



Soitec announces full year results for 2007-2008

- **Gross margin of 49.6 million Euros, equal to 16.6% of sales**
- **Operating loss of 8.2 million Euros, net loss of 10.0 million Euros**
- **Operating cash flow of 59.4 million Euros and year end cash of 187 million Euros**
- **February scenario for 2008-2009 reiterated**

Bernin, France, 19th May 2008 – Soitec, the SOI (Silicon-on-insulator) leader, today announced consolidated results for the financial year ending 31st March 2008. Sales for the year of 298.2 million Euros were down by 19.8% in Euros reflecting lower demand and the severe weakness of the US Dollar against the Euro of 9.3% over the year. The reduced sales led to a gross margin of 49.6 million Euros equal to 16.6% of sales compared to 108.1 million Euros and 29.1% of sales for the previous year. In line with guidance the operating loss was 8.2 million Euros, which is 2.7% of sales. Taking into account net interest expense of 1.9 million Euros this results in a net loss of 10.0 million Euros. Operating activities generated 59.4 million Euros of operating cash flow. At the year end the balance sheet was very solid with cash resources of more than 187 million Euros and shareholder funds of 514 million Euros.

(Euros millions)	2006-2007	2007-2008
Sales	372.0	298.2
Gross margin	108.1	49.6
Research & Development	31.0	25.5
SG&A	28.6	32.3
Operating income/(loss)	48.5	(8.2)
Net interest (exp)/inc	0.3	(1.9)
Net income – Group share	46.2	(10.0)
Net earnings per share (Euros – undiluted)	0.59	(0.11)

Sales impacted by weak demand and the continued unfavourable exchange

Total wafer sales for the year were 286.0 million Euros down by 20.3% in Euros or 13.1% at constant exchange. 300mm sales, which represent 72.3% of total wafer sales were lower by only 8.1% at constant exchange. Taking into account the fact that a major client switched all 200mm to 300mm production from August 2007 sales of all other diameters were down by 24.1% at constant currency. Over the year Picogiga recorded sales of 6.1 million Euros down 30% compared to the

previous year, while Tracit more than doubled its sales to 2.1 million Euros. Royalty revenue was 4.0 million Euros.

Results impacted by reduced sales but solid balance sheet including Singapore investment

Given the manufacturing cost profile and the production capacity installed to service volumes that failed to materialise, margins have been negatively impacted. At the gross margin level the decision to respect contractual selling prices despite the lower volumes combined with costs incurred to perfect internal wafer recycling activity led to materially lower performance. The continuing weakness in the Dollar also had an unfavourable effect. The Singapore fab was successfully completed leading to the initial recognition of around 2.2 million Euros start up costs at the gross margin level. In addition the company decided to write down the value of certain production assets leading to a non cash year end charge of 4.5 million Euros. Overall these effects led to a total reported gross margin of 16.6% of sales. Excluding Singapore and the year end charge, the gross margin was 18.9% of sales in comparison with 29.1% of sales in the prior year.

Net research and development expense was 8.5% of sales. In absolute terms gross expense was broadly similar to the previous year. However the net charge to profit of 25.5 million Euros was 5.5 million Euros below the prior year. This is mainly explained by the fact that part of the grants relating to the NanoSmart™ and Bernin 2010 projects that have been recognised this year refer to gross expenses incurred last year. Operating expenses running rates have been carefully managed. However the full year includes a provision for the settlement of an ongoing legal action. At the operating margin level the company reported an operating loss of 8.2 million Euros equal to a negative margin of 2.7% of sales in line with recent guidance. This is below the prior year's positive reported operating margin of 13.0% of sales, which for comparison purposes falls to 10.8% of sales when restated at the current year's exchange rate.

Net interest costs for the year were 1.9 million Euros leading to a net loss for the year of 10.0 million Euros (Group Share) that is a loss of 11 cents per ordinary share on an undiluted basis. Despite the operating loss, the company generated positive cash flow from operations of 59.4 million Euros. Overall cash balances went down by 120 million Euros because of the investment in Singapore required to complete the construction and equip the fab with sufficient equipment to enable customer qualification. At the year end the balance sheet remains very strong with shareholders' equity of 514 million Euros and available cash of 187 million Euros.

The Group reiterates its conservative scenario for the financial year 2008-2009

The latest forecast for the first half of the financial year 2008-2009 continues to indicate weak activity and the company anticipates a sequential decline of about 5% for the first quarter at constant exchange. A favourable change to demand depends upon lifting the uncertainty over the ramp up and success of new products launched into key markets and so the company reiterates its decision to adopt a flat sales scenario at constant exchange for the full year 2008-2009. The Group remains focused on the improvement of operational performance and expense reduction whilst maintaining its ability fully to benefit from any positive rebound in activity. Therefore despite the flat sales scenario the objective of improving operating margins is maintained on a like for like basis at constant exchange and before the cost impact associated with the Singapore fab estimated to be around 30 million US Dollars.

Agenda

The results for the first quarter of the financial year 2008-2009 will be published on 21 July 2008, after the Paris Stock Exchange closes.

About Soitec:

Soitec is the world's leading supplier of engineered substrates for advanced microelectronics. The Group produces a wide range of advanced materials, especially silicon-on-insulator (SOI) wafers based on its Smart Cut™ technology—the first high-volume application for this proprietary technology. SOI is currently seen as the platform of the future, paving the way to higher-performance, faster, and more economical chips.

Soitec currently produces over 80% of the SOI wafers. Headquartered at Bernin in France, with two high-volume production units on site, Soitec also has offices in the US, Japan, and Taiwan, and a new production site is in the process of customers qualification in Singapore.

The Group has two other divisions: Picogiga International at Les Ulis in Paris and Tracit Technologies in Bernin. Picogiga is specialized in the development and manufacture of engineered substrates, from group III-V epitaxial semiconductor wafers and gallium nitride (GaN) wafers to composite substrates for the manufacture of high-frequency electronics and optoelectronic devices. Tracit is specialized in thin-film layer transfer technologies, used to manufacture engineered substrates for power ICs and microsystems, as well as generic circuit transfer technology for applications such as image sensors and 3D integration. Shares for the Soitec Group are listed on Euronext Paris. More information is available at www.soitec.com

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