-convertible bonds in South Africa for an amount of 72.9 million Euros net of issuance costs and excluding foreign exchange impact.
- The early repayment in September 2013 of 7,249,260 OCEANE bonds maturing in 2014 for an amount of 61.9 million Euros.

In total, the Group's cash position decreased by 13.1 million Euros during the first half of 2013-2014 and stands at 117.0 million Euros.

4.14. Cash management policy objectives

The Group has put a cash management policy in place in order to minimize transactional risk and to ensure a proper return on its investments and financial assets. The Group's commercial transactions are exposed to certain risks related to exchange rates, especially regarding Euro/Dollar parity since the vast majority of its sales are made in Dollars. This risk is partially offset by the fact that all raw materials are purchased in Dollars, and for this half year period, the investments relating to the San Diego factory were paid in USD. Forward contracts, options and currency swaps have also been used as hedges for a limited time frame and for known expenses.

In addition, negotiations are in progress with a view to increasing the Group's lines of credit with banks.

4.15. Material related party transactions

Material related party transactions are reported in note 7.5.2 to the half-year consolidated financial statements.

5. Information regarding tendencies

Positive momentum but conservative short-term outlook – almost flat sequential sales in H2 Electronic - first significant sales in Solar activities and cost cutting programs leave potential for upside in H2

In the Electronics sector, Soitec has devised SOI-based solutions which address both planar and non-planar designs for 20 nm nodes and below, these solutions have yet to be adopted on a large scale in order to offset the current trend observed for traditional digital 300mm SOI markets. ST Microelectronics' recent announcements concerning fully-depleted SOI-based design wins demonstrate the positive momentum for Soitec's technological solutions, but needs to translate into mass adoption by several other industry players in order to generate sufficient revenue for Soitec, directly or from royalties paid by its licensees. SOI supply chain has been significantly reinforced when Shin Etsu Handotai with whom Soitec renewed its license agreement has now been enlarged.

Considering the general economic uncertainty, the semiconductor industry is however cautious about accelerated adoption of new technologies. As a consequence, activity is anticipated to remain soft in the Electronics division in the coming quarters with visibility limited to the second half of the current financial year. This limited visibility for digital sales outlook will be partially offset by the strong continuous adoption of Soitec technologies for RF and mobility applications. Electronic sales for the second half of the 2013-2014 financial year are thus expected to be flat on a sequential basis.

In the second half, strong sequential growth guidance for solar revenue remains linked to the South African green-light from Department of Energy on change of control which will trigger revenue recognition. As already stated, failing which such green-light shall not allow to record sales revenue in H2. Based on current time line and potential shift in closing transactions, some contributions from other current projects could be postponed and are not totally secured to have a significant revenue contribution for the Solar Energy division until the end of the current fiscal year. The Group is carefully monitoring any specific milestones which could negatively impact the implementation of its PPAs or should not satisfy the ultimate commissioning dates attached to them.

Based on the anticipated growth from its Electronic and Solar Energy divisions and continuous cost cutting measures including the additional 17 million Euros of savings recently initiated by the Electronic division as well as further initiatives across all organizations the Group confirms it is on track to achieve Soitec 2015 objective to return to positive Ebit margin over 2015-2016 financial year.

The Group anticipates that its consolidated results for the full-year 2013-2014 will show EBIT margin remaining negative. Based on most updated forecast total available cash resources end of March 2014 should remain almost unchanged compared to its level end of September 2013. The group continues to pursue opportunities for increasing its liquidity position from asset monetization and additional credit lines.

6. Financial information

6.1. Consolidated financial statements for the 6 month period ended September 30, 2013

6.1.1. Consolidated income statement

(in thousand Euros)	Notes	September 30, 2013	September 30, 2012
Sales	6.1.6	90 992	130 243
Cost of sales	-	(122 384)	(143 091)
Gross profit	6.1.6	(31 392)	(12 848)
Selling and marketing expenses	6.1.6	(8 700)	(8 154)
Research and development expenses	7.4.2	(15 254)	(28 831)
Solar project development costs	6.1.6	(1 136)	(1 592)
General and administrative expenses	6.1.6	(15 456)	(18 750)
Current operating loss	6.1.6	(71 939)	(70 175)
Other operating income	7.4.4	2 687	-
Other operating expenses	7.4.4	(71 977)	(56 260)
Operating loss	-	(141 230)	(126 435)
Financial income	-	13 520	8 598
Financial expense	-	(32 211)	(14 060)
Net financial expense	-	(18 691)	(5 462)
Loss before income tax	-	(159 921)	(131 897)
Income tax	7.4.5	(4)	-
Consolidated net loss for the period	-	(159 925)	(131 897)
Share of loss of associates	-	(305)	(441)
Net loss	-	(160 230)	(132 338)
Non-controlling interests	-	(194)	-
Net loss (Group share)	-	(160 037)	(132 338)
Basic net earnings per share in Euros	7.4.6	(1.06)	(1.08)
Diluted net earnings per share in Euros	7.4.6	(1.06)	(1.08)

6.1.2. Comprehensive income

(in thousand Euros)	Notes	September 30, 2013	September 30, 2012
Net loss	6.1.4	(160 230)	(132 338)
Exchange gains/(losses) on conversion of foreign operations	6.1.4	(8 808)	4 666
Items of total comprehensive income/ (loss) re-classifiable to the income statement	6.1.4	(8 808)	4 666
Actuarial gains/(losses) on pensions and other post-retirement benefits	6.1.4	-	-
Items of total comprehensive income/ (loss) not re-classifiable to the income statement	6.1.4	-	-
Income and expenses recognized directly in equity	6.1.4	(8 808)	4 666
Total comprehensive loss for the period	6.1.4	(169 039)	(127 672)
Non-controlling interests	6.1.4	(176)	-
Total comprehensive loss for the period (Group share)	6.1.1	(168 862)	(127 672)

6.1.3. Consolidated balance sheet

Assets (in thousand Euros)	Notes	September 30, 2013	March 31, 2013
Non-current assets :			
Goodwill and intangible assets	7.3.1	19 317	56 069
Capitalized development projects	7.3.1	2 782	2 968
Property, plant and equipment	7.3.1	310 634	340 583
Solar power projects	7.3.2	12 421	16 284
Deferred tax assets	-	-	-
Investments in associates	-	-	14 150
Non-current financial assets	-	506	3 601
Other non-current assets	-	23 887	18 730
Total non-current assets	-	369 547	452 385
Current assets :			
Inventories	7.3.3	81 819	66 236
Trade receivables	7.3.4	27 026	42 414
Solar power projects	7.3.2	14 273	-
Other current assets	-	36 973	25 140
Current financial assets	-	86 323	2 937
Cash and cash equivalents	7.3.5	117 049	130 127
Total current assets	-	363 464	266 855
Total assets	-	733 013	719 240
Equity and liabilities (in thousand Euros)	Notes	September 30, 2013	March 31, 2013
Equity :			
Share capital	6.1.4	17 249	12 263
Share premium	6.1.4	704 326	641 233
Treasury shares	6.1.4	(478)	(478)
Retained earnings	6.1.4	(425 496)	(270 661)
Other reserves	6.1.4	4 585	8 736
Group equity	6.1.4	300 185	391 093
Non-controlling interests	6.1.4	(218)	(119)
Total equity	6.1.4	299 968	390 974
Non-current liabilities :			
Long-term financial debt	7.3.9	161 087	139 663
Deferred tax liabilities	7.4.5	-	-
Provisions and other non-current liabilities	7.3.10	14 199	13 133
Total non-current liabilities	-	175 286	152 796
Current liabilities :			
Short-term financial debt	7.3.9	156 733	56 999
Trade payables	-	48 729	57 593
Provisions and other current liabilities	-	52 297	60 879
Total current liabilities	-	257 759	175 470
Total liabilities	-	733 013	719 240

6.1.4. Statement of changes in equity

(in thousand Euros)	Number of shares	Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Group equity	Non- controlling interests	Total equity
March 31, 2012	122 128 392	12 213	641 663	(478)	(67 120)	6 233	592 511	-	592 511
Exchange gains/(losses) on conversion of foreign operations	-	-	-	-	-	4 666	4 666	-	4 666
Actuarial gains/(losses) on pensions and other post-retirement benefits	-	-	-	-	-	-	-	-	-
Total income and expenses for the period directly recognized in equity	-	-	-	-	-	4 666	4 666	-	4 666
Loss for the period	-	-	-	-	(132 338)	-	(132 338)	-	(132 338)
Total comprehensive income/(loss) for the period	-	-	-	-	(132 338)	4 666	(127 672)	-	(127 672)
Stock options, warrants and free shares	184 451	18	-	-	(18)	-	-	-	-
ABSAAR transactions	-	-	(1 286)	-	-	-	(1 286)	-	(1 286)
Share-based payments	-	-	-	-	1 273	-	1 273	-	1 273
Other items	-	-	-	-	(39)	-	(39)	-	(39)
September 30, 2012	122 312 843	12 231	640 378	(478)	(198 242)	10 899	464 787	-	464 787

(in thousand Euros)	Number of shares	Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Group equity	Non- controlling interests	Total equity
March 31, 2013	122 626 743	12 263	641 233	(478)	(270 661)	8 736	391 093	(119)	390 974
Exchange gains/(losses) on conversion of foreign operations	-	-	-	-	(4 673)	(4 152)	(8 825)	17	(8 808)
Actuarial gains/(losses) on pensions and other post-retirement benefits	-	-	-	-	-	-	-	-	-
Total income and expenses for the period directly recognized in equity	-	-	-	-	(4 673)	(4 152)	(8 825)	17	(8 808)
Loss for the period	-	-	-	-	(160 037)	-	(160 037)	(194)	(160 230)
Total comprehensive loss for the period	-	-	-	-	(164 710)	(4 152)	(168 862)	(176)	(169 038)
Stock options, warrants and free shares	582 040	58	-	-	(58)	-	-	-	-
Proceeds from share issue	49 283 512	4 928	66 533	-	-	-	71 461	-	71 461
Share capital increase expenses, net	-	-	(3 440)	-	-	-	(3 440)	-	(3 440)
Impact of early partial repurchase of 2014 OCEANE	-	-	-	-	(1 863)	-	(1 863)	-	(1 863)
Equity component of new compound financial instruments (2018 OCEANE)	-	-	-	-	13 208	-	13 208	-	13 208
Transactions with non-controlling interests	-	-	-	-	105	-	105	78	183
Share-based payments	-	-	-	-	(1 517)	-	(1 517)	-	(1 517)
September 30, 2013	172 492 295	17 250	704 326	(478)	(425 496)	4 584	300 185	(218)	299 968

6.1.5. Statement of cash flows

(in thousand Euros)	Notes	September 30, 2013	September 30, 2012
Consolidated net loss for the period	6.1.1	(160 230)	(132 338)
Elimination of non cash items :			
Share of profit /(loss) of associates	-	305	441
Impairment of shares accounted for under the equity method	7.4.4	13 211	-
Impairment of goodwill	7.4.4	30 668	-
Depreciation and amortization expenses	7.4.3	28 905	30 971
Impairment charges and write-down of assets	7.3.1 - 7.4.4	17 756	55 620
Provisions, net	-	9 090	2 452
Provision for retirement indemnities	-	524	349
Profit/ (loss) on disposals of assets	-	103	(753)
Income tax charge	-	4	-
Cost of financial debt	-	18 689	5 461
Share-based payments	7.3.7	(1 517)	1 273
Total non cash items	-	117 738	95 814
Increase / (decrease) in cash in :			
Inventories	-	(18 813)	(5 787)
Solar power projects	-	(7 498)	-
Trade receivables	-	15 431	2 387
Other receivables	-	(13 019)	15 086
Trade payables	-	(11 212)	1 364
Other liabilities	-	(7 453)	(13 895)
Variation in working capital	-	(42 564)	(845)
Net cash generated by/ (used in) operating activities	-	(85 056)	(37 369)
Purchase of intangible assets	-	(1 807)	(8 459)
Capitalization of Solar project development costs	-	(1 631)	-
Purchase of tangible assets	-	(28 584)	(88 590)
Proceeds from sales of tangible and intangible assets	-	1 096	739
(Acquisition) and disposal of financial assets	-	(84 850) *	2 921
Capital contribution in a subsidiary accounted for under the equity method (JV Reflexite Optical Technology)	-	(1 047)	(4 147)
Net cash generated by/ (used in) investing activities	-	(116 823)	(97 536)
Proceeds from share capital increases and exercise of stock options	-	68 022 **	1
Repurchase of ABSAARS	-	-	(1 286)
Issuance of bonds	7.3.8	172 580 ***	-
Drawing on credit lines	7.3.8	26 015	20 001
Repayment of borrowings (including finance leases)	7.3.8	(65 356) ****	(5 503)
Interest received	-	4 537	2 351
Interest paid	-	(14 234)	(10 276)
Net cash generated by/ (used in) financing activities	-	191 564	5 288
Effects of exchange rate fluctuations	-	(2 762)	769
Change in net cash	-	(13 078)	(128 848)
Cash at beginning of the period	-	130 127	259 804
Cash at end of the period	-	117 049	130 956

* As at September 30, 2013, this amount includes:

- deposits amounting to 11,850 thousand Euros paid in relation to the construction of a solar power plant in South Africa ("Touwsrivier"),

- restricted cash amounting to 72,946 thousand Euros, mainly relating to the interest-bearing investment of the cash received following the bond issuance in South Africa, to finance the construction of a solar power plant ("Touwsrivier"). This cash has been recorded in the balance sheet within the line item 'current financial assets' inasmuch as the Company considers that the conditions of restriction will be lifted in the short term.

** The share capital increase of Soitec S.A., conducted on June 28, 2013, generated an amount of 68,022 thousand Euros, net of issuance costs of 3,440 thousand Euros.

*** Bond issuances relate to:

- The issuance of OCEANE convertible bonds maturing in 2018 by Soitec SA for an amount of 99,602 thousand Euros net of issuance costs,
- The issuance of non-convertible bonds in South Africa for an amount of 72,978 thousand Euros (1 billion South African Rand) net of issuance costs. This amount is to be used to finance the construction of the Touwsrivier solar power plant in South Africa.

**** Bond repayments include the early repurchase of 7,249,260 2014 OCEANE for an amount of 61,981 thousand Euros.

6.1.6. Segment reporting

The Group operates in three business segments:

- the production and marketing of substrates and components for the microelectronics industry (Electronics)
- the production and marketing of concentrator photovoltaic modules, the design and construction of turnkey photovoltaic projects and the operation of photovoltaic installations (Solar Energy)
- the development of materials for the production of light-emitting diodes (Lighting)

The EBITDA reported in the segment analysis table represents the current operating income/(loss) (EBIT) before depreciation, amortization and share-based payments. EBITDA is a non-IFRS quantitative measure used to measure the firm's capacity to generate cash flows from its operating activities. The Group believes that reporting this indicator is useful to investors and other stakeholders involved in the evaluation of manufacturing companies. EBITDA is not defined within the scope of IFRS and should not be considered as an alternative to any other financial indicator.

The key segment figures are as follows:

- Breakdown of income

(in thousand Euros)	September 30, 2013				Total
	Corporate	Electronics	Solar Energy	Lighting	
Sales	-	89 941	695	357	90 992
Gross profit	-	1 598	(33 191)	201	(31 392)
Gross research and development expenses	(223)	(14 456)	(8 607)	(5 451)	(28 738)
Sales of prototypes and other revenue	103	3 183	-	246	3 532
Grants and repayable advances		5 995	66	3 891	9 952
Research and development expenses, net	(120)	(5 278)	(8 541)	(1 314)	(15 254)
Selling and marketing expenses	-	(3 257)	(4 849)	(595)	(8 700)
General and administrative expenses	(5 267)	(7 177)	(2 929)	(84)	(15 456)
Solar project development costs	-	-	(1 136)	-	(1 136)
Other operating income *	-	2 687	-	-	2 687
Other operating expenses *	-	(21 475)	(50 502)	-	(71 977)
EBIT	(5 388)	(32 902)	(101 147)	(1 791)	(141 230)
<i>Depreciation and amortization expenses</i>	<i>34</i>	<i>20 447</i>	<i>7 373</i>	<i>1 051</i>	28 905
<i>Impairment charges and write-down of assets</i>	<i>-</i>	<i>4 726</i>	<i>13 030</i>	<i>-</i>	17 756
<i>Share-based payments</i>	<i>(1 144)</i>	<i>(27)</i>	<i>(312)</i>	<i>(34)</i>	(1 517)
<i>Impairment of shares accounted for under the equity method</i>	<i>-</i>	<i>-</i>	<i>13 211</i>	<i>-</i>	13 211
<i>Impairment of goodwill</i>	<i>-</i>	<i>11 402</i>	<i>19 266</i>	<i>-</i>	30 668
<i>Provisions, net</i>	<i>-</i>	<i>2 159</i>	<i>6 931</i>	<i>-</i>	9 090
<i>Provision for retirement indemnities</i>	<i>-</i>	<i>524</i>	<i>-</i>	<i>-</i>	524
<i>Profit/(loss) on disposals of assets</i>	<i>-</i>	<i>(7)</i>	<i>-</i>	<i>110</i>	(103)
EBITDA	(6 498)	6 322	(41 648)	(664)	(42 491)

	September 30, 2012				
(in thousand Euros)	Corporate	Electronics	Solar Energy	Lighting	Total
Sales	-	126 003	4 240	-	130 243
Gross profit	-	7 642	(20 490)	-	(12 848)
Gross research and development expenses	-	(15 762)	(9 534)	(6 088)	(31 384)
Grants and repayable advances	-	2 531	22	-	2 553
Research and development expenses, net	-	(13 231)	(9 512)	(6 088)	(28 831)
Selling and marketing expenses	-	(4 551)	(3 346)	(257)	(8 154)
General and administrative expenses	(6 682)	(6 936)	(5 093)	(40)	(18 750)
Solar project development costs	-	-	(1 592)	-	(1 592)
Other operating expenses*	-	(51 293)	(4 967)	-	(56 260)
EBIT	(6 682)	(68 369)	(44 999)	(6 385)	(126 435)
<i>Depreciation and amortization</i>	-	24 691	4 543	1 737	30 971
<i>Share-based payments</i>	642	406	194	31	1 273
<i>Impairment charges and write-down of assets</i>	-	50 653	4 967	-	55 620
<i>Provisions, net</i>	-	1 982	722	(251)	2 452
<i>Provision for retirement indemnities</i>	-	349	-	-	349
<i>Profit/(loss) on disposals of assets</i>	-	(753)	-	-	(753)
EBITDA	(6 040)	8 659	(34 573)	(4 668)	(36 524)

*See note 7.4.4

- Breakdown of balance sheet

	September 30, 2013				
(in thousand Euros)	Corporate	Electronics	Solar Energy	Lighting	Total
Net intangible assets	-	20 467	8 604	30	29 101
<i>of which goodwill</i>	-	-	-	-	-
Net tangible assets	202	171 419	116 830	27 602	316 053
Investments in associates	-	-	-	-	-
Non-current assets (1)	202	191 886	125 434	27 632	345 154
Inventories (2)	-	33 575	48 143	101	81 819
Trade receivables (3)	-	23 826	3 098	102	27 026
Solar plant projects - current portion	-	-	14 273	-	14 273
Other current and non-current assets (4)	-	20 868	12 199	3 906	36 973
Trade payables (5)	-	34 472	14 180	77	48 729
Other current and non-current liabilities (6)	-	46 253	15 880	4 363	66 496
Capital employed (1) + (2) + (3) + (4) - (5) - (6)	202	189 431	173 086	27 300	390 020

	March 31, 2013				
(in thousand Euros)	Other	Electronics	Solar Energy	Lighting	Total
Net intangible assets	-	35 190	34 660	39	69 889
<i>of which goodwill</i>	-	11 402	19 266	-	30 668
Net tangible assets	-	191 715	130 252	24 048	346 015
Investments in associates	-	-	14 150	-	-
Non-current assets (1)	-	226 905	179 062	24 087	430 054
Inventories (2)	-	35 771	30 465	-	66 236
Trade receivables (3)	-	37 342	5 030	42	42 414
Other current assets (4)	-	17 222	7 853	66	25 140
Trade payables (5)	-	44 405	12 473	715	57 593
Other current and non-current liabilities (6)	-	50 690	19 004	4 317	74 012
Capital employed (1) + (2) + (3) + (4) - (5) - (6)	-	222 145	190 932	19 163	432 240

The information presented in the group reporting has been prepared in accordance with the accounting principles followed by the Group.

- Breakdown of revenue

The revenue by sector and sub-sector breaks down as follows:

(in thousand Euros)	September 30, 2013	September 30, 2012
<i>CGU Electronic 300mm</i>	33 848	68 149
<i>CGU Electronic small diameters</i>	47 571	48 680
<i>CGU Electronic GaAs</i>	4 313	5 436
<i>CGU Electronic Equipment</i>	2 741	2 109
<i>Royalties</i>	1 468	1 629
Total Electronics	89 941	126 003
Total Solar Energy	695	4 240
Total Lighting	357	-
Total revenue	90 992	130 243

7. Notes to the consolidated financial statements as at September 30, 2013

7.1. Overview of the company and of the business activity

Soitec S.A. is a *société anonyme* (limited liability corporation) operating under French law and listed in compartment B of Euronext Paris. Soitec S.A. and its subsidiaries are hereinafter referred to as the "Company" or the "Group".

The Group operates in three business segments:

- the Electronics business segment: the Group manufactures and sells silicon on insulator wafers primarily for the semiconductor industry. The Company's main products are Unibond™ wafers, which are made using the patented Smart Cut™ technology licensed exclusively to the Company by the French Atomic Energy Commission ("Commissariat à l'Energie Atomique" or "CEA"). This exclusive license runs up to the expiry of the registered patents, the first of which comes into the public domain in 2013. The activities acquired recently (III-V materials, layer transfer solutions) as well as the activity of Altatech are included in this business segment.
- the Solar Energy business segment: since December 2009, when the Group took control of Soitec Solar GmbH (formerly Concentrix Solar GmbH), the Group has manufactured and sold concentrating photovoltaic modules while also designing and building solar power plant installations with a view to their turnkey sale or their operation.

- the Lighting business segment: based on a portfolio of technologies developed by the *Electronics* business segment, the Group develops materials for the production of light emitting diodes and is implementing a strategy of alliances to become a player in this sector.
- The Group has decided to separate the central support costs between the business segments. These costs, reported under the category "Corporate", group together the general management costs of the Group including cash operations, consolidation, internal control, planning, financial reporting and legal expenses relating to regulations for listed companies, as well as the teams in charge of harmonizing practices and creating synergies between divisions (manufacturing, human resources, IT, quality control).

7.2. Accounting policies

7.2.1. Basis of preparation of the financial statements

- Basis of preparation

The Group's condensed interim consolidated financial statements have been prepared according to the International Financial Reporting Standard IAS 34 (Interim financial reporting).

The interim consolidated financial statements do not include all the information and notes required for full annual financial statements and should therefore be read in conjunction with the Group's consolidated financial statements as at March 31, 2013.

The Group's consolidated financial statements for the financial year ended March 31, 2013 are available on request at the Company's head office, located at Parc Technologique des Fontaines in Bernin (38190) or on its website www.soitec.com.

- Accounting policies

The accounting policies used by the Group in the condensed interim consolidated financial statements as at September 30, 2013 are the same as those used for the Group's consolidated financial statements as at March 31, 2013, with the exception of the elements presented below and the accounting method for income tax, which is provided for in the interim consolidated financial statements based on the best estimate of the annual tax rate expected for the full financial year.

The Group has adopted the standards, amendments and interpretations detailed below, which have been adopted by the European Union and whose application is mandatory on or after April 1, 2013:

- Amendment to IAS 1 Presentation of Items of Other Comprehensive Income
- Amendment to IAS 19 Employee Benefits including defined benefit plans
- IFRS 13 Fair Value Measurement
- Amendment to IFRS 7 Offsetting Financial Assets and Financial Liabilities

These new and amended standards do not have a significant impact on the interim consolidated financial statements as at September 30, 2013.

The Group has elected not to early adopt the following new standards, amendments and interpretations whose application is mandatory for fiscal years beginning on, or after, April 1, 2013:

- IFRS 10 Consolidated Financial Statements / control;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities;
- Amendment to IAS 27 Separate Financial Statements;
- Amendment to IAS 28 Investments in Associates and Joint Ventures;
- Amendment to IAS 32 Offsetting Financial Assets and Financial Liabilities; and
- IFRS 9 Financial Instruments (replacement of IAS 39)

The resulting impact of these standards, amendments and interpretations that have not been early adopted by the Group is currently being assessed.

- Significant estimates and judgments

The preparation of financial statements requires Group Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosures in certain notes as of the date of preparation of this financial information and the reported amounts of income and expenses for the financial year.

The judgments, estimates and assumptions are made on the basis of information available at the reporting date of the financial statements.

The accounting policies and valuation methods used by the Group in the condensed interim consolidated financial statements as at

September 30, 2013 are the same as those used for the Group's consolidated financial statements as at March 31, 2013, with the exception of the accounting method for income tax, which is provided for in the interim financial statements based on the best estimate of the annual tax rate expected for the full financial year.

7.2.2. Significant events of the period

During the first half of 2013-2014, the Group decided to consolidate its financial structure in order to pursue its growth strategy. On June 28, 2013, Soitec increased its share capital, an operation which resulted in the issuance of 49,283,512 new shares at a price of 1.45 Euro per share. The proceeds net of issuance costs for the operation amounted to 68.0 million Euros and were partially allocated to the repayment of the bonds convertible into and/or exchangeable for new or existing shares (OCEANE) issued in 2009.

On September 18, 2013, the Group carried out the following operations:

- An early repayment of 7,249,260 2014 OCEANE for a total amount of 61,981 thousand Euros, thereby reducing the remaining amount of debt to be repaid as at September 9, 2014.
- The issuance of new bonds convertible into and/or exchangeable for new or existing shares (OCEANE) for a nominal amount of 103.2 million Euros. The 40,000,000 issued bonds mature on September 18, 2018 and bear interest at a nominal annual rate of 6.75% payable on a half-yearly basis, on March 18 and September 18 every year. The issue price per bond amounted to 2.58 Euros.

The bonds may be subject to optional early repayment by the Company under certain conditions.

In accordance with IAS 39, the fair value of the OCEANE bonds is accounted for by distinguishing between two components:

- The debt component is calculated based on a market interest rate for an equivalent non-convertible bond. This component has been accounted for at amortized cost for an amount of 86.5 million Euros (net of share of issuance costs). The estimated effective interest rate for the debt is therefore 11.44%.
- The conversion option component is determined based on the difference between the total fair value of the OCEANE and the debt component. It has been accounted for separately in equity for an amount of 13.2 million Euros (net of share of issuance costs).

In addition, on April 29, 2013, CPV Power Plant No.1 Bond, a subsidiary of the Group, issued a non-convertible bond amounting to one billion Rand, the proceeds of which will be used to finance the construction of the Touwsrivier solar power plant (South Africa). The issued bonds mature on June 30, 2029 and bear interest at a fixed nominal annual rate of 11% payable on a half-yearly basis, on June 30 and December 30 every year. The amount received net of costs is 72, 978 thousand Euros.

7.2.3. Consolidation principles

All Group companies are controlled by the parent company and are therefore fully consolidated, with the exception of the joint venture Reflexite Technology Optical Technology (RSOT), which is 49.48 % owned and accounted for under the equity method.

Control exists where the Company has the power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is generally presumed to exist where the Group holds over half of the voting rights in the controlled entity. Subsidiaries are fully consolidated from the date on which effective control is transferred and continue to be consolidated until the date that such control ceases. When assessing control, potential voting rights, which are currently exercisable or convertible, are taken into account.

The consolidated financial statements as at September 30, 2013 encompass the financial statements of the Company and of all its subsidiaries except for the joint venture RSOT which is accounted for under the equity method:

Entity	Consolidated since	Percentage controlling interest	Country
Soitec USA Inc.	1997	100.00 %	United States
Soitec Specialty Electronics S.A.S	April 2003	100.00 %	France
Soitec Japan Inc.	June 2004	100.00 %	Japan
Soitec Phoenix Labs Inc.	February 2006	100.00 %	United States
Soitec Microelectronics Singapore Pte LTD	June 2006	100.00 %	Singapore
Soitec Solar GmbH	December 2009	100.00 %	Germany
Soitec Solar Spain S.A.U	December 2009	100.00 %	Spain
Soitec Solar Inc.	December 2009	100.00 %	United States
Soitec Solar Industries LLC	December 2009	100.00 %	United States
Soitec Solar Italia S.R.L	August 2010	100.00 %	Italy
Soitec Solar Development LLC	September 2010	100.00 %	United States
Soitec Solar RSA LTD	April 2011	100.00 %	South Africa
Soitec Korea	July 2011	100.00 %	Korea

Soitec Solar France	October 2011	100.00 %	France
Reflexite Soitec Optical Technology LLC	November 2011	49.48 %	United States
Altatech Semiconductor S.A.S	January 2012	100.00 %	France
Soitec Corporate Services	July 2012	100.00 %	France
Soitec Solar Chile	July 2013	100.00 %	Chile

As part of its Solar Energy business, the Group may have to establish special purpose entities to hold the permits, administrative authorizations, costs and income associated with a solar plant project. In general, the intention is to sell these legal entities to investors when the projects are sufficiently advanced.

The following entities were created during the financial year, placed under the exclusive control of the Group and are fully consolidated:

Entity	Consolidated since	Percentage controlling interest	Country
CPV Power Plant n°1 LTD ("Touwsrivier")	October 2009	100.00 %	South Africa
CPV Rians S.A.S	July 2010	100.00 %	France
Concentrix Silicy 2 S.R.L	August 2010	100.00 %	Italy
Newberry Solar 1 LLC	September 2010	100.00 %	United States
CPV Power plant n° 2 LTD	September 2010	100.00 %	South Africa
Alicoop Poggio Santa Lucia S.R.L	November 2010	100.00 %	Italy
Alicoop Monte Bellone S.R.L	November 2010	100.00 %	Italy
Desert Green Solar Farm LLC *	February 2011	100.00 %	United States
LanEast Solar Farm LLC	February 2011	100.00 %	United States
LanWest Solar Farm LLC	February 2011	100.00 %	United States
Rugged Solar LLC	April 2011	100.00 %	United States
Tierra del Sol Solar Farm LLC	April 2011	100.00 %	United States
CX Giuggianello S.R.L	October 2011	100.00 %	Italy
CX Minervino S.R.L	October 2011	100.00 %	Italy
CPV Thuir-1 S.A.S	February 2012	100.00 %	France
CVP Durance-1 S.A.S	February 2012	100.00 %	France
CVP Narbonne-1 S.A.S	February 2012	100.00 %	France
CVP Llo-1 S.A.S	February 2012	100.00 %	France
Sorrel Solar Farm LLC	February 2012	100.00 %	United States
CPV Thémis	March 2012	100.00 %	France
Black Mountain (K2011137452 LTD)	March 2012	100.00 %	South Africa
Itakane Trading 339 (Pty) Ltd	March 2012	100.00 %	South Africa
Tierra del Sol II Solar Farm LLC	May 2012	100.00 %	United States
Los Robles Solar Power Plant LLC	May 2012	100.00 %	United States
CPV Power Plant n° 1 Bond SPV (Rf) Ltd	September 2012	60.00 %	South Africa

* The entity EE Borrego Land LLC located in the United States, acquired in July 2012 and 100% held by the Group, has been merged with the entity Desert Green.

7.3. Notes to the balance sheet

Impairment of tangible and intangible assets

The Group has re-evaluated the value in use of certain specific items of equipment and has recorded write-downs in order to bring the carrying value down to the value in use for each of the related production lines:

- Suspension of the raw material recycling activity at the Pasir Ris site in Singapore (leading to the complete suspension of production at the Singapore site): 7.4 million Euros
- Suspension of production at the Freiburg site in Germany: 10.3 million Euros.

Impairment testing

For the September 30, 2013 closing, the Group performed impairment tests on non-current assets of CGUs for which they considered there were indicators that assets may be impaired.

- Electronics

The impairment tests performed for the September 30, 2012 closing had resulted in the recording of an impairment charge amounting to 32,007 thousand Euros.

The Group considered that there were indicators of impairment in the Electronics operating segment at the September 30, 2013 closing and performed impairment testing on two of its four CGUs, defined below:

- *Electronic 300 mm*, primarily serving the digital market and based on the production capacity of the sites Bernin 2 and Pasir Ris.
- *Electronic Equipment*: design and sale of equipment primarily for the semiconductor industry, integrated with the Electronics business since the acquisition of Altatech, with patents and production facilities on the Montbonnot site near Grenoble. Goodwill resulting from the acquisition of Altatech is tested on the basis of the Electronics Equipment CGU.

This impairment test has been updated for each of the two related CGUs, capping revenues to the production volumes achievable with the installed capacity.

Impairment tests were not performed on the two other CGUs, *Electronic small diameters* and *Electronic GaAs*, as the Group considered that there were no impairment indicators.

This test led to the goodwill resulting from the acquisition of Altatech (CGU *Electronic Equipment*) being fully impaired for an amount of 11.4 million Euros.

- Solar Energy

The Group considered that there were indicators of impairment in the Solar Energy operating segment at the September 30, 2013 closing and performed impairment testing on all of the CGUs of this operating segment, defined below:

- For projects involving the design, building and operation of a solar plant, a CGU encompasses each individual project or a group of inter-dependent projects located in the same geographic area.
- For installations which shall become operational, a CGU encompasses individual installations or a number of inter-dependent installations located in the same geographic area.
- For the manufacturing and sale of solar modules, a business in which the Group is globally organized, customers managed centrally and production organized so as to optimize capacity use without any regard to geographic location, the CGU encompasses the module manufacturing business.
- The goodwill resulting from the acquisition of Soitec Solar was tested on the basis of the overall Solar Energy CGU.

This impairment test has been updated for each of the different CGUs, capping revenues to the production volumes achievable with the installed capacity. The impairment test performed on the solar power plants resulted in the recording of an impairment charge amounting to 2.8 million on the non-current assets of the Desert Green solar plant, as the project is not expected to produce sufficient cash flows to cover the value of associated assets. Inventory of solar systems delivered onto the site was also written down for an amount of 1.4 million Euros. The Group recorded a provision amounting to 1.8 million Euros in relation to the anticipated loss at completion once the power plant is sold.

The impairment test performed on the solar module production CGU led to the goodwill resulting from the acquisition of Concentrix being fully impaired for an amount of 19.3 million Euros and the investment in the joint venture Reflexite Soitec Optical Technology being fully impaired for an amount of 13.2 million Euros.

7.3.1. Proceeds from purchases and sales of assets

- Goodwill, intangible assets and capitalized projects

During the first half of 2013-2014, the change in net value for each asset category is as follows:

(in thousand Euros)	Goodwill	Capitalized development projects	Concessions, patents and other rights	Software	Solar power plants	Intangible assets in progress	Total
March 31, 2013	30 668	2 968	10 016	14 297	10 851	1 089	69 889
Transfers and reclassifications (gross book value)	-	-	-	1 078	(4 358)	(1 078)	(4 358)*
Additions (gross book value)	-	-	-	-	2 559	879	3 438
Change in scope (net book value)	-	-	-	-	-	-	-
Exchange differences (net book value)	-	-	-	(40)	(886)	-	(926)
Amortization (net)	-	(186)	(1 822)	(3 514)	(4)	-	(5 526)
Impairment charge/ write-down	-	-	-	(24)	(2 722)	-	(2 746)**
Disposals (gross value)	-	(1)	-	-	-	-	(1)
Change in goodwill	(30 668)	-	-	-	-	-	(30 668)
September 30, 2013	-	2 781	8 194	11 798	5 440	890	29 101

* This corresponds to various reclassifications between tangible and intangible assets.

** This amount mainly consists of:

- the write-down of certain items of software from the Singapore site for an amount of 24 thousand Euros;
- an impairment charge amounting to 2,722 thousand Euros relating to the Desert Green solar power plant.

These items have been recorded in the income statement in other operating expenses (see note 7.4.4)

The variation in goodwill corresponds to the impairment of the Altatech goodwill for 11,402 thousand Euros and the Concentrix goodwill for 19,266 thousand Euros (see note 7.4.4)

The increase in assets of 3,438 thousand Euros is split between the Solar Energy division (75%) and the Electronics division (25 %) and mainly relates to IT developments.

- Property, plant and equipment

During the first half of 2013-2014, the change in net value for each asset category is as follows:

(in thousand Euros)	Buildings	Machinery and equipment	Solar power projects	Other	Assets under construction	Total
March 31, 2013	152 036	116 089	5 433	8 577	63 877	346 013
Transfers and reclassifications (gross book value)	14 662	27 468	211	1 535	(44 458)	(581)*
Additions (gross book value)	-	-	-	-	18 728	18 728
Change in scope (net value)	-	-	-	-	-	-
Exchange differences (net value)	(5 093)	(2 301)	(48)	(197)	(931)	(8 568)
Depreciation (net)	(6 305)	(15 749)	(177)	(1 250)	102	(23 379)
Impairment charge/ write-down	-	(10 130)	-	(30)	(4 850)	(15 010)**
Disposals (net value)	-	(1 025)	-	(24)	(102)	(1 151)
September 30, 2013	155 300	114 352	5 419	8 611	32 366	316 052

* This corresponds to various reclassifications between tangible and intangible assets and the reclassification of the costs of the South African subsidiary CPV Power Plant 1 in current assets.

** This amount is mainly composed of:

- the write-down of certain items of production equipment from the Singapore and Freiburg sites for an amount of 17,668 thousand

Euros;

- the reversal of an asset write-down amounting to 2,687 thousand, corresponding to the transfer to another site of an asset that had been fully impaired as at March 31, 2013;
- an impairment charge amounting to 30 thousand Euros relating to the Desert Green solar power plant.

These items have been recorded in the income statement in other operating expenses (see note 7.4.4)

The increase in assets of 18,728 thousand Euros is split between the Electronics division (74%) and the Solar Energy division (26 %).

In the Solar Energy division, the increase in the first half of the year mainly relates to continued manufacturing investments (5th generation solar modules) in the San Diego site.

7.3.2. Solar power projects

In 2011 Soitec won a tender launched by the South African Department of Energy for the investment and construction of a solar power plant, "Touwsrivier" (44 MW).

In 2012, the Group signed a 20-year Purchase Power Agreement (PPA) with the South African national electricity supplier Eskom. In April 2013 CPV Power Plant No.1 Bond SPV (RF) Ltd., a subsidiary of the Group, issued a bond for an amount of 1 billion Rand (73,538 million Euros at the exchange rate of 13,598500 Rand/Euro as at September 30, 2013) to be used to finance the construction of this solar power plant. The cash generated by this bond will be unavailable until at least 50% of the total capacity of the plant has been installed, and the Group will ensure the financing of the project until this date.

Soitec began the construction of the first 50% of the plant's capacity, financed through its own capital, in 2011, in partnership with Group Five. Investment in equipment and modules represents 14,273 thousand Euros as at September 30, 2013 and has been recorded in the balance sheet within the line item 'Solar power projects', to which an amount of 28.9 million Euros corresponding to module inventory and other components, not yet invoiced, must be added.

Costs relating to this solar power plant that have been incurred since the start of the construction process are recorded in the current portion of the line item 'Solar power projects', inasmuch as the Group considers that the plant will be sold in the short term. Running expenses incurred amount to 500 thousand Euros for the six month period ended September 30, 2013. The cash generated by the bond as at September 30, 2013, amounting to 72,946 thousand Euros, is recognized in the balance sheet within the line item 'current financial assets' inasmuch as the Company considers that the conditions of restriction will be lifted in the short term. The construction of this solar power plant has required 37,243 thousand Euros of cash during the six month period ended September 30, 2013, taking into account a negative EBITDA of 486 thousand Euros generated by operations and a working capital requirement of 36,757 thousand Euros.

7.3.3. Inventories

Inventories break down as follows:

(in thousand Euros)	September 30, 2013	March 31, 2013
Raw materials	44 382	42 945
Work in progress	22 457	19 344
Finished goods	28 475	14 952
Gross value	95 314	77 240
Inventory provisions	(13 495)	(11 004)
Net value of inventories	81 819	66 236

During the first half of the year, inventories increased by 24% (+ 15,583 thousand Euros). The analysis per division shows opposing trends:

- Inventories for the Electronics division decreased by 2,197 thousand Euros during the first half of the year. This decrease is attributable to the reductions of 1,271 thousand Euros and 3,455 thousand Euros in raw materials and work in progress respectively, and the increase of 2,529 thousand Euros in finished goods.
- The inventories for the Solar Energy division increased by 17,679 thousand Euros, due to the increase in raw materials and modules intended for the construction of the Touwsrivier power plant in South Africa (+28,921 thousand Euros), delivered or not yet delivered. An inventory provision of 1,355 thousand Euros relating to generation V modules held by the American solar power plant Desert Green has been recognized following the impairment of the plant's assets (see note 7.4.4).
- The Lighting division contributes for the first time for an amount of 101 thousand Euros.

7.3.4. Trade receivables

Trade receivables as at September 30, 2013 are as follows:

(in thousand Euros)	Total trade receivables	Not past due	Past due 0-30 days	Past due 30-60 days	Past due 60-90 days	Past due 90-120 days	Past 120 days
Gross value	28 066	22 719	1 220	149	37	7	3 934
Provision for impairment of trade receivables	(1 040)						(1 040)
Trade receivables, net	27 026	22 719	1 220	149	37	7	2 894

A provision for an amount of 1,040 thousand Euros has been recorded to take into account the risk of non-recoverability of trade receivables relating to solar systems for a solar power project in Italy.

As at March 31, 2013 trade receivables broke down as follows:

(in thousand Euros)	Total trade receivables	Not past due	Past due 0-30 days	Past due 30-60 days	Past due 60-90 days	Past due 90-120 days	Past 120 days
Gross value	42 414	36 928	710	54	48	441	4 233
Provision for impairment of trade receivables	-	-	-	-	-	-	-
Trade receivables, net	42 414	36 928	710	54	48	441	4 233

7.3.5. Cash and cash equivalents

Cash and cash equivalents break down as follows:

(in thousand Euros)	September 30, 2013	March 31, 2013
Cash	116 456	70 878
Cash equivalents	594	59 250
Total value of cash and cash equivalents	117 049	130 127

Cash held in banks is principally denominated in Euros.

As at September 30, 2013, cash is invested in interest-bearing accounts. Cash equivalents are principally composed of short term deposits and money market securities.

7.3.6. Dividend payments

At the shareholders' General Meeting on July 2, 2013 the decision was taken to carry forward losses and not to pay out dividends.

7.3.7. Share-based payments

The expense relating to share-based payments recognized in the income statement for the period ended September 30, 2013 is 952 thousand Euros. In accordance with IFRS 2, and due to the failure to fulfill internal performance criteria based on revenue, EBITDA and available cash, as well as the completion of the key strategies in the Group's strategic plan, part of the recorded charge for fiscal years 2011-2012 and 2012-2013 was reversed for an amount of 2,469 thousand Euros.

7.3.8. Borrowings and financial debt

The terms for the repayment of borrowings and financial debt as at September 30, 2013 are as follows:

(in thousand Euros)	September 30, 2013			Total	March 31, 2013
	< 1year	1 to 5 years	> 5years		
Finance leases :					
Property	6 669	-	-	6 669	9 798
Other machinery and equipment	4	23	-	26	32
Borrowings :					
Bonds : OCEANE 2014	79 554	-	-	79 554	138 436
Bonds : OCEANE 2018	229	86 481	-	86 710	-
Non-convertible bonds 2029: South Africa	2 000	8 462	63 597	74 059	-
Bank loans	275	480	-	755	999
Other borrowings and financial debt :					
Repayable advances	110	2 044	-	2 154	2 120
Financial payables	190	-	-	190	190
Derivative financial instruments	37	-	-	37	341
Used authorized line of credit	67 153	-	-	67 153	41 181
Bank overdraft	-	-	-	-	-
Other financial liabilities	510	-	-	510	3 563
Total borrowings and non-current financial debt	156 733	97 489	63 598	317 820	196 662

7.3.9. Provisions and other non-current liabilities

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

(in thousand Euros)	September 30, 2013	March 31, 2013
Deferred income	6 993	6 841
Other debtors	278	332
Non-current liabilities	7 271	7 173
Provisions for other liabilities and charges	6 928	5 960
Provisions and other non-current liabilities	14 199	13 133

As at September 30, 2013, deferred income related mainly to:

- A license agreement signed in March 2011 in the field of image sensors, for a total amount of 4,892 thousand Euros, split into a non-current portion for 4,240 thousand Euros and a current portion for 652 thousand Euros.
- A license agreement signed in March 2013 in the field of III-V materials in the light-emitting diodes market, for a total amount of 2,402 thousand Euros, split into a non-current portion for 2,149 thousand Euros and a current portion for 253 thousand Euros.
- A license agreement signed in January 2013 in the field of III-V materials, for a total amount of 762 thousand Euros, split into a non-current portion for 605 thousand Euros and a current portion for 158 thousand Euros.

Provisions for other liabilities and charges are principally composed of provisions for retirement obligations amounting to 6,042 thousand Euros as at September 30, 2013.

- Statement of changes in provisions for other liabilities and charges

The provisions for other liabilities and charges break down as follows:

(in thousand Euros)	March 31, 2013	Allocation for the period	Reversal (used)	Reversal (unused)	Exchange differences	Reclassification	September 30, 2013
Current provisions :							
Litigation	3 847	951	-	-	-	-	4 797
Warranty	-	-	-	-	-	-	-
Restructuring	2 148	3 670	(1 446)	-	(29)	-	4 343
Other liabilities	268	1 841	(13)	-	(65)	(258)	1 773

Total current	6 262	6 462	(1 459)	-	(94)	(258)	10 913
Non-current provisions :							
Retirement obligations	5 406	638	-	-	(2)	-	6 042
Litigation	-	-	-	-	-	-	-
Warranty	554	404	(64)	-	(9)	-	886
Other liabilities	-	-	-	-	-	-	-
Total non-current	5 960	1 042	(64)	-	(11)	-	6 298

The provisions for litigation are composed of various legal proceedings related to employee arbitration, commercial or tax issues. The main variation for the period corresponds to an allowance for 844 thousand Euros following a tax audit on the calculation basis of the company real estate contribution ('contribution foncière des entreprises') of Soitec SA. A litigation regarding the French social solidarity contribution ended in a ruling by the Supreme Court of Appeal (Cour de Cassation) on November 7, 2013 that was unfavorable to the Company. The amount corresponding to the litigation had been fully provided for in previous periods.

The provisions for restructuring are related to the complete and partial suspension of activities at the Singapore and Freiburg sites respectively (see note 7.4.4) and include:

- a provision for the dismantling of the Singapore production site and suspension costs for a total amount of 0.9 million Euros;
- a provision for remaining rental payments due for the building on the Freiburg site, for the part attributable to production, for an amount of 0.8 million Euros;
- a provision for employee related expenses resulting from the departure of the entire workforce of the Singapore site and 40% of the workforce of the Freiburg site, for respective amounts of 1.7 million Euros and 1.0 million Euros.

The provisions for other liabilities represent the provision for loss at completion recorded for the Desert Green solar power plant, which was estimated as part of the impairment test performed on assets related to this plant (see note 7.4.4).

7.4. Notes on the income statement

7.4.1. Employee costs

Employee costs recorded during the period break down as follows:

<u>(in thousand Euros)</u>	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Wages and salaries, including social security costs*	(54 300)	(59 374)
Pension costs	(831)	(531)
Share-based payments	1 517	(1 273)
Total employee costs	(53 614)	(61 178)

*The employee costs reported also include profit-sharing schemes.

The reduction in payroll of 7,654 thousand Euros is mainly related to:

- a reduction in wages and salaries, including social security costs, for 5,074 thousand Euros,
- a positive impact in share-based payments for 2,790 thousand Euros, (see 7.3.6) and
- an increase in pension costs for 300 thousand Euros.

An analysis by division of the decrease of 5,074 thousand Euros in wages and salaries shows opposing trends:

- The wages and salaries in the Electronics division decreased by 10,580 thousand Euros. The restructuring plan of March 31, 2013 concerned 10% of the workforce of the Bernin site and 25% of the workforce of the Pasir Ris site in Singapore. During the first half of 2013-2014, all activity on the Singapore site has been suspended. These two measures impacted the Bernin site payroll for 6,933 thousand Euros and the Pasir Ris site payroll for 1,224 thousand Euros.
- The development of the Solar Energy division resulted in an increase of 4,661 thousand Euros in employee costs. The San Diego site contributed a further 2,064 thousand Euros, and the subsidiary Soitec Solar France contributed 1,131 thousand Euros. The payroll of the Freiburg site (Germany) decreased by 377 thousand Euros.
- Wages and salaries for the Lighting and Corporate divisions increased respectively by 637 thousand Euros and 214 thousand Euros.

7.4.2. Research and development expenses

Research and development expenses break down as follows:

(in thousand Euros)	September 30, 2013	September 30, 2012
Gross research and development operating expenses	(28 959)	(38 440)
Sales of prototypes	3 532	3 743
Research and development grants recognized in the income statement	6 734	2 296
Repayable advances recognized in the income statement	-	257
Research tax credit	3 218	3 312
Other revenue	221	-
Total income	13 705	9 608
Total net research and development expenses	(15 254)	(28 831)

Research and development (R&D) expenses mainly consist of research expenses, which are recognized in the income statement. The decrease in gross expenses was attributable to the focusing of R&D on the Group's strategic projects (Super-LED, solar cells and FD SOI).

During the six month period ended September 30, 2013, the Group recorded total grants amounting to 6,734 thousand Euros (2,553 thousand Euros last year), in the form of subsidies and repayable advances (3,891 thousand Euros for the Bright program alone, for which recognition criteria were met during the period but for which expenses had been incurred during previous periods).

The research tax credit came to 3,218 thousand Euros over the course of the period (3,312 thousand Euros last year).

7.4.3. Depreciation and amortization included in the consolidated income statement

The depreciation and amortization expenses in the income statement break down as follows:

(in thousand Euros)	September 30, 2013	September 30, 2012
Cost of sales	(25 187)	(25 282)
Research and development expenses	(2 979)	(4 901)
Selling expenses	(53)	(61)
Solar project development costs	(2)	(3)
Administrative expenses	(684)	(724)
Total depreciation and amortization expenses	(28 905)	(30 971)

7.4.4. Other operating income and expenses

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

(in thousand Euros)	September 30, 2013	September 30, 2012
Other operating income:		
Reversal of asset write-down	2 687	-
Total other operating income	2 687	-
Other operating expenses:		
Impairment charges	(2 752)	(33 600)
Impairment of goodwill	(30 668)	-
Impairment of investment in the joint venture Reflexite Soitec Optical Technology	(13 211)	-
Write-down of assets	(17 691)	(22 136)
Other provisions on current assets	(3 252)	(361)
Restructuring expenses	(4 403)	(164)
Total other operating expenses	(71 977)	(56 260)
Non-current loss	(69 290)	(56 260)

Three events resulted in the recognition of a non-current loss of 69,290 thousand Euros during the period:

- The continued effort to refocus manufacturing activities to respond to the economic downturn has resulted in a complete

suspension of activity at the Pasir Ris production site in Singapore and the partial suspension of activity at the Freiburg site in Germany, which has become the research and development center for the Solar Energy division. This decision led to the write-down of related equipment, for respective amounts of 7,413 thousand Euros (Singapore) and 10,278 thousand Euros (Freiburg). The Group also recorded a provision for the dismantling of the Singapore production site and suspension costs for a total amount of 914 thousand Euros. In addition, a write-down amounting to 2,687 thousand Euros has been reversed in relation to the transfer to another site of an asset that had been fully impaired as at March 31, 2013. A provision has been recorded for the remaining rent due for the building at the Freiburg site, for the part attributable to production, for an amount of 819 thousand Euros.

- Based on the significant discrepancies in the medium term between the business plans established at the end of the previous fiscal year and the latest forecasts, the Group updated its impairment testing on non-current assets. Impairment tests were updated for Cash Generating Units for which there were indicators that assets may be impaired: for the Electronics division, the *Electronic 300mm* CGU and the *Electronic Equipment* CGU; for the Solar Energy division, the solar module production CGU and the CGU Desert Green solar power plant. These tests led to the goodwill resulting from the acquisition of Altatech (*Electronic Equipment* CGU) being fully impaired for an amount of 11,402 thousand Euros, the goodwill resulting from the acquisition of Concentrix (solar module production CGU) being fully impaired for an amount of 19,266 thousand Euros and the investment in the joint venture Reflexite Soitec Optical Technology being fully impaired for an amount of 13,211 thousand Euros. In addition, the impairment tests on solar power plants resulted in an impairment charge of 2,752 thousand Euros relating to the non-current assets of the Desert Green plant. A write-down of inventory amounting to 1,355 thousand Euros for generation V solar modules intended to be installed and connected to the grid, and a provision for loss at completion of 1,841 thousand Euros, have also been recorded for this plant to reflect the future cash flows currently expected for the project.
- Due to a restructuring plan concerning the entire workforce of the Singapore site and 40% of the Freiburg site, the Group recorded restructuring expenses amounting to 1,690 thousand Euros and 980 thousand Euros respectively.

7.4.5. Income tax

At the end of each period, the Group re-measures its deferred taxes. Within a single tax jurisdiction, deferred tax assets are recognized only up to the amount of deferred tax liabilities with the same maturity date.

As at September 30, 2013, the income tax expense for the period is 4 thousand Euros. During the first half of the financial year 2012-2013 the income tax amount was nil.

The difference between the theoretical income tax computed using the tax rate applicable in France (34.43% as at September 30, 2013) and the actual income tax expense shown in the income statement breaks down as follows:

(in thousand Euros)	September 30, 2013	September 30, 2012
Theoretical income tax benefit/(expense) at standard rate	55 061	45 412
Unrecognized deferred tax assets	(46 289)	(46 232)
Non-deductible provisions and expenses	(10 088)	(309)
Non-taxable income (research tax credit)	1 310	1 141
Adjustments for differences in income tax rates	2	(12)
Total income tax benefit/ (expense)	(4)	-

7.4.6. Earnings per share

The earnings per share data used in the basic diluted earnings per share calculations are as follows:

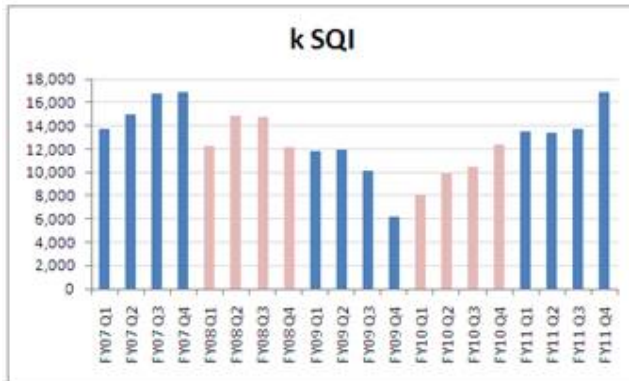
(in number of shares)	September 30, 2013	September 30, 2012
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	148 678 458	122 076 792
Effect of dilution based on the treasury stock method :		
Stock-options	-	-
ABSAAR	-	-
OCEANE	-	-
Free shares	2 488 702	586 446
Dilutive effect	2 488 702	586 446
Weighted average number of ordinary shares (excluding treasury shares) adjusted for diluted earnings per share	151 167 160	122 663 238

Dilutive instruments are not taken into account in the calculation of diluted earnings per share where they lead to a reduction in the loss per share based on the number of shares outstanding.

7.5. Other information

7.5.1. Seasonal fluctuation in business trends

The Group's business activities do not show any seasonal pattern. The following chart shows quarterly wafer sales volumes over a period of five years, which is sufficiently long to eliminate the impact of fluctuations in exchange rates and selling prices. The fluctuations observed reflect cycles in the semiconductor sector or phases of growth linked to the launch of new products by our principal customers.



Some of the markets served by the Group may have their own seasonal patterns (impact of Christmas on game console sales or of the start of the school/university year on PC sales), but in actual fact sales fluctuations are driven to a greater extent by launches of the next generations of products, which are not generally seasonal (e.g. game consoles or tablets introduced first in the United States, then in Asia and then in Europe). Broadly speaking, the seasonal effects that may affect certain applications are diluted by the diversity of the markets catered to by the Group, i.e. consumer products (game consoles, PCs, tablets, smart phones, etc.), industrial products or products aimed at businesses (automotive, lighting, servers).

The Solar Energy business segment (predominantly sales of systems used to build power plants) is not subject to any seasonal effects.

7.5.2. Disclosures about related parties

Certain members of the Company's Board of Directors are also directors of Global Foundries, ARM and STMicroelectronics. The Group entered into commercial relationships over the six-month period with these companies. These transactions were negotiated without the personal involvement of members of the Board of Directors and the Group's senior managers believe that they were agreed with a sufficient degree of independence and on an arm's length basis.

Relationships with related parties, including arrangements for the compensation of senior managers, remained comparable to those in place for the financial year ended March 31, 2013.

7.6. Post-balance sheet events

None.

8. Statutory Auditors' review Report on the Half year financial information

(Period from April 1, 2013 to September 30, 2013)

The report below is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders

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

- the review of the accompanying condensed half-year consolidated financial statements of Soitec, for the period April 1, 2013 to September 30, 2013,
- the verification of the information contained in the half-year management report.

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

1. Conclusion on the financial statements

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

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

2. Specific verifications

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

Marseille and Meylan, November 19, 2013

The statutory auditors

PRICEWATERHOUSECOOPERS AUDIT

Cabinet MURAZ PAVILLET

Philippe Willemin

Christian Muraz