Soitec

Interim financial report for the first nine months of fiscal 2015-2016

1. Person responsible

In charge of the Financial Report

Mr Paul Boudre, Chairman & CEO.

Statement of the person responsible for the interim financial report for the first nine months of fiscal 2015-2016

I certify that, to the best of my knowledge, the consolidated interim financial statements for the first nine months have been prepared in accordance with the applicable accounting standards, and provide an accurate picture of the assets, financial situation, and results of all companies included in the consolidation, and that the attached activity report includes a fair view of the significant events during the first nine months of the year, of their impact on the financial statements, on the main transactions between related parties, as well as a true description of the principal risks and uncertainties of the remaining three months of the year.

April 11, 2016

Paul Boudre

Chairman & CEO

2. Statutory Auditors

Principal Auditors

<u>The Muraz Pavillet Firm represented by Mr Christian Muraz</u>

3, Chemin du Vieux Chêne - 38240 Meylan, France

- First appointed on: 27 February 1992
- Reappointed on: 7 July 2010
- Expiry date of this mandate: At the Ordinary General Meeting called to approve the financial statements for the year ending 31 March 2016.

<u>PricewaterhouseCoopers Audit represented by Mr Nicolas Brunetaud</u>

63, Rue de Villiers – 92208 Neuilly sur Seine, France

- First appointed on: 7 July 2010
- Expiry date of this mandate: At the Ordinary General Meeting called to approve the financial statements for the year ending 31 March 2016.

Alternate Auditors

<u>René-Charles Perrot (representing the firm of Cabinet Muraz Pavillet)</u>

65, Boulevard des Alpes - 38240 Meylan, France

- First appointed on: 27 February 1992
- Reappointed on: 07 July 2010
- Expiry date of this mandate: At the Ordinary General Meeting called to approve the financial statements for the year ending 31 March 2016.

<u>Yves Nicolas (representing the firm of PricewaterhouseCoopers Audit)</u>

63, Rue de Villiers – 92208 Neuilly sur Seine, France

- First appointed on: 07 July 2010
- Expiry date of this mandate: At the Ordinary General Meeting called to approve the financial statements for the year ending 31 March 2016.

3. Risk factors

The main risks and uncertainties the Group may face during the three remaining months of the 2015-2016 fiscal year are those listed in Chapter 4 "Risk Factors" found on pages 7 to 14 of Soitec's 2014-2015 Reference Document filed with the Financial Markets Authority on 10 June 2015 under number D. 15-0587as well as in the updated Reference Document filed March 7, 2016.

4. Review of the financial position and results

The 9-month interim report that follows should be read in conjunction with the consolidated half-year interim financial statements ending on 30 September 2015, the Company's Reference Document for fiscal 2014-2015 filed with the Financial Markets Authority on 10 June 2015, under number D. 15-0587 and the updated Reference Document filed March 7, 2016.

Following the January 2015 decision to refocus the Group on its core business, the sectoral presentation was modified. Henceforth, the Company will present its financial statements broken down into the following three divisions:

- Electronics: historic business in the semi-conductor sector, including the cost of the support functions previously reported in the "Corporate" division and the R&D activity related to the III-V material previously distributed between the Lighting and Solar Energy divisions.
- Other activities include: cash generating units (CGU), Equipment (Altatech subsidiary) and Lighting, including R&D at the Phoenix site. Despite the sale of the Altatech subsidiary before the end of the current fiscal year, the CGU resources were not classified as assets held for sale because of their insignificant relative weight in the Group's consolidated balance sheet.
- Solar Energy: including ongoing activities and discontinued operations.

Soitec decided to record as discontinued operations the results of the Solar Energy division as of the first half of fiscal 2015-2016; the presentation of an exit strategy for this division in 30 September 2015, enabling the verification of compliance with the criteria of the IFRS 5 standard, has been validated. To enable a comparison, the financial statements for the first nine months of fiscal 2014-2015 were similarly restated.

The main assets related to the Touwsrivier South African Solar Power Plant, which were recorded as non-current financial assets at the close on 30 September 2015 due to the Company's difficulty in trying to sell them, are again listed as assets held for sale. Indeed, the way things are advancing a sale may occur within the next 12 months. This accounting treatment concerns the following two elements:

- the 20% share in CPV Power Plant n°1 (Touwsrivier) held by Soitec Solar GmbHA
- a loan provided by Soitec Solar RSA to one of the Touwsrivier power plant shareholders.

The security deposit linked to the South African bond remains listed as a non-current financial asset.

For Soitec SA, we retrospectively applied the tax standard IFRIC 21 back to April 1, 2015. Consequently, the comparative data of 31 December 2014 was also restated.

4.1. Situation and business of the Group

The first nine months saw strong sales growth and a confirmation of the return of the Electronics activity to operational profitability.

Overall business activity turned in a 49% increase, with revenue of €171.6 million versus €115.4 million the year before. This growth is due to a significant increase in the sales volume of the Electronics division.

Sales growth had a positive impact on the gross margin, increasing by €31.7 million over the previous year. Current operating income was positive coming in at €8.4 million, an increase of €43.3 million compared to the current operating loss of -€34.9 million recorded during the first nine months of fiscal 2014-2015.

The net decrease in research and development spending contributed to improving the current operating income. Indeed, spending fell from €24.2 million in 2014-2015 to €13.7 million in 2015-2016. This decrease is mainly explained by a significant increase in the amount of aid recorded in the first nine months of fiscal 2015-2016. Out of this increase, more than 3 million euros are due to the recognition of subsidies related to R&D costs incurrend in the previous fiscal year, due to the late signature of the agreement with the financing institution. As the company does not expect the renewal of such situation in the next fiscal year, net R&D expenses are likely to reach a higher level in 2016-2017.

Administrative costs were down €1.9 million (of which €1.8 million in the Electronics segment), thanks to continued cost-cutting measures. Selling expenses rose €0.7 million (all of this increase is attributable to other divisions).

In the first nine months of 2015-2016, the two divisions' contribution to current operating income divides as follows:

- Electronics: the current operating income amounted to €15.7 million, versus a current operating loss of -€27.7 million the previous year.

- Other business: the current operating loss amounted to -7.2 million against -7.1 million the previous year.

The Group's consolidated equity stood at €-0.8 million vs. €50 million on 31 March 2015, and net financial debt at €165.7 million vs. €150 million on 31 March 2015. The gross cash position amounted to €51.7 million against €22.9 million at 31 March 2015.

4.2. Electronics Division

The Electronics division generated revenue of €168 million during the first nine months of 2015-2016, an increase of 50% compared to the same period the previous year of €112 million. This division represented 98% of the Group's total revenue.

The following tables enable assessing the change in the breakdown of sales by region, client, and wafer size.

- Geographic breakdown of the Electronics division sales

	2014-2015	2015-2016
United States	41%	31%
Europe	28%	39%
Asia	31%	30%

- Breakdown Electronics division sales by client

	2014-2015	2015-2016
Top five clients	70%	57%
Clients no. 6 to no. 10	18%	28%
Other clients	12%	15%

- Breakdown of Electronics division sales by product family

	2014-2015	2015-2016
300mm SOI	25%	21%
Small diameters	71%	77%
III-V Material	2%	0%
Royalties	2%	2%
Other	0%	0%

(In € '000s)	2015-2016	2014-2015
300mm SOI	35,602	28,333
Small diameters	128,047	78,706
Specialty Electronics	-	2,258
Royalties	4,113	2,578
Total Electronics	**167,762**	**111,875**

Compared to the previous year, 200mm wafer sales increased by 63% to €128 million versus €78.7 million in 2014-2015. These wafers are mainly used for radio frequency (RF) and power electronics applications. The Bernin production unit for 200mm wafers is now turning at full capacity. The production agreement entered into with the Chinese subcontractor Simgui will give us access to additional industrial capacity to meet growing demand.

Sales of 300mm SOI wafers are up by 26% to €35.6 million, compared to €28.3 million in 2014-2015. Certain PD-SOI products for the PC and game console markets are reaching their end-of-life. Soitec is continuing to work on the qualification process of its 300mm fully-depleted silicon-on-insulator wafers (FD-SOI) with the major foundries in order to capture the high growth potential of the consumer electronics, automotive, and industrial application markets. The radio-frequency (RF) market also offers a strong outlook for the 300mm wafers.

In 2014-2015, other sales in the Electronics division stemmed from GaAs (gallium arsenide) material. The business assets of this activity were sold in fiscal 2014-2015.

Licensing revenue came in at €4.1 million versus €2.5 million for the same period the year before.

4.3. Other division activity

(In € '000s)	2015-2016	2014-2015
Equipment	2,603	1,955
Lighting	1,310	1,616
Total other activities	**3,913**	**3,571**

Other division activity includes Lighting and Equipment businesses (Altatech).

Sales of the Equipment division were up by 33% to €2.6 million, compared to €1.9 million in 2014-2015.

Lighting sales of €1.3 million decreased 19% compared to revenue of €1.6 million in 2014-2015

- Geographic breakdown of the Lighting division revenue

	2014-2015	2015-2016
United States	3%	- %
Europe	97%	94%
Asia	0%	6%

- Geographic breakdown of the Equipment division revenue

	2014-2015	2015-2016
United States	2%	2%
Europe	96%	42%
Asia	2%	56%

4.4. Solar Energy Division

Revenue generated by the Solar Energy division stands at €22 million against €38.5 million in 2014-2015. The impact of this activity is presented in terms of Group consolidated net income, under discontinued operations.

4.5. Gross margin

The gross margin corresponds to total revenue minus the total cost of sales. Cost of sales represents the cost of production and distribution as well as licence fees (CEA-Leti for the use of the SmartCut™ technology).

Gross margin for the Solar Energy division does not appear in the Group's gross margin due to it being reclassified under discontinued operations for net income.

Production costs include the cost of raw material, mainly silicon, manufacturing costs, including direct labour costs, depreciation and maintenance costs on production equipment and cleanroom infrastructure, and the overhead costs allocated to production.

The gross margin improved significantly going from €10.7 million (9% of revenues) in 2014-2015 to €42.4 million (25% of sales) in 2015-2016.

The increase comes exclusively from the Electronics division representing 98% of the Group's business, for which the gross margin went from €10 million (9% of revenue) to €42.6 million (25% of revenue), thanks to strong growth in sales and a favourable euro/dollar exchange rate.

The gross margin for the other divisions fell from €615,000 in 2014-2015 (17% of revenue) to a negative -€200,000 (-7% of revenue) in 2015-2016.

4.6. Research and Development

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

Research and development costs are essentially made up of the following:

- Salaries and benefits;
- Operating costs of cleanroom and equipment required for research and development;
- Outsourced services provided by public R&D centers or private laboratories;
- Costs related to maintaining and strengthening the Group's intellectual property rights.

Provided the agreements are signed and the administrative approvals obtained, the amounts received in aid contracts are deducted from gross R&D costs to arrive at a net amount recorded on the income statement.

Part of the aid used to finance the R&D activities may be granted in the form of repayable advances. According to IAS 38 and IAS 20, if the Group considers a project's technical and commercial probability of success has become too low, the related development costs are not capitalised but rather they are recorded directly against income, and the corresponding repayable advances are recorded as a deduction of these expenses, regardless of the notifications on the part of the financial organisations who can only intervene once milestones are not reached thus putting an end to the program or triggering the repayment of advances.

The Group may be prompted, depending on changes to the probability of the project's technical or commercial success, to constitute a financial liability regarding the sales prospects to be generated by the new products developed within the framework of the aid programmes: a share of the repayable advances received in the frame of the “Nanosmart” and “G²REC” programmes was booked in the income statement on the basis of repayment assumptions deriving from the Company’s business plan. A strong correction in the long term sales forecast for FD SOI or SOI for RF applications may lead to the booking of a charge in the income statement against a liability in the balance sheet, up to a theoretical amount of 14 million euros, the probability to reach such amount being extremely low. On the other side, in the case of a negative correction of the sales forecast, the amount of liabilities that may be offset by a credit in the income statement could reach up to 11 million euros.

Soitec SA receives research tax credits (CIR). This credit is presented as a deduction from the Research and Development Costs in accordance with standard IAS 20. Research tax credits recorded in the financial statements during the first nine months of fiscal 2015-2016 came to €9.1 million.

Net R&D expenditures experienced a significant decline falling to €13.7 million (8% of revenue), versus €24 million (21% of revenue) the previous year. This reflects a decrease in costs due to the abandonment of programmes related to non-strategic activities and a strong growth in the amount of aid, in part because of the time lag between the signing date of the financing agreements, enabling the aid to be recognised under income, and the effective starting date of the programmes, sometimes earlier by several months.

4.7. Operating costs

4.7.1. Sales and marketing costs

Sales and marketing expenses amounted to €6.6 million versus €6 million in 2014-2015. The Lighting division sales teams (under other divisions) were strengthened at the end of fiscal 2014-2015 to ensure the division's development (+€0.7 million in charges).

Sales and marketing expenses of the Electronics division remained stable.

4.7.2. General and administrative expenses

General and administrative expenses saw a 13% decrease coming in at €13.5 million in 2015-2016 against €15.5 million in 2014-2015. This €2 million year over year drop concerns mainly the Electronics division (€1.8 million). This improvement is the result of an ongoing cost reduction policy. General and administrative expenses do not include the costs related to the Group restructuring or the refinancing project, which are recorded in other operating expenses or in the share premium account.

4.8. Current operating profit (loss)

Current operating income is positive at €8.4 million (5% of revenue) against a loss of -€34.9 million (-30% of revenue) for the first nine months of fiscal 2014-2015.

- The Electronics division showed a profit of €15.6 million, against a loss of -€27.7 million in the previous year.
- The other divisions experienced a loss of -€7.2 million, versus a -€7.1 million loss the year before.

4.9. Operating profit (loss)

Operating profit consists of the current operating income and other non-current operating income and expenses.

For the first nine months of fiscal 2015-2016, the Group recorded a non-current net charge of €28,1 million against a charge of €1.4 million in 2014-2015.

This charge stems in part from the legal and consulting fees incurred in the conciliation procedure and the reorganisation of the Group's business portfolio. It also includes the net restructuring costs, excluding the solar business.

Other operating expenses also include the impact of impairment tests on non-current assets recorded on Altatech's asset values (€2.2 million on the basis of the price paid for the shares),, and the Singapore cleanroom (€20.1 million).

Operating results came in at a loss of -€19.7 million, down from a -€36.3 million loss for the first nine months of the previous fiscal year.

4.10. Financial Income

In the first nine months of fiscal 2015-2016, Group net financial income recorded a net charge of €20.9 million compared to a net charge of €8.2 million over the previous year.

This charge was due to the following:

- Financial income, excluding currency results, was a loss of -€19 million in 2015-2016, compared with a -€12.8 million loss in 2014-2015.
  - In 2015-2016, a €7.6 million financial expense was recorded for Océanes 2018 for which coupons are paid semi-annually on 18 September and 18 March.
  - A provision was made for the security deposit on the Touwsrivier Solar Power Plant bond in South Africa for an additional €5.0 million in September 2015, bringing its net value on the balance sheet down to €2.7 million.
  - Under the conciliation agreement approved by the Grenoble Commercial Court in May 2015, banking lines of credit were subject to a moratorium and the maturity of the €37.2 million in debt was extended to 30 November 2019. Interest rates oscillated between 0.57% and 0.96%. For the year 2015-2016, interest expense came to €0.1 million. Interest is capitalised and payable at the loan's maturity.
  - Moreover, new loans were granted by CEA, Shin-Etsu Handotai, and BPI for an initial total of €54 million. These new loans, at rates ranging between 2.99% and 12.00%, will mature in May 2016. In 2015-2016, interest expense was €2 million. Partial repayment on these loans of €11.9 million was made during the first half of 2016.
  - The Group signed a new finance lease contract for the production equipment. An initial tranche was finalised in October 2014 for €11 million, for a period of 3 years with an interest rate of 7.04%. A second tranche was finalised in August 2015 for €11 million, for a period of 3 years with an interest rate of 11.40%. In 2015-2016, interest expense amounted to €1,1 million.
- Foreign exchange losses were -€1.8 million against a gain of €4.5 million the year before. This was mainly caused by fluctuations in the dollar against the euro. The foreign exchange result breaks down into:
  - A net realised foreign exchange loss of -€0.1 million in 2015-2016 versus a gain of €2.9 million in 2014-2015.
  - A net unrealised foreign exchange loss of €1.8 million in 2015-2016 against a gain of €1.6 million in 2014-2015.

4.11. Net profit (loss) from discontinued operations

Net results from operations was a loss of €26.2 million.

Breaking off negotiations with ConcenSolar for the sale of certain Solar Energy assets announced in the press release of 5 August 2015, led Soitec to continue its plan to shut down production and R&D in San Diego (USA) and Freiburg (Germany), and sell off its remaining assets. As the IFRS 5 criteria was verified on 30 September 2015, net results from discontinued operations is listed as a single item "net results from discontinued activities" under net income (see Note 7.4.7).

Current operating income from discontinued operations was zero for the first nine months of 2015-2016. Operating income was a loss of -€0.9 million reflecting a provision change recorded at 31 March 2015. The balance of provisions amounted to €18 million. The -€26.2 million loss was mainly due to exchange rate movements: first of all, in accordance with IFRS 5, restating currency exchange differences as results for subsidiaries with discontinued operations (loss of €35 million from US affiliates and €8 million on South African affiliates) as well as exchange differences on the current account recorded as net investments (financing of the San Diego facilities), normally recorded in the past under equity (€19 million income); second of all, unrealised foreign exchange losses on loans to these subsidiaries for €1 million.

The main financial assets related to the Touwsrivier solar power plant in South Africa have been reclassed in assets helf for sale, due to the progress made towards the close of a deal within a twelve month timeframe,. They include the 20% interest in CPV Power Plant no. 1, under the equity method, and a financial receivable. The guarantee deposit has been kept in the non current financial assets. These assets were classified as assets held for sale in 2014-2015. All the other components of the Solar Energy division are now stated as discontinued operations. 4.12 Results and taxes

The Group posted a loss of -€69 million against a loss of -€115.2 million in the first nine months of 2014-2015.

Pre-tax income excluding discontinued operations showed a loss of -€40.6 million against a loss of -€44.6 million the previous year, with a tax charge of €1.9 million. This takes into account results from equity affiliates: loss of -€207,000 for the first nine months of fiscal 2015-2016, against a loss of -€2.6 million for the same period in the 2014-2015.

Net income from discontinued operations after tax was a loss of -€26.2 million (€67.9 million in 2014-2015).

Diluted earnings per share was a loss of -€0.30, divided between continuing operations (-€0.18) and discontinued operations (-€0.11). During the first nine months of 2014-2015, diluted earnings per share lost -€0.51 per share, split between continuing operations (-€0.2) and discontinued operations (-€0.3).

4.12. Balance Sheet

For comparison purposes at a constant scope, the portion of assets and liabilities of the Solar Energy division reclassified as discontinued operations was isolated and presented in the table below.

Assets (In € '000s)	31 December 2015	31 March 2015	*31 March 2015 Of which restatement of assets as discontinued operations **	*31 March 2015 restatement of discontinued operations **
Non-current assets:				
Goodwill and intangible assets	4,323	8,842	*-*	*8,842*
Capitalised development projects	1,944	2,226	*-*	*2,226*
Tangible fixed assets	123,930	156,736	*-*	*156,736*
Solar power plant projects	-	1,600	*1,600*	*-*
Assets and deferred tax liabilities	-	-	*-*	*-*
Securities under the equity method	-	-	*-*	*-*
Non-current financial assets	9,417	5,739	*561*	*5,178*
Other non-current assets	22,225	28,961	*269*	*28,692*
Total non-current assets	**161,839**	**204,104**	***2,430***	***201,674***
Current assets:				
Inventory	36,484	33,073	*5,013*	*28,060*
Trade receivables and related accounts	36,455	43,812	*1,638*	*42,174*
Other current assets	20,221	18,894	*5,323*	*13,572*
Current financial assets	1,330	1,311	*328*	*983*
Cash and cash equivalents	51,757	22,911	*-*	*22,911*
Total current assets	**146,247**	**120,001**	***12,302***	***107,700***
Assets held for sale	21,827	69,435	*-*	*69,435*
Assets from discontinued operations	6,259	-	*-*	*-*
Total assets	**336,172**	**393,540**	***14,731***	***378,809***

Liabilities (In € '000s)	31 December 2015	31 March 2015	*31 March 2015 Of which restatement of assets as discontinued operations **	*31 March 2015 Restated as discontinued operations **
Total equity	**(811)**	**49,958**	***-36***	***49,994***
Non-current liabilities:				
Long-term financial liabilities	156,507	123,552	*1,947*	*121,605*
Deferred tax liabilities	-	-	*-*	*-*
Provisions and other non-current liabilities	14,920	17,543	*2,055*	*15,488*
Total non-current liabilities	**171,427**	**141,095**	***4,002***	***137,093***
Current liabilities:				
Short-term financial debts	60,980	49,455	*2,755*	*46,700*
Suppliers	36,403	52,279	*5,199*	*47,080*
Provisions and other current liabilities	40,820	83,902	*37,014*	*46,888*
Total current liabilities	**138,203**	**185,635**	***44,968***	***140,668***
Liabilities held for sale	-	16,852	*-*	*16,852*
Liabilities from discontinued operations	27,355	-	*-*	*-*
Total liabilities	**336,172**	**393,540**	***48,934***	***344,607***

* Applying IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the balance sheet was restated for the Solar Energy division. To enable the financial statements to be compared with items released on 31 March 2015, the items related to discontinued operations were restated as assets and liabilities of the discontinued operations.

* The IFRIC 21 standard on taxes was applied retrospectively as of 1 April 2015. Consequently, the comparative data of 31 March 2015 was restated. Shareholders' equity is impacted by €36,000 and the offset is a reduction of the tax debt, recognised as a provision under other current liabilities.

The balance sheet total amounted to €336.2 million against €393.5 million at the end of March 2015. The main changes to balance sheet items are described in the following points.

4.12.1. Non-current assets

Impairment tests for loss of value

Impairment tests on non-current assets are carried out on cash generating units (CGU) for which the Group considers there is an indication of loss of value. As of 31 March 2015, given the Company's situation, all of the CGUs underwent an impairment test. Since the goodwill had fully depreciated over the previous financial years, the balance sheet no longer contains fixed assets of an uncertain life time. In accordance with standard IAS 36, the tests were carried out at the lowest cash-flow generation level: 300mm SOI UGT, 200mm SOI UGT, and Equipment UGT.

At the close on 31 December 2015, we identified impairment on the following assets: industrial building in Singapore, and assets of the CGU Altatech. These assets have therefore been subjected to impairment tests.

Non-current assets amounted to €161.8 million against €201.7 million at 31 March 2015 after restating €2.4 million in assets as discontinued operations. The change for the period (-€40 million) breaks down as follows:

The value of tangible and intangible assets decreased by €37.6 million. This change stemmed primarily from:

- Depreciation charges: -€20.6 million,
- Reversal of provisions for impairment (mainly Phoenix): €1.8 million,
- Acquisitions during the period: +€6.2 million (+€5.7 in tangible assets and +€0.5 in intangible assets)
- Impairment charges on the Singapore industrial building for -€20.1 million and on assets of the Altatech subsidiary for -€1.7 million.
- On the impact of the dollar's depreciation against the euro on the asset values of the Singapore subsidiary: -€1 million. The impact on the assets of the US and Japanese subsidiaries was negligible.

Due to the uncertainty over the completion of the asset sale of the Touwsrivier South African Solar Power Plant, Soitec decided on 30 September 2015 not to continue labelling them as assets held for sale. Progress in the transaction makes it now possible to consider concluding a sale within the next twelve months. The two main assets, shares in the project held by Soitec Solar GmbH and financial debt vis-à-vis other shareholders, are again listed as assets held for sale. The security deposit on the bond issue that was subject to a provision for additional depreciation of €5.0 million in September 2015 was maintained as a non-current financial asset.

4.12.2. Other assets

The €6.7 million decrease is mainly explained by:

- A reduction of the receivable under the research tax credit of €10.9 million. Receivables for 2014 (€7.3 million) and 2012 (€8.1 million) were repaid in April 2015 and September 2015 respectively, and were partially offset by the recognition of a €5.6 million receivable in 2015 (including €5.5 million concerning Soitec SA). The amount of the 2014 research tax credit was directly received by the Company in April 2015 as part of the conciliation process.
- The receivable under the tax credit for employment competitiveness increased by €0.7 million.

4.12.3. Working capital requirement

Working capital requirement (WCR) is calculated as follows:

- Operating working capital, including inventory, trade receivables, trade payables, advances and deposits paid or received as well as receivables and tax and social security debts not including the corporation tax.
- Non-operating WCR, including receivables and payables to fixed asset suppliers (including advance payments or receipts) and debt and tax liabilities related to corporation tax.

During the first nine months of fiscal 2015-2016, working capital requirements increased to €36.5 million, going from €15.2 million on 31 March 2015 to €51.8 million. This change can be analysed as follows:

- Operating working capital increased from -€18.1 million at 31 March 2015 to +€22.5 million. This change can be explained primarily by the increase in inventories (€8.4 million), the reduction in trade receivables and related accounts (€5.7 million), and the decrease in trade payables and other current liabilities (€34.5 million).
- Non-operating WCR went from €33.3 million at 31 March 2015 to €29.2 million. This change is mainly explained by the increase in receivables related to a research tax credit of €8.8 million.

4.12.4. Equity

Equity fell €39 million, coming in at €-0.8 million versus €50 million at 31 March 2015. The change is mainly attributable to the following: loss of -€69 million recognised over the period partially offset by the restatement in the Profit & Loss Account of the translation differences of the subsidiaries in discontinued operations, for +€24 million.

4.12.5. Financial liabilities

The financial liabilities went from €168.3 million at the end of March 2015 to €217.4 million at the end of December 2015. The main changes are as follows:

Under the conciliation agreement approved by the Grenoble Commercial Court on 5 May 2015, the Group set up a financing arrangement for €54 million, maturing in May 2016. The industrial concern, Shin-Etsu Handotai, loaned €30 million at Euribor +3%, Bpifrance Investments €15 million, and CEA Investissement €9 million, both at an interest rate of 12%. At 31 December 2015, the remaining debt amounted to €44 million, including €2 million in accrued interest, after the Group partially repaid the loans in August 2015.

In August 2015, the Group signed a new lease financing agreement in the amount of €11 million, entered into for a term of 3 years and bearing interest at the rate of 11.4%.

Finally, the Group repaid €4.9 million of a credit facility with proceeds of the research tax credit.

4.12.6. Net indebtedness

The net indebtedness stood at -€165.7 million at the end of December compared to -€145.4 million at the end of March 2015.

4.13. Cash position and financing

Cash flow from operational activities was negative for the first nine months of fiscal 2015-2016 to the tune of -€16.7 million. It is comprised of positive cash flow of €8 million from the Electronics division, offset by negative cash flow of -€7.4 million from the other divisions, and -€17.2 million from discontinued operations. Comparisons with the previous year are not relevant, since payments received for the delivery of the Touwsrivier Solar Power Plant generated a very high positive cash flow.

The cash flow from investing activities amounted to €26.3 million in 2015-2016, against -€23.6 million in 2014-2015.

- Cash generated from ongoing operations was -€5.9 million in 2015-2016 compared to -€7.2 million in 2014-2015. This change reflects a decrease in capital expenditures of €1 million compared to the previous year. Furthermore, cash flow from asset sales was higher by €5.4 million in the previous year due mainly to the sale of the business assets of Soitec's Specialty Electronics subsidiary. Conversely, financial investments fell by €3.2 million. In the previous year, they concerned primarily the equity affiliate CPV Power Plant No. 1 (Touwsrivier).
- Cash flow from discontinued operations stood at €32 million, relating mainly to payments from the sale of the San Diego building for €26.7 million, and equipment in San Diego and Freiburg for €3.1 million, as well as two European solar power plants for €2 million.

Cash flow from financing activities was positive at +€19.4 million. This amount is divided between:

- Continuing operations at +€36.6 million, whose main elements are the new €54 million loan and the signing of a new financing lease for €11 million.
- Discontinued operations in the amount of -€17.1 million, mainly concern the repayment of debt to refinance the San Diego building for €16.2 million (sold during the period).

In total, the Group's cash position increased by €29 million during the first nine months of 2015-2016 reaching €51.7 million.

4.14. Objectives of the cash management policy

The cash management policy established by the Group aims at minimising currency risk by reducing the dollar position to a minimum through forward or spot transactions. Remaining cash is invested on the money market at low risk.

5. Information on trends

The Company targets reaching a current operating profit for the Electronics division, which is improving in the second half compared to the first half.

Concerning fiscal 2016-2017, growth in demand for radio-frequency (RF) and power electronic product applications should be robust, offsetting the impact of the end of the PD SOI product life cycle. If this actually occurs, the Company will set an objective of achieving, at a constant exchange rate, single digit growth in sales for the Electronics division compared to fiscal 2015-2016, and an EBITDA ratio for the Electronics business within the same order as 2015-2016.

To ensure continuing operations as a going concern, the Company conducts a capital increase project aimed at strenghtening its net equity and restructuring its financial indebtedness. Further details on this project are provided in the note 7.2.4 to the financial statements (page 50 of this financial report).

6. Financial information

6.1. Consolidated financial statements for the first nine months of fiscal 2015-2016

6.1.1. Consolidated income statement

(in thousands of euros)	Notes	Nine months ended December 31, 2015*	Nine months ended December 31, 2014*
Sales	**6.1.6**	**171,675**	**115,446**
Cost of sales	-	(129,248)	(104,747)
Gross profit	**6.1.6**	**42,427**	**10,699**
Sales and marketing expenses	6.1.6	(6,660)	(5,904)
Research and development costs	7.4.2	(13,771)	(24,213)
Solar power plant project development costs	6.1.6	-	
General and administrative expenses	6.1.6	(13,563)	(15,503)
Recurring operating income / (loss)	**6.1.6**	**8,432**	**(34,921)**
Other operating income	7.4.4	1,065	2,343
Other operating expenses	7.4.4	(29,233)	(3,783)
Operating loss	**-**	**(19,736)**	**(36,362)**
Financial income	-	2,325	20,931
Financial expense	-	(23,230)	(29,222)
Net financial expense	**-**	**(20,905)**	**(8,291)**
Loss before tax	**-**	**(40,641)**	**(44,653)**
Income tax	7.4.5	(1,986)	(8)
Share of loss of equity-accounted companies	-	(207)	(2,583)
Net loss from continuing operations	**-**	**(42,834)**	**(47,244)**
Net loss from discontinued operations	**7.4.7**	**(26,256)**	**(67,983)**
Consolidated net loss for the period	**-**	**(69,091)**	**(115,227)**
Non-controlling interests	-	-	
Net loss (attributable to owners of the parent)	**-**	**(69,091)**	**(115,227)**
Basic loss per share in euros	-	(0.30)	(0.51)
Of which continuing operations	-	(0.18)	(0.20)
Of which discontinued operations	-	(0.11)	(0.30)
Diluted loss per share in euros	-	(0.30)	(0.51)

Of which continuing operations	-	(0.18)	(0.20)
Of which discontinued operations	-	(0.11)	(0.30)

* Pursuant to the application of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, the consolidated income statement has been restated to reflect the activities of the Solar Energy business segment.

* IFRIC 21 – Levies was applied with retroactive effect from April 1, 2015. As a result, the comparative data for the nine months ended December 31, 2014 have been restated to reflect income of 795 thousand euros, divided between cost of sales (660 thousand euros) and research and development costs (135 thousand euros).

6.1.2. Consolidated statement of comprehensive income

(in thousands of euros)	Notes	Nine months ended December 31, 2015*	Nine months ended December 31, 2014*
Consolidated net loss for the period	**6.1.4**	**(69,091)**	**(115,227)**
Items of comprehensive income that may be reclassified to the income statement:			
Exchange gains on conversion of foreign operations	6.1.4	18,851	4,615
Items of total comprehensive income that may not be reclassified to the income statement:			
Actuarial gains/(losses) on post-employment benefits	6.1.4		
Income and expenses recognized directly in equity	**6.1.4**	**18,851**	**4,615**
Total comprehensive loss for the period	**6.1.4**	**(50,240)**	**(110,612)**
Non-controlling interests	6.1.4		
Total comprehensive loss for the period (attributable to owners of the parent)	**6.1.1**	**(50,240)**	**(110,612)**

* IFRIC 21 – Levies was applied with retroactive effect from April 1, 2015. As a result, the comparative data for the nine months ended December 31, 2014 have been restated. Since the consolidated net loss for the period was favorably impacted in an amount of 795 thousand euros, the comprehensive loss was impacted by the same amount.

6.1.3. Consolidated statement of financial position

Assets

(in thousands of euros)	Notes	December 31, 2015	March 31, 2015
Non-current assets:			
Goodwill and intangible assets	7.3.1	4,323	8,842
Capitalized development projects	7.3.1	1,944	2,226
Property, plant and equipment	7.3.2	123,930	156,736
Solar power plant projects	7.3.2	-	1,600
Deferred tax assets	7.4.5	-	-
Investments in equity-accounted companies	-	-	-
Non-current financial assets	-	9,417	5,739
Other non-current assets	-	22,225	28,961
Total non-current assets	**-**	**161,839**	**204,104**
Current assets:			
Inventories	7.3.3	36,484	33,073
Trade receivables	7.3.4	36,455	43,812
Other current assets	-	20,221	18,894
Current financial assets	-	1,330	1,311
Cash and cash equivalents	7.4.4	51,757	22,911
Total current assets	**-**	**146,247**	**120,001**
Assets held for sale	7.3.6	21,827	69,435
Assets related to discontinued operations	7.3.6	6,259	-
Total assets	**-**	**336,172**	**393,540**

Equity and liabilities

(in thousands of euros)	Notes	December 31, 2015	March 31, 2015
Equity:			
Share capital	6.1.4	23,132	23,119
Share premium	6.1.4	781,382	782,058
Treasury shares	6.1.4	(475)	(475)
Retained earnings	6.1.4	(813,239)	(737,473)

Other reserves	6.1.4	8,389	(17,270)
Equity attributable to owners of the parent	**6.1.4**	**(811)**	**49,958**
Non-controlling interests	6.1.4		-
Total equity	**6.1.4**	**(811)**	**49,958**
Non-current liabilities:			
Long-term debt	7.3.9	156,507	123,552
Deferred tax liabilities	7.4.5	-	-
Provisions and other non-current liabilities**	7.3.10	14,920	17,543
Total non-current liabilities	**-**	**171,427**	**141,095**
Current liabilities:			
Short-term debt	7.3.9	60,980	49,455
Trade payables	-	36,402	52,279
Provisions and other current liabilities**		40,820	83,902
Total current liabilities	**-**	**138,202**	**185,635**
Liabilities held for sale	7.3.6	-	16,852
Liabilities related to discontinued operations	7.3.6	27,354	-
Total equity and liabilities	**-**	**336,172**	**393,540**

* IFRIC 21 – Levies was applied with retroactive effect from April 1, 2015. As a result, the comparative data at March 31, 2015 have been restated. Equity was positively impacted in an amount of 1,036 thousand euros, resulting in a corresponding reduction in the Group's tax liability, recorded in provisions and other current liabilities.

** Restructuring provisions are analyzed in section 7.3.11.

6.1.4. Consolidated statement of changes in equity

(in thousands of euros)	Number of shares	Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Equity attributable to owners of the parent	Non-controlling interests	Total equity
March 31, 2014	**172,580,795**	**17,258**	**704,158**	**(478)**	**(503,453)**	**3,077**	**220,562**	**-**	**220,562**
Items of total comprehensive income / (loss) that may be reclassified to the income statement:									
Exchange gains/(losses) on conversion of foreign operations	-	-	-	-	11,145	(6,530)	4,615	-	4,615
Items of total comprehensive income / (loss) that may not be reclassified to the income statement:									
Actuarial gains/(losses) on post-employment benefit obligations	-	-	-	-	-	-	-	-	-
Total income and expenses for the period recognized directly in equity	**-**	**-**	**-**	**-**	**11,145**	**(6,530)**	4,615	-	4,615
Net loss for the period – Continuing operations	-	-	-	-	(44,661)	-	(44,661)		(44,661)
Net loss for the period – Discontinued operations	-	-	-	-	(70,566)	-	(70,566)		(70,566)
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(115,227)**	**(6,530)**	**(110,612)**		**(110,612)**
Share capital and additional paid-in capital									
Exercise of stock options and/or free share awards	561,695	56	-	-	(56)	-	**-**	-	-
Capital increase	51,942,942	5,194	77,915	-	-	-	83,110		83,110

Net capital increase costs	-	-	(3,658)	-	-	-	(3,658)		(3,658)
Other items									
Treasury share transactions	-	-	-	3	-	-	3		3
Share-based payments	-	-	-	-	273	-	273		273
Other items					(107)	-	(107)		(107)
December 31, 2014*	**225,085,432**	**22,509**	**778,416**	**(475)**	**(607,425)**	**(3,453)**	**189,571**		**189,571**
Impact of IFRIC 21	-	-	-	-	(115)		(115)		(115)
December 31, 2014*	**225,085,432**	**22,509**	**778,416**	**(475)**	**(607,540)**	**(3,453)**	**189,456**		**189,456**

* Pursuant to the application of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, the loss recognized at December 31, 2014 has been allocated to continuing operations and discontinued operations, as appropriate.

* IFRIC 21 – Levies was applied with retroactive effect from April 1, 2015. As a result, the comparative data at December 31, 2014 have been restated. Equity was positively impacted in an amount of 680 thousand euros, reflecting an increase of 795 thousand euros corresponding to income for the period and a decrease of 115 thousand euros corresponding to reserves. The income portion is included in net loss for the period from continuing operations.

(in thousands of euros)	Number of shares	Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Equity attributable to owners of the parent	Non-controlling interests	Total equity
March 31, 2015	**231,188,426**	**23,119**	**782,058**	**(475)**	**(737,473)**	**(17,270)**	**49,958**	**-**	**49,958**
Items of total comprehensive income / (loss) that may be reclassified to the income statement:									
Exchange gains/(losses) on conversion of foreign operations	-	-	-	-	(4,107)	(1,350)	**(5,457)**	-	**(5,457)**
Exchange gains/(losses) on conversion of foreign operations – reclassified to the income statement	-	-	-	-	(18,609)	42,917	**24,308**	-	**24,308**

Items of total comprehensive income/(loss) that may not be reclassified to the income statement:									
Actuarial gains/(losses) on retirement benefit obligations	-	-	-	-		-	**-**		**-**
Total income and expenses for the period recognized directly in equity	**-**	**-**	**-**	**-**	**(22,716)**	**41,567**	**18,851**	**-**	**18,851**
Net loss for the period – Continuing operations	-	-	-	-	(42,835)		**(42,835)**	-	**(42,835)**
Net loss for the period – Discontinued operations	-	-	-	-	(26,256)		**(26,256)**	-	**(26,256)**
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**(91,807)**	**41,567**	**(50,240)**	**-**	**(50,240)**
Share capital and additional paid-in capital									
Exercise of stock options and/or free share awards	135,758	14	-	-	(14)	-	-		
ABSAAR redeemable warrants	-	-	(675)	-	-	-	**(675)**		**(675)**
Capital increase	-	-	-	-					
Net capital increase costs	-	-	(1)	-			**(1)**		**(1)**
Changes in scope of consolidation									
Transfer of all of the assets and liabilities of Soitec Specialty Electronics to Soitec France	-	-	-	-	15,930	(15,930)	**-**		**-**
Other items									
Share-based payments	-	-	-	-	(254)		**(254)**		**(254)**

Other	-	-	-	-		402	**402**		**402**
December 31, 2015	**231,324,184**	**23,132**	**781,382**	**(475)**	**(813,239)**	**8,389**	**(811)**	**-**	**(811)**

6.1.5. Consolidated statement of cash flows

(in thousands of euros)	Notes	Nine months ended December 31, 2015*	Nine months ended December 31, 2014*
Net loss from continuing operations	6.1.1	(42,834)	(47,244)
Net loss from discontinued operations	6.1.1-7.4.7	(26,256)	(67,983)
Consolidated net loss for the period	**6.1.1**	**(69,091)**	**(115,227)**
Elimination of non-cash items:			
Share of profit/(loss) of equity-accounted companies	6.1.1	207	2,583
(Reversal)/Impairment of investments in equity-accounted companies	-		
Depreciation and amortization expenses	7.4.3	20,665	25,835
Impairment of non-current assets and accelerated depreciation/amortization	7.3.1 - 7.3.2	20,283	572
Provisions, net	-	(1,354)	(377)
Provision for retirement benefit obligations	-	396	317
Proceeds from disposals of assets	-	(28)	(3,297)
Change in taxes	7.4.5	1,986	8
Net financial income	-	20,904	8,296
Share-based payments	7.3.8	(254)	28
Impact of IFRIC 21 (included in operating income/loss)	-		(795)
Non-cash items relating to discontinued operations	-	(11,747)	30,169
Total non-cash items	**-**	**51,057**	**63,340**
Of which continuing operations	-	*62,804*	*33,170*
EBITDA	**-**	**(18,033)**	**(51,887)**
Of which continuing operations	**-**	*19,970*	*(14,073)*
Increase/(decrease) in cash relating to:			
Inventories	-	(8,973)	(8,599)
Trade receivables	-	(2,061)	13,798
Other receivables	-	(1,395)	6,367
Trade payables	-	(10,641)	3,631
Other liabilities	-	3,694	7,975

Change in working capital related to discontinued operations	-	20,707	36,852
Change in working capital	**-**	**1,331**	**60,025**
Of which continuing operations	-	*(19,376)*	*23,173*
Net cash generated by / (used in) operating activities	**-**	**(16,702)**	**8,138**
Of which continuing operations	-	*594*	*9,100*
Purchases of intangible assets	-	(473)	(369)
Purchases of property, plant and equipment	-	(4,934)	(5,903)
Proceeds from sales of intangible assets and property, plant and equipment	-	312	5,706
(Acquisition) and disposal of financial assets (1)	-	(827)	(4,115)
Capital contribution to an equity-accounted company	-		(2,521)
Investment/divestment flows related to discontinued operations (2)	-	32,222	(16,465)
Net cash generated by / (used in) investing activities	**-**	**26,301**	**(23,667)**
Of which continuing operations	-	*(5,921)*	*(7,202)*
Proceeds from shareholders: capital increases and exercise of stock options (3)	-	474	79,450
ABSAAR redeemable warrants	-	(675)	
Issuance of debt (4)	7.3.10	65,427	11,000
Drawdowns of credit lines	7.3.10	173	7,200
Repayment of borrowings (including finance leases) (5)	7.3.10	(23,687)	(99,936)
Interest received	-	95	4,255
Interest paid	-	(5,232)	(10,059)
Financing flows related to discontinued operations (6)	-	(17,183)	3,504
Net cash generated by / (used in) financing activities	**-**	**19,393**	**(4,586)**
Of which continuing operations	-	*36,576*	*(8,090)*
Effects of exchange rate fluctuations	-	(146)	3,800
Change in net cash	**-**	**28,846**	**(16,315)**
Of which continuing operations	-		

Cash at beginning of the period	-	22,911	44,728
Cash at end of the period	-	51,757	28,413

* Pursuant to the application of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, the consolidated statement of cash flows has been restated to reflect the activities of the Solar Energy business segment, classified under discontinued operations (see note 7.1).

* IFRIC 21 – Levies was applied with retroactive effect from April 1, 2015. As a result, the comparative data for the nine months ended December 31, 2014 have been restated. A 795 thousand euro positive impact was recognized in net loss from continuing operations, with a corresponding entry in non-cash items on the "Impact of IFRIC 21" line.

(1) Acquisitions and sales of financial assets are mainly composed of:

- Non-consolidated investments acquired in the entities Exagan (600 thousand euros) and Technocom (325 thousand euros) during the first nine months of fiscal 2015-2016.
- Restricted cash totaling 134 thousand euros at December 31, 2015. During the first half of fiscal 2014-2015, the Group deposited 7,159 thousand euros into an escrow account as a performance guarantee for the Touwsrivier project.
- Security deposit: in the first half of fiscal 2013-2014, the Group paid a security deposit of 11,850 thousand euros relating to the construction of the Touwsrivier solar energy plant. In the first nine months of fiscal 2014-2015, this deposit was partially reimbursed, for an amount of 1,300 thousand euros. In December 2015, the Group reimbursed a further 2,000 thousand euros of this deposit.

(2) Investment flows relating to discontinued operations mainly correspond to the items described below.

- For the first nine months of fiscal 2015-2016: 26,686 thousand euros received on the sale of the San Diego plant, 1,895 thousand euros on the sale of San Diego equipment, and 1,334 thousand euros on the sale of equipment at the Freiburg plant, along with 2,212 thousand euros received on the sale of the Rians (France) and Poggio Santa Lucia (Italy) solar power plants, and 47 thousand euros on the sale of the Thémis (France) solar power plant.
- For the first nine months of fiscal 2014-2015: the cost of acquiring the joint venture with Reflexite (5,727 thousand euros) and capital contributions by the Group to equity-accounted companies (2,247 thousand euros of additional investment in the joint venture CPV Power Plant No. 1).

(3) During the nine months ended December 31, 2015, the amount of 474 thousand euros concerns payments made in respect of the capital increase of March 10, 2015. During the previous fiscal period, the capital increase of July 22, 2014 generated proceeds of 79,880 thousand euros, net of 3,229 thousand euros in issuance costs.

(4) The issuance of debt includes:

- In the nine months ended December 31, 2015, the issuance of a new loan in an amount of 53,880 thousand euros as part of the conciliation procedure approved by the Grenoble Commercial Court on May 5, 2015, the signature of a new finance lease for an amount of 11,000 thousand euros and the establishment of a short-term financing facility for 547 thousand euros.
- In the nine months ended December 31, 2014, the drawdown of a new credit line in an amount of 7,200 thousand euros and the signature of a finance lease agreement for 11,000 thousand euros.

(5) Repayments of borrowings include:

- In the nine months ended December 31, 2015, the repayment of a new loan (11,903 thousand euros), credit lines (4,887 thousand euros), finance lease liabilities (4,800 thousand euros) and a short-term financing facility (2,096 thousand euros).
- In the nine months ended December 31, 2014, the repayment of the balance on OCEANE 2014 bonds (83,000 thousand euros), the repayment of credit lines (12,297 thousand euros) and the repayment of the finance lease liability (5,117 thousand euros).

(6) Cash flows related to discontinued operations mainly include:

- In the nine months ended December 31, 2015, the repayment of the debt relating to the San Diego plant (sold during the first half of fiscal 2015-2016) for an amount of 16,281 thousand euros and the repayment of the debt relating to the acquisition of shares held by Reflexite for an amount of 1,126 thousand euros.
- In the nine months ended December 31, 2014, the funding of the acquisition of shares held by Reflexite in the joint venture Reflexite Soitec Optical Technology for an amount of 4,889 thousand euros.

6.1.6. Segment reporting

The Group operates in three business segments:

- Production and marketing of substrates and components for the microelectronics industry (Electronics).

- Development of materials for the production of light-emitting diodes and sale of equipment (Other Activities). Despite the sale of Group subsidiary Altatech in fiscal 2015-2016, the assets of the CGU have not been classified as held for sale as they are not material relative to the Group's consolidated statement of financial position.

- Production and marketing of concentrator photovoltaic modules; design and construction of turnkey photovoltaic projects; and operation of photovoltaic installations (Solar Energy). Due to uncertainty as regards the timeframe for the sale of the assets relating to the solar power plant in Touwsrivier, South Africa (equity-accounted investments, the financial receivable relating to one of the shareholders of the solar power plant and the security deposit relating to the bond), Soitec had decided not to continue recognizing them in assets held for sale, but rather to classify them under continuing operations in September 2015. As explained in the paragraph 4 of this financial report, two of these assets have been recognized again as assets held for sale in December 2015. All the other items in this business segment are now classified under discontinued operations.

The EBITDA figure reported in the segment analysis table represents the operating loss (EBIT) before depreciation, amortization, impairment, non-cash items relating to share-based payments and changes in provisions relating to current assets and in provisions for liabilities and charges. This indicator is a non-IFRS quantitative measure of the Group'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

	Nine months ended December 31, 2015			
(in thousands of euros)	Electronics	Other Activities	Solar Energy	Total
Sales	167,762	3,913		**171,675**
Gross profit / (loss)	**42,690**	**(263)**		**42,427**
Gross research and development costs	*(31,238)*	*(3,874)*		*(35,112)*
Sales of prototypes and other income	*4,268*	*-*		*4,268*
Grants and repayable advances	*16,866*	*207*		*17,073*
Net research and development costs	**(10,104)**	**(3,667)**		**(13,771)**
Sales and marketing expenses	**(4,000)**	**(2,660)**		**(6,660)**
General and administrative expenses	**(12,893)**	**(670)**		**(13,563)**
Solar power plant project development costs				**-**
Recurring operating income / (loss)	**15,692**	**(7,259)**		**8,433**
Net income / (loss) from discontinued operations			**-**	**-**
Other operating income	-	1,065		1,065
Other operating expenses	(26,652)	(2,581)		(29,233)
Other operating income and expenses, net	**(26,652)**	**(1,516)**	**-**	**(28,168)**
EBIT	**(10,961)**	**(8,775)**		**(19,736)**
Depreciation and amortization expenses	*19,408*	*1,255*		*20,663*
Impairment of non-current assets and accelerated depreciation/amortization	*20,462*	*(180)*		*20,282*
Share-based payments	*(236)*	*(18)*		*(254)*
(Reversal)/Impairment of investments in equity-accounted companies				*-*
Provisions, net	*(1,749)*	*397*		*(1,352)*
Provision for retirement benefit obligations	*396*	*-*		*396*
Gains/(losses) on disposals of assets	*(27)*	*-*		*(27)*
Non-cash items relating to discontinued operations			(38,004)	(38,004)
EBITDA	**27,292**	**(7,322)**	**(38,004)**	**(18,033)**

* Pursuant to the application of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, the consolidated income statement has been restated to reflect the activities of the Solar Energy business segment, classified under discontinued operations (see note 7.1).

(in thousands of euros)	Nine months ended December 31, 2014*			
	Electronics	Other Activities	Solar Energy	Total
Sales	111,876	3,570		**115,446**
Gross profit	**10,084**	**615**		**10,699**
Gross research and development costs	*(32,261)*	*(5,773)*		*(38,034)*
Sales of prototypes and other income	*4,220*	*243*		*4,463*
Grants and repayable advances	*8,885*	*473*		*9,358*
Net research and development costs	**(19,156)**	**(5,057)**		**(24,213)**
Sales and marketing expenses	**(3,980)**	**(1,924)**		**(5,904)**
General and administrative expenses	**(14,684)**	**(820)**		**(15,504)**
Solar power plant project development costs				**-**
Recurring operating loss	**(27,734)**	**(7,187)**	**(72,163)**	**(107,084)**
Net income / (loss) from discontinued operations				**-**
Other operating income	2,343	-		2,343
Other operating expenses	(3,783)	-		(3,783)
Other operating income and expenses, net	**(1,440)**	**-**		**(1,440)**
EBIT	**(29,174)**	**(7,187)**	**(72,163)**	**(108,524)**
Depreciation and amortization expenses	*24,608*	*1,229*		*25,837*
Impairment of non-current assets and accelerated depreciation/amortization	*532*	*45*		*577*
Share-based payments	*26*	*2*		*28*
(Reversal)/Impairment of investments in equity-accounted companies				*-*
Provisions, net	*(480)*	*104*		*(376)*
Provision for retirement benefit obligations	*317*	*-*		*317*
Gains/(losses) on disposals of assets	*(3,325)*	*29*		*(3,296)*
Impact of IFRIC 21	*(795)*	*-*		*(795)*
Non-cash items relating to discontinued operations			34,349	34,349
EBITDA	**(8,294)**	**(5,779)**	**(37,814)**	**(51,887)**

* Pursuant to the application of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, the consolidated income statement has been restated to reflect the activities of the Solar Energy business segment, classified under discontinued operations (see note 7.1).

* IFRIC 21 – Levies was applied with retroactive effect from April 1, 2015. As a result, the comparative data for the nine months ended December 31, 2014 have been restated. A 795 thousand euro positive impact was recognized in income, within cost of sales (660 thousand euros) and gross research and development costs (135 thousand euros).

- Breakdown of assets and liabilities

	December 31, 2015			
(in thousands of euros)	Electronics	Other Activities	Solar Energy	Total
Intangible assets, net	6,267	-	-	6,267
of which goodwill				
Property, plant and equipment, net	123,934	(3)	-	123,931
Non-current financial assets	6,361	-	3,057	9,418
Investments in equity-accounted companies	-	-	-	-
Non-current assets (1)	**136,562**	**(3)**	**3,057**	**139,616**
Inventories	34,466	2,017	-	36,483
Trade receivables	34,678	1,771	-	36,449
Current financial assets	887	443	-	1,330
Other current assets	19,624	596	-	20,220
Current assets (2)	**89,655**	**4,827**	**-**	**94,482**
Trade payables (5)	35,291	1,112	-	36,403
Other current and non-current liabilities (6)	52,572	3,168	-	55,740
Current and non-current liabilities (3)	**87,863**	**4,280**	**-**	**92,143**
Assets held for sale (a)			27,816	27,816
Liabilities held for sale (b)			24,618	24,618
Net assets held for sale (4 = a - b)			**3,198**	**3,198**
Capital employed (1) + (2) - (3) + (4)	**138,354**	**544**	**6,255**	**145,153**

Pursuant to the application of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, the consolidated income statement has been restated to reflect the activities of the Solar Energy business segment, classified under discontinued operations (see note 7.1).

Current and non-current financial assets were included in the segment statement of financial position at December 31, 2015 and December 31, 2014.

Non-current financial assets for the Solar segment (3,057 thousand euros) chiefly concern a net security deposit relating to bonds in South Africa, in an amount of 2,739 thousand euros.

	December 31, 2014*			
(in thousands of euros)	Electronics	Other Activities	Solar Energy	Total
Intangible assets, net	10,847	2,299	-	13,146
of which goodwill				
Property, plant and equipment, net	174,422	2,398	-	176,820
Non-current financial assets	5,212	-	-	5,212
Investments in equity-accounted companies	-	-	7,131	7,131
Non-current assets (1)	**190,481**	**4,697**	**7,131**	**202,309**
Inventories	28,084	3,878	-	31,962
Trade receivables	17,169	614	11,337	29,120
Current financial assets	7,832	450	17,785	26,067
Other current assets	14,806	178	-	14,984
Current assets (2)	**67,891**	**5,120**	**29,122**	**102,133**
Trade payables (5)	34,539	1,837	-	36,376
Other current and non-current liabilities (6)	59,308	5,309	-	64,617
Current and non-current liabilities (3)	**93,847**	**7,146**	**-**	**100,993**
Assets held for sale (a)			139,132	139,132
Liabilities held for sale (b)			17,635	17,635
Net assets held for sale (4 = a - b)			**121,497**	**121,497**
Capital employed (1) + (2) - (3) + (4)	**164,525**	**2,671**	**157,750**	**324,946**

The equity-accounted investments correspond to the 20%-owned subsidiary CPV Power Plant No.1 Ltd (Touwsrivier) and its subsidiary CPV Bond.

The trade receivable of 11,337 thousand euros recognized by the Solar Energy business segment related to one of the shareholders of the Touwsrivier solar power plant was reclassified as held for sale at December 31, 2015.

* Pursuant to the application of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, the other items in the Solar Energy business segment were removed from the consolidated statement of financial position at December 31, 2014.

* IFRIC 21 – Levies was applied with retroactive effect from April 1, 2015. As a result, the comparative data at December 31, 2014 have been restated. The 115 thousand euro impact on reserves gave rise to a corresponding reduction in the Group's tax liability, included on the "Other current and non-current liabilities" line.

Breakdown of revenue

Revenue by segment and sub-segment breaks down as follows:

(in thousands of euros)	Nine months ended December 31, 2015*	Nine months ended December 31, 2014*
SOI 300mm	35,602	28,333
Small diameters	128,047	78,706
Specialty Electronics		2,258
Royalties	4,113	2,578
Total Electronics	**167,762**	**111,875**
Equipment	2,603	1,955
Lighting	1,310	1,616
Total Other Activities	***3,913***	***3,571***
Total revenue	**171,675**	**115,446**

* Pursuant to the application of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, the Solar Energy business segment's revenue has been reclassified to net income/(loss) from discontinued operations (see note 7.4.7).

7. Notes to the consolidated financial statements for the nine months ended December 31, 2015

7.1. Overview of the company and business activity

Soitec S.A. is a *société anonyme* (French joint-stock corporation) listed in compartment B of Euronext Paris. Soitec S.A. and its subsidiaries are hereinafter referred to as the "Group". Soitec S.A. is hereafter referred to as the "Company".

The Group operates in three business segments:

- Electronics

This business segment includes the Group's historic activities in the semiconductor industry, as well as its research and development projects relating to III-V materials, which were previously included within the Solar Energy and Lighting business segments, and support function costs, which were previously reported separately in the Corporate segment. It no longer includes the Group's equipment manufacturing and sales activity, performed by its subsidiary Altatech, which is now reported in the Other Activities business segment.

This business segment includes two CGUs: SOI 300mm and SOI 200mm.

- Other Activities

Lighting CGU: markets lighting solutions based on light-emitting diodes (LEDs) for clients managing tertiary, commercial and industrial buildings.

Equipment CGU: designs and sells equipment mainly intended for the semiconductor industry. At December 31, 2015, the Company was in negotiations to sell its subsidiary, Altatech. The sale was completed on March 29, 2016. The value of Altatech's net assets was tested for impairment based on the sale price proposed by the buyer. Altatech's assets and liabilities were not classified as held for sale at December 31, 2015 since the impacts on the consolidated statement of financial position were not deemed material.

- Solar Energy

This business segment includes discontinued operations and assets retained in continuing operations.

Since December 2009, when the Group acquired Soitec Solar GmbH (formerly Concentrix Solar GmbH), the Group had manufactured and sold concentrator photovoltaic modules and designed and built turnkey solar power plant installations with a view to their sale or operation. Following a decision by the Board of Directors, announced in a press release in January 2015, at the end of fiscal 2014-2015 the Group launched a major restructuring of its Solar Energy business segment and took steps to realize the value of certain assets, with a view to disposing of this segment in the short term.

Continuing operations: assets relating to the solar power plant in Touwsrivier (South Africa)

Due to uncertainty as regards the timeframe for their sale, at September 30, 2015, Soitec decided not to continue recognizing these assets as held for sale, where they had been classified at March 31, 2015. However, as a sale within 12 months is now probable, two of these assets have been reclassified as held for sale:

- The equity-accounted investments in 20%-owned subsidiary CPV Power Plant No.1 Ltd, and its subsidiary CPV Bond.
- Trade receivables relating to one of the shareholders of the solar power plant.

The security deposit relating to the bond, for which the Company does not currently have a sale plan that is likely to materialize in the short term, continues to be classified within non-current financial assets.

Discontinued operations

In August 2015, the termination of negotiations with ConcenSolar led the Group to wind up all of its production and research and development activities in San Diego (US) and Freiburg (Germany), and to initiate the sale of the Solar Energy business segment's remaining assets. The disposal became effective at the September 30 period-end.

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 for the first nine months of fiscal 2015-2016 have been prepared in accordance with IAS 34 – Interim Financial Reporting.

These interim consolidated financial statements do not include all of the information and notes required for a complete set of annual financial statements and should therefore be read in conjunction with the Group's consolidated financial statements for the year ended March 31, 2015.

The Group's consolidated financial statements for the year ended March 31, 2015 are available on request from the Company's head office, located at Parc Technologique des Fontaines, Bernin (38190), France, or on its website www.soitec.com.

- Accounting policies

The accounting policies and bases for measurement used by the Group in the preparation of the condensed interim consolidated financial statements for the nine months ended December 31, 2015 are the same as those used to prepare the Group's consolidated financial statements for the year ended March 31, 2015, with the exception of the items presented below and the recognition method for income tax, the amount of which is provided for in the interim consolidated financial statements based on the best estimate of the annual tax rate expected to apply to the fiscal year as a whole.

The Group has applied the standards, amendments and interpretations detailed below, which have been adopted by the European Union and whose application is mandatory for financial periods beginning on or after April 1, 2015:

- Amendment to IAS 19 – Defined Benefit Plans: Employee Contributions.
- Improvements to IFRS – 2010-2012 Cycle.
- Improvements to IFRS – 2011-2013 Cycle.

- IFRIC 21 – Levies.

Of these new and amended standards, only IFRIC 21 – Levies had an impact on the condensed interim consolidated financial statements for the nine months ended December 31, 2015.

The Group has elected not to early adopt the standards, amendments and interpretations whose applicationis optional at December 31, 2015, such as IFRS 9 and IFRS 15.

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

- Significant accounting judgments and estimates

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 reporting date, and the reported amounts of income and expenses for the period.

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

The accounting policies and bases for measurement used by the Group in the preparation of the condensed interim consolidated financial statements for the nine months ended December 31, 2015 are the same as those used to prepare the Group's consolidated financial statements for the year ended March 31, 2015, with the exception of the recognition method for income tax, the amount of which is provided for in the interim financial statements based on the best estimate of the annual tax rate expected to apply to the fiscal year as a whole.

7.2.2. Significant events of the period

During the first nine months of fiscal 2015-2016, the Group continued its strategy to redirect its focus toward its core Electronics segment and carry out restructuring measures with a view to realizing the value of certain Solar Energy assets and disposing of this segment in the short term.

In August 2015, the termination of negotiations with ConcenSolar led the Group to wind up all of its production, research and development activities in San Diego (US) and Freiburg (Germany), and to initiate the sale of the Solar Energy business segment's remaining assets. The disposal became effective at the interim period-end. As a result, pursuant to IFRS 5, net income/(loss) from discontinued operations is presented on a separate line of the consolidated income statement.

The Company increased its available cash as part of a conciliation procedure that resulted in the granting of loans for an amount of 54 million euros in May 2015. The Company is gradually withdrawing from its Solar Energy activities in accordance with the agreed plan.

The Group sold four solar power plants and the San Diego industrial plant during the period. Soitec also repaid the 18 million US dollar loan related to the refinancing of the plant. These amounts were classified under assets and liabilities held for sale at March 31, 2015.

The Group sold Soitec Phoenix Labs in the US, generating (i) a cash outflow of 1.4 million US dollars due to repayment of the current account and (ii) non-operating income of 1.6 million US dollars.

7.2.3. Consolidation principles

At December 31, 2015, all Group companies are controlled by the parent company and are therefore accounted for under the full consolidation method, with the exception of CPV Power Plant No.1 Ltd (Touwsrivier) and CPV Power Plant No.1 Bond SPV (RF) Ltd, both of which are 20%-owned by the Group and accounted for under the equity method:

Entity	Date of consolidation	Percentage interest	Country	Functional currency
Soitec USA Inc.	1997	100.00%	US	US dollar
Soitec Japan Inc.	June 2004	100.00%	Japan	Japanese Yen
Soitec Microelectronics Singapore Pte Ltd	June 2006	100.00%	Singapore	US dollar
Soitec Korea	July 2011	100.00%	South Korea	US dollar
Altatech Semiconductor S.A.S	January 2012	100.00%	France	Euro

Soitec Corporate Services	July 2012	100.00%	France	Euro
Soitec Trading Shanghai	November 2013	100.00%	China	Yuan
Discontinued operations (entities formerly part of the Solar Energy division)				
CPV Power Plant No. 1 Bond SPV (Rf) Ltd	October 2009	20.00%	South Africa	South African rand
Soitec Solar GmbH	December 2009	100.00%	Germany	Euro
Soitec Solar Inc.	December 2009	100.00%	US	US dollar
Soitec Solar Industries LLC	December 2009	100.00%	US	US dollar
Soitec Solar Italia S.R.L	August 2010	100.00%	Italy	Euro
Soitec Solar Development LLC	September 2010	100.00%	US	US dollar
Soitec Solar RSA Ltd	April 2011	100.00%	South Africa	South African rand
Soitec Solar France	October 2011	100.00%	France	Euro
CPV Power Plant No.1 Ltd (Touwsrivier)	October 2009	20.00%	South Africa	South African rand
Soitec Solar Chile	July 2013	100.00%	Chile	Chilean peso
Soitec Solar USA Real Estate LLC	January 2014	100.00%	US	US dollar
CPV No. 1 Equity SPV Pty Ltd	February 2014	100.00%	South Africa	South African rand

As part of its Solar Energy business, the Group may 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 and placed under the exclusive control of the Group and are fully consolidated:

Entity	Date of consolidation	Percentage interest	Country	Functional currency
Newberry Solar 1 LLC	September 2010	100.00%	US	US dollar
CPV Power Plant No. 2 Ltd	September 2010	100.00%	South Africa	South African rand
LanEast Solar Farm LLC	February 2011	100.00%	US	US dollar
LanWest Solar Farm LLC	February 2011	100.00%	US	US dollar
Rugged Solar LLC	April 2011	100.00%	US	US dollar
Tierra del Sol Solar Farm LLC	April 2011	100.00%	US	US dollar
CX Minervino S.R.L	October 2011	100.00%	Italy	Euro
Sorrel Solar Farm LLC	February 2012	100.00%	US	US dollar
Black Mountain CPV PP No. 3 (formerly K2011137452 Ltd)	March 2012	100.00%	South Africa	South African rand
Schmidtsdrift CPV PP No. 4 (formerly Itakane	March 2012	100.00%	South Africa	South African rand

Entity	Date of consolidation	Percentage interest	Country	Functional currency
Trading 339 (Pty) Ltd)				
Tierra del Sol II Solar Farm LLC	May 2012	100.00%	US	US dollar
Los Robles Solar Power Plant LLC	May 2012	100.00%	US	US dollar

The following entities were previously fully consolidated but were deconsolidated during the period under review:

Entity	Change in scope
Soitec Specialty Electronics S.A.S	Transfer of all of the assets and liabilities (TUP) to Soitec France
Alicoop Poggio Santa Lucia S.R.L	Sale
CPV Rians	Sale
Alicoop Monte Bellone S.R.L	Sale
Soitec Phoenix Labs Inc.	Sale
CPV Thémis	Sale

7.2.4. Going concern principle

The Group posted a net loss of 69 million euros for the first nine months of fiscal 2015-2016 and equity at December 31, 2015 decreased to a negative 0.8 million euros.

Cash used in operating activities, excluding changes in working capital, amounted to 18 million euros for the period. This amount can be broken down between continuing operations (a positive 20 million euros) and discontinued operations (a negative 38 million euros).

At December 31, 2015, cash and cash equivalents amounted to 51.7 million euros compared to 22.9 million euros at March 31, 2015.

In order to ensure that it continues as a going concern, the Group keeps on redirecting its focus toward its historical activities.

Cash flow forecasts were prepared based on this business scenario and the available sources of financing, which may include the sale of certain non-strategic assets. In light of the fact that the loans granted by Shin Etsu Handotai, Bpifrance Participations and CEA Investissements (for a total amount of 44 million euros at December 31, 2015) mature in May 2016, and given its capacity investment needs over the next 12 months, Soitec will require additional financing as of the first quarter of fiscal 2016-2017. Soitec is working on a project aimed at strengthening its capital base and refinancing all of its debt. This project consists of a reserved capital increase for a gross amount of 76,5 million euros and a rights issue for a gross amount comprised between 53,5 and 103,5 million euros, the final amount depending on the financial requirements of the Company after a potential buy-back of all or part of the convertible bonds coming to maturity in September 2018. Based on these forecasts and subject to the success of these financing transactions, the Company believes it is able to fulfill its future commitments. The project was submitted to the Shareholds' Meeting on April 11 but the reserved capital increase could not be approved due to insufficient quorum. It will be presented again to the Shareholders' Meeting on April 29.

The consolidated financial statements have therefore been prepared on a going concern basis for the next year.

7.3. Notes to the consolidated statement of financial position

Non-current asset impairment tests

- As explained above in section 7.2.1, the Group held negotiations with a view to selling its subsidiary Altatech, and the sale was completed on March 29, 2016. At December 31, 2015, based on the sale price, a 2 million euro expense was booked against property, plant and equipment and intangible assets. An additional provision was also recognized in an amount of 0.2 million euros within current provisions.
- The industrial plant in Singapore was built to increase production capacity for 300mm wafers. Due to the downturn in demand, production of 300mm wafers was concentrated on the Bernin site in September 2013 and the Singapore clean room was idled. In December 2014, in order to meet its financing needs, the Company had contemplated selling the industrial plan and had instructed an intermediary to identify potential buyers. Since the Group did not receive any firm offers during the year, it identified an impairment indicator and performed an impairment test at December 31, 2015. In accordance with IAS 36, the

Company updated the asset's market value and in parallel, determined its value in use based on the business plan, which confirms the medium-term need to expand production capacity for 300mm wafers. As a result of the impairment test, the Group recognized an impairment loss in an amount of 20.1 million euros in the consolidated financial statements at December 31, 2015.

7.3.1. Intangible assets

In the first nine months of fiscal 2015-2016, the net change in value of each asset category is as follows:

(in thousands of euros)	Goodwill	Capitalized development projects	Concessions, patents and other rights	Software	Solar power plant projects	Intangible assets in progress	Total
March 31, 2015	**-**	**2,226**	**3,745**	**4,552**	**-**	**545**	**11,068**
Commissioned assets (gross)	-	-	-	592	-	(592)	-
Additions (gross)	-	-	-	-	-	473	473
Change in scope (net value)	-	-	-	-	-	-	-
Exchange differences (net)	-	-	-	(2)	-	-	(2)
Amortization expenses	-	(282)	(818)	(2,443)	-	-	(3,543)
Impairment and accelerated amort.**	-	-	(1,728)	-	-	-	(1,728)
Disposals or retirements (net value)	-	-	-	-	-	-	-
Assets held for sale (net value)	-	-	-	-	-	-	-
December 31, 2015	**-**	**1,944**	**1,199**	**2,700**	**-**	**426**	**6,267**

7.3.2. Property, plant and equipment

In the first nine months of fiscal 2015-2016, the net change in value of each asset category is as follows:

(in thousands of euros)	Buildings	Equipment and tooling	Solar power plants	Other	Property, plant and equipment in progress	Total
March 31, 2015 - reported	**116,153**	**36,160**	**1,600**	**1,189**	**3,232**	**158,336**
Discontinued operations*	-	-	(1,600)	-	-	(1,600)
March 31, 2015 - restated	**116,153**	**36,160**	**-**	**1,189**	**3,232**	**156,736**
Commissioned assets (gross)	135	3,603	-	198	(3,936)	-
Reclassification between asset categories	(203)	203	-	-	-	-
Additions (gross)	-	-	-	-	5,722	5,722
Change in scope (gross)	-	(1,441)	-	(51)	-	(1,492)
Exchange differences (gross)	(1,088)	20	-	1	-	(1,067)
Depreciation expenses	(8,804)	(7,769)	-	(548)	-	(17,121)
Impairment and accelerated depr.**	(20,166)	(539)	-	(21)	(3)	(20,729)
Disposals or retirements (gross)	-	1,875	-	5	-	1,880
Assets held for sale	-	-	-	-	-	-
December 31, 2015	**86,027**	**32,112**	**0**	**773**	**5,015**	**123,930**

* At December 31, 2015, the assets of the Solar Energy business segment were classified under discontinued operations in accordance with IFRS 5. To enable meaningful comparisons, assets reclassified under discontinued operations totaled 1,600 thousand euros at March 31, 2015.

** These amounts correspond to provisions for impairment losses (allowances) recognized under other operating income and expenses in the income statement (see note 7.4.4).

7.3.3. Inventories

Inventories break down as follows:

(in thousands of euros)	December 31, 2015	March 31, 2015	*March 31, 2015* *Of which assets reclassified under discontinued operations*	*March 31, 2015* *Restated to reflect discontinued operations*
Raw materials	23,951	35,296	*14,807*	*20,489*
Work in progress	7,554	7,659	*263*	*7,396*
Finished goods	14,358	18,103	*9,209*	*8,894*
Gross value	**45,863**	**61,057**	*24,279*	*36,779*
Allowances	(9,380)	(27,984)	*(19,266)*	*(8,718)*
Inventories, net	**36,483**	**33,073**	*5,013*	*28,061*

* At December 31, 2015, the inventories of the Solar Energy business segment were classified under discontinued operations in accordance with IFRS 5. To enable meaningful comparisons on a constant-scope basis, the amounts recognized at March 31, 2015 were also classified in discontinued operations.

At December 31, 2015, the value of inventories within the scope of continuing operations had increased by 30% or 8,423 thousand euros. A breakdown by business segment shows the following trends:

- Inventories for the Electronics business segment rose by 7,041 thousand during the first nine months of fiscal 2015-2016. This increase shows the progressive upturn in the business and the consequent increase in working capital.
- Inventories for the Other Activities business segment rose by 1,382 thousand euros during the period.
- Inventories for the Solar Energy business segment were classified under discontinued operations at December 31, 2015 and the amounts recognized at March 31, 2015 are shown separately to enable meaningful comparisons on a constant-scope basis.

7.3.4. Trade receivables

Trade receivables at December 31, 2015 are as follows:

(in thousands of euros)	**Total trade receivables**	Neither past due nor impaired	Less than 30 days past due	30-60 days past due	60-90 days past due	90-120 days past due	More than 120 days past due
Gross value	**36,621**	31,445	4,228	344	126	313	166
Allowances	**(166)**	-	-	-	-	-	(166)
Net value	**36,455**	**31,445**	**4,228**	**344**	**126**	**313**	**-**

Trade receivables at March 31, 2015 are as follows:

(in thousands of euros)	**Total trade receivables**	Neither past due nor impaired	Less than 30 days past due	30-60 days past due	60-90 days past due	90-120 days past due	More than 120 days past due
Gross value	**49,015**	42,399	884	263	105	2	5,362
Allowances	**(5,203)**	-	-	(82)	(55)	-	(5,066)
Net value	**43,812**	**42,399**	**884**	**181**	**50**	**2**	**296**
Of which trade receivables reclassified under discontinued operations							
Gross value	*6,631*	*1,356*	-	*17*	*43*	-	*5,215*
Allowances	*(4,994)*	-	-	-	*(40)*	-	*(4,954)*
Net value	*1,638*	*1,356*	-	*17*	*3*	-	*261*
March 31, 2015 – Restated to reflect discontinued operations							
Gross value	*42,384*	*41,043*	*884*	*246*	*62*	*2*	*147*
Allowances	*(209)*	-	-	*(82)*	*(15)*	-	*(112)*
Net value	*42,174*	*41,043*	*884*	*164*	*47*	*2*	*34*

7.3.5. Cash and cash equivalents

Cash and cash equivalents break down as follows:

(in thousands of euros)	December 31, 2015	March 31, 2015
Cash	51,757	22,911
Cash equivalents	-	-
Total cash and cash equivalents	**51,757**	**22,911**

Cash at bank is principally denominated in US dollars and euros.

Cash is invested in interest-earning accounts.

7.3.6. Discontinued operations and assets and liabilities held for sale

This items breaks down as follows:

	Assets and liabilities held for sale		Assets and liabilities related to discontinued operations	
(in thousands of euros)	December 31, 2015	March 31, 2015	December 31, 2015	March 31, 2015*
Property, plant and equipment	-	25,471	-	-
Solar power plant projects	-	2,300	317	1,600
Equity-accounted companies	7,971	10,838	-	-
Non-current financial assets	13,856	-	742	561
Other non-current assets	-	618	271	269
Non-current assets	**21,827**	**39,227**	**1,330**	**2,430**
Inventories	-	-	724	5,013
Trade receivables	-	9,013	1,900	1,638
Other current assets	-	382	2,305	5,323
Current financial assets	-	20,813		328
Non-current assets	**-**	**30,208**	**4,929**	**12,302**
Total assets (1)	**21,827**	**69,435**	**6,259**	**14,731**
Long-term debt	-	16,730	-	1,947
Provisions and other non-current liabilities	-	-	1,710	2,055
Non-current liabilities	**-**	**16,730**	**1,710**	**4,002**
Short-term debt	-	-	2,735	2,755
Trade payables	-	114	2,282	5,199
Provisions and other current liabilities	-	7	20,628	37,014
Current liabilities	**-**	**121**	**25,645**	**44,968**
Total liabilities (2)	**-**	**16,851**	**27,355**	**48,970**
Total assets (1) – (2)	**21,827**	**52,584**	**(21,097)**	**(34,239)**

* At December 31, 2015, the assets and liabilities of the Solar Energy business segment were classified under discontinued operations in accordance with IFRS 5. To enable meaningful comparisons on a constant-scope basis, a comparison is provided showing the assets and liabilities recognized for this business segment at March 31, 2015 and reclassified in discontinued operations.

As regards assets and liabilities held for sale at March 31, 2015, the Group carried out the following transactions in the first nine months of fiscal 2015-2016:

- Sale of the San Diego plant, recognized in property, plant and equipment held for sale at March 31, 2015 for an amount of 25,471 thousand euros, and repayment of the debt related to the plant's refinancing (recognized in debt at March 31, 2015 for an amount of 16,730 thousand euros).
- Sale of the solar power plants in Rians (France) and Poggio Santa Lucia (Italy), classified under solar power plant projects for an amount of 2,300 thousand euros at March 31, 2015. The other solar power plants were classified under discontinued operations for an amount of 317 thousand euros.
- Sale of the Thémis plant in France and the Monte Bellone plant in Italy.
- As regards the assets relating to the solar power plant in Touwsrivier (South Africa), the Group considered that the condition set out in IFRS 5 whereby the sale of the asset within 12 months must be highly probable was met at December 31, 2015. Accordingly, these amounts were classified under assets held for sale.
    - The equity-accounted investments in 20%-owned subsidiary CPV Power Plant No. 1 Ltd ("Touwsrivier"), and its subsidiary CPV Bond (7,971 thousand euros at December 31, 2015 versus 10,838 thousand euros at March 31, 2015).
    - The financing (principal and interest) in the amount of 13,856 thousand euros granted to one of the shareholders of the Touwsrivier plant (breaking down at March 31, 2015 as a current financial receivable of 10,708 thousand euros and a trade receivable of 8,947 thousand euros).

As regards assets and liabilities classified under discontinued operations:

- Solar power plant projects concern the Newberry (US) plant for an amount of 317 thousand euros (322 thousand euros at March 31, 2015). During the first half of fiscal 2015-2016, the Group sold the land of the Sorrel (US) site, recognized in the consolidated financial statements for the year ended March 31, 2015 for an amount of 1,278 thousand euros.
- Non-current financial assets concern investments in the non-consolidated subsidiary Suncoutim for an amount of 331 thousand euros and restricted cash totaling 411 thousand euros at December 31, 2015 (respectively 331 thousand euros and 231 thousand euros at March 31, 2015).
- Long-term and short-term debt concerns debt related to the purchase of Reflexite shares.
- Provisions and other current liabilities mainly comprise restructuring provisions and are described in note 7.3.11.

7.3.7. Dividend payments

The General Shareholders' Meeting of July 10, 2015 decided to carry forward the loss for the year and not to pay a dividend.

7.3.8. Share-based payments

The expense relating to share-based payments recognized in the income statement for the nine months ended December 31, 2015 is 254 thousand euros (273 thousand euros for the nine months ended December 31, 2014), including 246 thousand euros allocated to continuing operations.

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 stages in the Group's strategic plan, or due to departures before the end of the vesting period, a portion of the expense recorded for the period ended March 31, 2015 was reversed for an amount of 410 thousand euros (406 thousand euros at December 31, 2014, corresponding to a portion of the expense recorded in fiscal 2013-2014), including 283 thousand euros allocated to discontinued operations.

7.3.9. Borrowings and debt

The maturities of borrowings and debt at December 31, 2015 are as follows:

	December 31, 2015						
(in thousands of euros)	< 1 year	1 to 5 years	> 5 years	Total	March 31, 2015	*March 31, 2015 Of which reclassified to liabilities related to discontinued operations*	*March 31, 2015 Restated to reflect discontinued operations*
Finance leases:							
Property (construction)	-	-	-	-	-	-	-
Machinery and equipment	6,752	8,912	-	15,664	9,464	-	*9,464*
Borrowings:							
OCEANE 2018 bonds	1969	93,020	-	94,989	90,852	-	*90,852*
Bank loans	-	-	-	-	-	-	-
Loans from financial institutions	-	-	-	-	4,339	*4,339*	-
Loans from BPI/CEA/SEH	43,968	-	-	43,968	-	-	-
Other borrowings and debt:							
Repayable advances	1,438	9,842	-	11,280	12,039	-	*12,039*
Finance payables	276	-	-	276	362	*362*	-
Derivative financial instruments (liabilities)	-	-	-	-	-	-	-
Used committed credit lines	6,428	44,733	-	51,161	55,802	-	*55,802*
Bank overdrafts				-	-	-	-
Other financial liabilities	150	-	-	150	150	-	*150*
Total borrowings and debt	**60,981**	**156,507**	**-**	**217,488**	**173,007**	*4,701*	*168,306*

7.3.10. Provisions and other non-current liabilities

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

(in thousands of euros)	December 31, 2015	March 31, 2015 reported	*March 31, 2015 Of which assets reclassified under discontinued operations*	*March 31, 2015 Restated to reflect discontinued operations*
Deferred income	9,440	10,416	-	*10,416*
Deposits and guarantees received	66	67	-	*67*
Other debtors	-	9	-	*9*
Non-current liabilities	**9,506**	**10,493**	-	*10,493*
Provisions for liabilities and charges	5,414	7,050	*2,055*	*4,995*
Provisions and other non-current liabilities	**14,920**	**17,543**	*2,055*	*15,488*

At December 31, 2015, deferred income related mainly to:

- A prepayment received on a license agreement signed in March 2011 in the field of image sensors, for a total amount of 3,423 thousand euros, breaking down into a non-current portion of 2,771 thousand euros and a current portion of 652 thousand euros.
- A prepayment received on a license agreement signed in March 2013 in the field of III-V materials for the light-emitting diodes market, for a total amount of 1,833 thousand euros, breaking down into a non-current portion of 1,580 thousand euros and a current portion of 253 thousand euros.
- A prepayment received on a license agreement signed in May 2014 in the field of radio frequency and power applications, for a total amount of 6,355 thousand euros, breaking down between a non-current portion of 5,087 thousand euros and a current portion of 1,267 thousand euros.

Provisions for liabilities and charges mainly comprise provisions for retirement benefit obligations amounting to 5,157 thousand euros at December 31, 2015.

7.3.11. Provisions for liabilities and charges

- Changes in provisions for liabilities and charges

Provisions for liabilities and charges break down as follows:

(in thousands of euros)	March 31, 2015	*Of which liabilities reclassified to discontinued operations*	*March 31, 2015 – Restated to reflect discontinued operations*	Additions for the period	Reversals (utilized)	Reversals (surplus)	Exchange differences	Reclassifications	December 31, 2015
Current provisions:									
Litigation	2,847	*-*	*2,847*	219	(759)	(325)			1,981
Warranties	-	*-*	*-*						
Restructuring*	36,146	*(29,366)*	*6,780*	233	(2,968)	(2,126)	(109)		1810
Other liabilities	-	*-*	*-*						
Total current	**38,993**	*(29,366)*	*9,627*	**452**	**(3,727)**	**(2,451)**	**(109)**		**3,791**
Non-current provisions:									
Retirement benefit obligations	4,719	*-*	*4,719*	438			(1)		5,157
Litigation	-	*-*	*-*						
Warranties	1,356	*(1,080)*	*276*	77	(30)	(66)			258
Restructuring*	975	*(975)*	*-*						
Other liabilities	-	*-*	*-*						
Total non-current	**7,050**	*(2,055)*	*4,995*	**515**	**(30)**	**(66)**	**(1)**		**5,414**

* Restructuring provisions reclassified under discontinued operations for a total amount of 30,340 thousand euros at March 31, 2015 are shown in the table below.

Provisions for litigation concern various legal proceedings related to employee arbitration, commercial and tax issues. The main change for the period corresponds to the reversal of a provision of 759 thousand euros resulting from the receipt and payment of tax notices in relation to the C3S tax.

- Provisions for restructuring of continuing operations

Restructuring provisions (current and non-current) are described in the table below:

(in thousands of euros)	March 31, 2015	*Of which liabilities reclassified under discontinued operations*	*March 31, 2015 – Restated to reflect discontinued operations*	Additions for the period	Reversals (utilizations)	Reversals (surplus)	Exchange differences	December 31, 2015
Fiscal 2012-2013 and 2013-2014								
- Redundancy plans	489	*-*	*489*		(489)			-
- Production equipment shutdown costs	611	*-*	*611*		(54)			557
- Redundancy plans	2,056	*2,056*	*-*	-		-	-	-
- Remaining rental payments due for the Paris offices	676	*676*	*-*	-		-	-	-
Bernin site	**3,832**	*2,732*	*1,100*	**-**	**(543)**			**557**
Fiscal 2014-2015: Sale of the business assets of Soitec Specialty Electronics*								
- Employee departures	1,599	*-*	*1,599*		(1,415)			184
- Dismantling and restoration of site	304	*-*	*304*		(140)			164
Villejust site	**1,903**	*-*	*1,903*	**-**	**(1,555)**			**348**
Fiscal 2015-2016:								
- Restructuring of the Equipment segment	-	*-*	*-*	233				233
Montbonot site		*-*		**233**				**233**
Fiscal 2014-2015: Restructuring of the Solar Energy business segment								
- Employee departures	5,462	*5,462*	*-*	-		-	-	-
- Dismantling of solar power plants (excluding US)	2,584	*2,584*	*-*	-		-	-	-
- Operating losses	2,080	*2,080*	*-*	-		-	-	-
- Compensation paid to third parties	1,890	*1,890*	*-*	-		-	-	-

- Remaining rental payments due – non-current portion	975	*975*	-	-		-	-	-
- Remaining rental payments due – current portion	544	*544*	-	-		-	-	-
Freiburg site	**13,535**	*13,535*	-	**-**	**-**	**-**	**-**	**-**
Fiscal 2014-2015: Production shutdown								
- Dismantling of the site and production shutdown costs	679	-	*679*	-			(8)	671
Singapore site	**679**	-	*679*	**-**	**0**		**(8)**	**671**
Fiscal 2014-2015: Restructuring								
- Employee departures	1,056	-	*1,056*	-	(625)	(397)	(34)	-
- Remaining rental payments due	1,322	-	*1,322*	-	(246)	(1,033)	(43)	-
- Dismantling and restoration of site	719	-	*719*	-		(696)	(23)	-
Phoenix site	**3,097**	-	*3,097*	**-**	**(871)**	**(2,126)**	**(101)**	**-**

Fiscal 2014-2015: Restructuring of the Solar Energy business segment								
- Employee departures	917	*917*	-	-		-	-	-
- Operating losses	10,465	*10,465*	-	-		-	-	-
- Dismantling of solar power plants located in the US	699	*699*	-	-		-	-	-
San Diego site	**12,081**	*12,081*	-	**-**		**-**	**-**	**-**
Fiscal 2014-2015: Restructuring of the Solar Energy business segment								
- Employee departures	1,992	*1,992*	-	-		-	-	-
Other sites	**1,992**	*1,992*	-	**-**		**-**	**-**	**-**
Total – current and non-current portion	**37,121**	*30,340*	*6,781*	**233**	**(2,969)**	**(2,126)**	**(109)**	**1,810**

* During the first half of fiscal 2015-2016, all of the assets and liabilities of Soitec Specialty Electronics (Villejust site, France) were transferred to Soitec France (TUP procedure).

- Provisions for restructuring reclassified within discontinued operations

Provisions for restructuring reclassified within discontinued operations are described in the table below:

(in thousands of euros)	March 31, 2015	Additions for the period	Reversals (utilizations)	Reversals (surplus)	Exchange differences	Reclassifications	December 31, 2015
- Redundancy plans	2,056		(1,377)				679
- Remaining rental payments due for the Paris offices	87		(87)				-
- Operating losses	589	878	(726)				741
Bernin site	**2,732**	**878**	**(2,190)**				**1,420**
- Employee departures	5,462	1,074	(5,488)				1,048
- Dismantling of solar power plants (excluding US)	2,584	2,183	(1,108)				3,659
- Operating losses	2,080	4,156	(3,238)	(4,298)			2,998

- Compensation paid to third parties	1,890		(1,140)				750
- Remaining rental payments due – non-current portion	975					(342)	633
- Remaining rental payments due – current portion	544		(342)			342	544
Freiburg site	**13,535**	**7,413**	**(11,317)**				**9,631**
- Employee departures	917				(22)		895
- Operating losses	10,465	816	(2,258)		(214)		4,511
- Dismantling of solar power plants located in the US	699				(3)		696
San Diego site	**12,081**	**816**	**(2,258)**		**(239)**		**6,102**
- Employee departures	77		(66)				11
- Restoration of site	28		(28)				-
Montbonot site	**104**		**(94)**				**10**
- Employee departures	76		(76)				-
Italian site	**76**		**(76)**				**-**
- Operating losses	850		(562)		(132)		156
South African site	**850**		**(562)**		**(132)**		**156**
- Employee departures	924	287	(571)				640
French site	**924**	**287**	**(571)**				**640**
- Employee departures	38		(33)		(5)		-
Chilean site	**38**		**(33)**		**(5)**		**-**
							-
Total – current and non-current portion	**30,340**	**9,395**	**(17,101)**	**(4,298)**	**(376)**		**17,960**

7.4. Notes to the consolidated income statement

7.4.1. Employee-related costs

Employee-related costs recorded during the period break down as follows:

(in thousands of euros)	Nine months ended December 31, 2015*	Nine months ended December 31, 2014*
Wages and salaries, including payroll costs**	(56,179)	(52,220)
Competitiveness and employment tax credit (CICE)	739	756
Pension costs	(378)	(497)
Share-based payment expenses	254	(27)
Total employee-related costs	**(55,564)**	**(51,988)**

* Pursuant to the application of IFRS 5, the Solar Energy business segment's employee-related costs have been reclassified within net income/(loss) from discontinued operations.

** The wages and salaries reported also include the cost of employee profit-sharing schemes.

The increase in payroll of 3,576 thousand euros is mainly related to:

- an increase in wages and salaries, including payroll costs, for 3,959 thousand euros;
- other factors with an impact on payroll: the 17 thousand euro decrease in the competitiveness and employment tax credit (CICE), the 119 thousand euro reduction in provisions for retirement benefit obligations, and 281 thousand euros in income relating to share-based payments.

7.4.2. Research and development costs

Research and development costs break down as follows:

(in thousands of euros)	Nine months ended December 31, 2015*	Nine months ended December 31, 2014*
Gross research and development operating costs	**(35,632)**	**(38,476)**
Sales of prototypes	4,248	4,457
Research and development grants recognized in the income statement	8,420	4,264
Research tax credit	9,172	5,536
Other income	20	6
Total income	**21,860**	**14,263**
Total net research and development costs	**(13,771)**	**(24,213)**

* Pursuant to the application of IFRS 5, the Solar Energy business segment's research and development costs have been reclassified within net income/(loss) from discontinued operations.

* IFRIC 21 – Levies was applied with retroactive effect from April 1, 2015. As a result, the comparative data for the nine months ended December 31, 2015 have been restated and show a 135 thousand euro positive impact on gross research and development costs.

Research and development spending mainly relates to research costs, which are recognized in the income statement. The fall in gross expenditure can be attributed to reduced spending on improvements to the Bernin 3 clean room used for compound activities.

7.4.3. Depreciation and amortization expenses included in the consolidated income statement

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

(in thousands of euros)	Nine months ended December 31, 2015*	Nine months ended December 31, 2014*
Cost of sales	(14,122)	(19,328)
Research and development costs	(5,803)	(6,028)
Sales and marketing expenses	(8)	(12)
Solar power plant project development costs	(1)	(1)
Administrative expenses	(732)	(467)
Total depreciation and amortization expenses	**(20,665)**	**(25,835)**

* Pursuant to the application of IFRS 5, the Solar Energy business segment's depreciation and amortization expenses in the income statement have been reclassified under net income/(loss) from discontinued operations.

7.4.4. Other operating income and expenses

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

(in thousands of euros)	Nine months ended December 31, 2015*	Nine months ended December 31, 2014*
Other operating income:		
Reversal of the provision for retirement benefit obligations	-	-
Net impact of the sale of Phoenix Lab	1,065	-
Proceeds from the sale of the business assets of Soitec Specialty Electronics	-	2,343
Other	-	-
Total other operating income	**1,065**	**2,343**
Other operating expenses:		
Impairment charges	(335)	(320)
Impairments tests	(22,352)	-
Other provisions relating to current assets	-	-
Restructuring expenses	(6,546)	(3,463)
Total other operating expenses	**(29,233)**	**(3,783)**

Other operating expenses, net	**(28,168)**	**(1,440)**

* Pursuant to the application of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, the Solar Energy business segment's other operating income and expenses have been reclassified within net income/(loss) from discontinued operations (see note 7.4.7).

The Group recorded a net non-current operating loss of 28.1 million euros for the nine months ended December 31, 2015.

This loss is attributable to legal and advisory fees relating to the conciliation procedure and to the restructuring of the business portfolio.

The net impact of the sale of subsidiary Soitec Phoenix Lab is a gain of 1,1 million euros. This amount reflects provision reversals (asset impairment for 1.4 million euros and restructuring costs for 2.4 million euros) and a consolidated capital loss of 2.9 million euros.

Accelerated depreciation and amortization represented an expense of 22.3 million euros and concerned the Singapore industrial plant (20.1 million euros) and assets belonging to Altatech (2.2 million euros).

7.4.5. Income tax

At the end of each reporting period, the Group remeasures its deferred taxes. Within the same tax jurisdiction, deferred tax assets are recognized only up to the amount of deferred tax liabilities with the same maturity date.

The difference between the theoretical income tax calculated using the tax rate applicable in France (34.43% for the nine months ended December 31, 2015) and the actual income tax expense shown in the income statement breaks down as follows:

(in thousands of euros)	Nine months ended December 31, 2015*	Nine months ended December 31, 2014*
Theoretical income tax benefit at the applicable rate	**13,993**	**15,377**
Unrecognized deferred tax assets	(16,928)	(17,657)
Non-deductible provisions and expenses	(388)	1,095
Non-taxable income (research tax credit and competitiveness and employment tax credit (CICE))	3,323	1,179
Adjustments for differences in income tax rates	48	(2)
Other permanent differences (Soitec US)**	(2,033)	-
Total income tax benefit / (expense)	**(1,985)**	**(8)**

* Pursuant to the application of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, total income tax benefit/(expense) has been reclassified within net income/(loss) from discontinued operations (see note 7.4.7). +

** A tax audit resulted in the consumption of all tax losses carry forward and the booking of a tax charge on previous fiscal years income for a total amount of 2 008 thousand euros.

7.4.6. Earnings/(loss) per share

The earnings/(loss) per share data used to calculate basic and diluted earnings/(loss) per share are as follows:

(number of shares)	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Weighted average number of ordinary shares (excluding treasury shares) used to calculate basic earnings / (loss) per share	**231,324 184**	**225 085 432**
Effect of dilution based on the treasury stock method:		
Stock options	-	-

ABSAAR redeemable warrants	-	-
OCEANE bonds	-	-
Free shares	224,000	806,400
Dilutive effect	**224,000**	**806,400**
Weighted average number of ordinary shares (excluding treasury shares) adjusted for diluted earnings/(loss) per share	**231,548 184**	**225 891 183**

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

7.4.7. Net loss from discontinued operations

(in thousands of euros)	Notes	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Sales	**6.1.6**	**22,112**	**38,563**
Expenses for the period	-	(22,112)	(110,726)
Recurring operating income/(loss)	**-**	**-**	**(72,163)**
Other operating expenses, net	-	(902)	(8,860)
Operating loss	**-**	**(902)**	**(81,023)**
Net financial income/(expense)	-	(25,351)	13,036
Loss before tax	**-**	**(26,253)**	**(67,987)**
Income tax	-	(3)	4
Net loss from discontinued operations	**-**	**(26,256)**	**(67,983)**

For the nine months ended December 31, 2015, net financial income/(expense) from discontinued operations principally reflects the exchange gains and losses of subsidiaries hosting discontinued operations reclassified to the income statement (representing an expense of 24,308 thousand euros), and unrealized exchange losses on intra-group financing amounting to 1,043 thousand euros. For the nine months ended December 31, 2014, net financial income/(expense) from discontinued operations included an unrealized exchange gain on intra-group financing amounting to 13,036 thousand euros.

7.5. Other information

7.5.1. Seasonal fluctuation in business

The Group does not experience seasonal fluctuations in business. 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 sales fluctuations are in fact driven to a greater extent by launches of next-generation products, which are not generally seasonal in nature (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 impact certain applications are diluted by the diversity of the Group's markets, i.e., consumer products (game consoles, PCs, tablets, smart phones, etc.), industrial products or products aimed at businesses (automotive, lighting, servers).

7.5.2. Related-party disclosures

- As of December 31, 2016 the Board of Directors comprises the following seven members :

- Paul Boudre,
- Bpifrance Participations, represented by Thierry Sommelet,
- CEA Investissement, represented by Christophe Gegout,
- Douglas Dunn,
- Joël Karecki,
- Satoshi Onishi,
- Joseph Martin.

Paul Boudre is the only member of the Board having direct responsibilities in the General Management of the Company.

Within the framework of the financing plan put in place as part of the conciliation procedure approved by the Grenoble Commercial Court on May 5, 2015, Shin Etsu Handotai (Europe), Bpifrance Participations, and CEA Investissement provided Soitec with the financial support described in Chapter 19 (Related-party transactions) and Chapter 22 (Major contracts) of the 2014-2015 Registration Document, filed with the French financial markets authority (*Autorité des marchés financiers*) on June 10, 2015 under number D. 15-0587.

Bpifrance Participations and CEA Investissement both hold a seat on the Board of Directors. Satoshi Onishi is the Managing Director and Chief Executive Officer of Shin Etsu Handotai (Europe). Douglas Dunn is a director on the board of Global Foundries, Inc and previously held a number of management positions at Arm Holdings Plc, two companies with which Soitec has significant business dealings.

7.6. Subsequent events

As part of its strategy to redirect its focus toward its core business, on March 29, 2016 Soitec completed the sale of its French subsidiary Altatech on March 29, 2016 and transferred on March 31, 2016 the assets and the personnel of the Lighting CGU to a joint-venture in which it only holds a minority share.. In the consolidated financial statements at December 31, 2015, these activities are presented within "Other Activities" for the purposes of segment reporting.