



First Half results 2007-2008

Soitec announces a reduced operating profit impacted by an unfavourable exchange rate and business environment Improved business conditions in the second half

- **Gross margin of 20.6% from sales of 152.0 million Euros**
- **Operating profit of 2.3 million Euros**
- **Net loss of 1.2 million Euros**
- **Healthy financial structure with 215 million Euros cash in hand**
- **Business recovery and improved results expected in the second half at constant sequential exchange**

Bernin, France, November 7th 2007 – Soitec (Euronext, Paris), the leading manufacturer of silicon-on-insulator (SOI) wafers and other engineered substrates today published its consolidated results for the first half of the financial year 2007-2008. The Group recorded consolidated sales of 152.0 million Euros, down by 13% compared to the first half of the previous financial year as a result of the weakening dollar, down 7.2% against the Euro, and the soft activity recorded in the first quarter particularly for 300mm wafers as customers continued to lower their excess inventory. These factors resulted in a reduced operating income of 2.3 million Euros compared to 23.8 million Euros in the first half of the previous financial year and a net loss of 1.2 million Euros, compares to a profit of 21.3 million Euros in the same period in 2006-2007. Negative operating cash flow of 7 million Euros in the first half, combined with the capital investment required for the Singapore plant, resulted in cash of 215 million Euros at end September 2007.

| In Euros millions | 1H 2006-2007 | 1H 2007-2008 |
|---------------------------------|--------------|---------------|
| Sales | 175.3 | 152.0 |
| Gross margin | 50.8 | 31.2 |
| Research & development | 15.1 | 14.1 |
| SG & A | 11.9 | 14.8 |
| Operating income | 23.8 | 2.3 |
| Net cost of debt | (2.3) | (2.4) |
| Net income/(loss) (Group share) | 21.3 | (1.2) |
| Diluted EPS (in Euros) | 0.29 | (0.01) |

Weak exchange and sales environment resulting from inventory correction issues impacted the Group's margins and results

In the first six months of the financial year, sales of 300mm SOI wafers fell by 13.3% (6.6% at constant exchange) and sales of other wafer diameters fell by 11.4% (6.5% at constant exchange) compared to the same period in the previous

financial year. Licensing revenues contributed 2.0 million Euros in the first half of the financial year, with Tracit and Picogiga contributing sales of 0.8 million Euros and 2.4 million Euros respectively.

The reduction in the Group's gross margin of 19.5 million Euros or from 28.9% to 20.6% of sales results mainly from a lower 300mm manufacturing margin, which has been unfavourably impacted by higher fixed capacity costs, the weak exchange rate and selling prices in line with contractual commitments. Other wafer manufacturing margins improved because the weak exchange impact was more than offset by favourable product mix. Net R&D expense is slightly down because of higher grants following the official approval from the European Commission for the strategic programmes Bernin 2010 and NanoSmart™. SG & A is up year on year but remains under control being down by 11% sequentially over the second half of 2006-2007. Operating income was reduced but positive at 2.3 million Euros. This includes operating losses from Picogiga and Tracit of 5.2 million Euros. The impacts explained above have reduced the operating margin to 1.5% of sales and this should be compared with the prior year's first half-year margin, which when restated at the current year's exchange rate would have been 10.4%. Net interest costs were virtually stable at 2.4 million Euros resulting in a small net loss for the period of 1.2 million Euros compared to a net profit of 21.3 million Euros for the same period last year.

Total cash consumed in the period of 92 million Euros reflected the construction costs of the Singapore fab, negative operating cash flow of 7 million Euros and loan repayments of 13.5 million Euros. The balance sheet at the end of the period is strong with cash on hand of 215 million Euros and negative gearing of 17%.

Improved business and performance expected in the second half but exchange climate continues to be unfavourable

The Group remains cautious for the second half of the financial year until the success of new products recently launched by major customers is better quantified. However the Group is confident that its business environment is improving and anticipates a sequential improvement in sales and margins for the second half of the year at the same exchange rate as for the first half (constant sequential exchange) based on increased volumes across all activities and the positive effect of cost-reduction measures. The slide in the value of the Dollar will continue negatively to impact margins.

Outlook

The Group remains confident that SOI and other high value added engineered materials based on SmartCut™ technology will continue to gain ground in the market. Recent announcements throughout the value chain, including the news of the launch of the SOI Industry Consortium, emphasize the anticipated spread of SOI into new applications, such as mobile telephones and memories. The completion of the factory in Singapore will provide a highly cost effective facility for future volume manufacturing in a region of high growth and a Dollar cost base. Also the R&D funding agreement with the European Commission strengthens the Group's future ability to innovate new products.

Agenda

Third-quarter sales for the 2007-2008 financial year will be published on January 14th 2008 after the closure of the Paris Bourse.

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 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 under construction 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. Both shares and convertible bonds for the Soitec Group are listed on Euronext Paris. More information is available at www.soitec.com

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Soitec

CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2007

SOITEC
Consolidated Statements of Operations
for the period of six months ended September 2007 and 2006

| | Six months ended September 30, 2007 | Six months ended September 30, 2006 |
|---|--|--|
| Sales | 152 019 | 175 309 |
| Cost of Sales | (120 775) | (124 526) |
| Gross Profit | 31 244 | 50 783 |
| Marketing and selling expenses | (4 442) | (3 825) |
| Research and development expenses | (14 103) | (15 090) |
| General and administrative expenses | (10 440) | (8 040) |
| Operating income | 2 259 | 23 828 |
| Interest income | 7 395 | 8 618 |
| Interest expense | (9 782) | (10 897) |
| Income before tax | (128) | 21 549 |
| Income Tax | (1 072) | (239) |
| Net income of fully consolidated companies | (1 200) | 21 310 |
| Minority interests | (39) | (35) |
| Group share of net income | (1 161) | 21 345 |
| Basic net income per share | (0,01) | 0,28 |
| Diluted net income per share | (0,01) | 0,29 |

SOITEC

Consolidated Balance Sheet as of September 30, 2007 and March 31, 2006

| | Six months ended September 30, 2007 | Six months ended September 30, 2006 |
|--|--|--|
| Assets | | |
| Non current assets | | |
| Intangible assets..... | 23 401 | 26 341 |
| Tangible assets..... | 359 524 | 288 702 |
| Financial assets | 1 847 | 1 700 |
| | 384 772 | 316 743 |
| Current assets | | |
| Inventories | 57 525 | 58 722 |
| Accounts receivable..... | 49 063 | 51 631 |
| Other receivables | 44 947 | 34 465 |
| Short term financial assets | 8 545 | 6 437 |
| Cash and cash equivalents | 215 195 | 307 183 |
| | 375 275 | 458 438 |
| TOTAL ASSETS | 760 047 | 775 181 |
| Shareholders' equity and liabilities | | |
| Shareholders' equity | | |
| Share capital | 8 225 | 8 219 |
| Additional paid-in capital | 462 431 | 462 128 |
| Treasury shares..... | (159) | (137) |
| Retained earnings | 64 801 | 62 543 |
| Other reserves | (2 824) | 559 |
| Shareholders' equity - group share | 532 474 | 533 312 |
| Minority interests | 422 | 461 |
| Total shareholders' equity | 532 896 | 533 773 |
| Non current liabilities | | |
| Long term debts..... | 86 462 | 103 502 |
| Long term debts..... | 1 725 | 1 318 |
| Other non current liabilities | 2 316 | 1 890 |
| | 90 503 | 106 710 |
| Current liabilities | | |
| Short term debts | 31 938 | 28 011 |
| Accounts payable | 86 087 | 86 140 |
| Other current liabilities | 18 623 | 20 547 |
| | 136 648 | 134 698 |
| TOTAL CURRENT AND NON CURRENT LIABILITIES | 227 151 | 241 408 |
| TOTAL LIABILITIES | 760 047 | 775 181 |

SOITEC
Consolidated Statements of Shareholders' Equity

| | Ordinary shares | | APIC | Treasury shares | Retained earnings | Other reserves | Total shareholders equity – Group Share | Minority interests | Total shareholders equity |
|---|-------------------------|---------------|----------------|-----------------|-------------------|----------------|---|--------------------|---------------------------|
| | Number of shares issued | Share capital | | | | | | | |
| | K€ | K€ | | | | | | | |
| 31 March 2006 | 75 110 588 | 5 725 | 377 962 | 158 | 28 446 | 384 | 412 675 | 506 | 413 181 |
| Translation adjustments | | | | | | (203) | (203) | | (203) |
| Net loss on financial assets available for sale..... | | | | | | - | - | | - |
| Total income and expenses for the year recognized directly in equity..... | | | | | | (203) | (203) | | (203) |
| Net income (loss) | | | | | 21 345 | | 21 345 | (35) | 21 310 |
| Total income and expenses for the year | | | | | 21 345 | (203) | 21 142 | (35) | 21 107 |
| Stock options and warrants exercised | | | | | (5 238) | | (5 238) | | (5 238) |
| Operations on capital | 2 953 163 | 225 | 33 150 | | (8 823) | | 24 552 | | 24 552 |
| Variation in shareholders equity of financial instrument | | | | | (261) | | (261) | | 261 |
| Share-based payments..... | | | | | 2 888 | | 2 888 | | 2 888 |
| Shares repurchased..... | | | | (39) | | | (39) | | (39) |
| 30 September 2006 | 78 063 751 | 5 950 | 411 112 | 119 | 38 357 | 181 | 455 719 | 471 | 456 190 |

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Consolidated Statements of Shareholders' Equity

| | Ordinary shares | | APIC | Treasury shares | Retained earnings | Other reserves | Total shareholders equity – Group Share | Minority interests | Total shareholders equity |
|--|-------------------------|---------------|----------------|-----------------|-------------------|----------------|---|--------------------|---------------------------|
| | Number of shares issued | Share capital | | | | | | | |
| | K€ | K€ | | | | | | | |
| 31 March 2007 | 82 185 104 | 8 219 | 462 128 | (137) | 62 543 | 559 | 533 312 | 461 | 533 773 |
| <hr/> | | | | | | | | | |
| Translation adjustments | | | | | | (3 383) | (3 383) | | (3 383) |
| Net loss on financial assets available for sale | | | | | | | | | |
| Total income and expenses for the year recognized directly in equity | | | | | | (3 383) | (3 383) | | (3 383) |
| Net income (loss) | | | | | (1 161) | | (1 161) | (39) | (1 200) |
| Total income and expenses for the year | | | | | (1 161) | (3 383) | (4 544) | (39) | (4 583) |
| Stock options and warrants exercised | | | | | 49 | | 49 | | 49 |
| Operations on capital | 65 058 | 6 | 303 | | 666 | | 975 | | 975 |
| Variation in shareholders equity of financial instruments | | | | | (79) | | (79) | | (79) |
| Share-based payments | | | | | 2 783 | | 2 783 | | 2 783 |
| Shares repurchased | | | | (22) | | | (22) | | (22) |
| 30 September 2007 | 82 250 162 | 8 225 | 462 431 | (159) | 64 801 | (2 824) | 532 474 | 422 | 532 896 |

SOITEC
Consolidated Statements of Cash Flows

| | Six months ended September 30, 2007 | Six months ended September 30, 2006 |
|---|--|--|
| Consolidated net income | (1 161) | 21 345 |
| Adjustments to reconcile net income to net cash used in operating activities | | |
| Depreciation and amortization (Note 6.6) | 21 458 | 18 540 |
| Results on assets sale..... | 295 | (213) |
| Variation in deferred tax..... | 407 | - |
| Minority interests | (39) | (35) |
| Net financial debt cost | 443 | 2 039 |
| Share based payment expenses | 2 784 | 2 888 |
| Increase (decrease) of cash and cash equivalents from : | | |
| Inventories | 943 | (11 910) |
| Accounts receivable | 1 784 | (3 978) |
| Other receivables | (11 709) | (3 191) |
| Accounts payable | (21 000) | 4 985 |
| Other debts | (1 224) | (2 885) |
| Cash flows provided by operating activities | (7 019) | 27 585 |
| Purchases of intangible assets | (2 079) | (5 026) |
| Purchases of tangible assets | (71 276) | (17 442) |
| Proceeds from sale of tangible and intangible assets | 2 039 | 213 |
| Proceeds from sale (purchase) of financial assets | (2 174) | (6 069) |
| Perimeter effect | - | (1 348) |
| Financial interests received | 3 618 | 4 520 |
| Cash flows used in investing activities | (69 872) | (25 152) |
| Amounts received from shareholders from capital increase | - | 9 |
| Amounts received from stock options and warrants exercised | 322 | 1 465 |
| Resale (repurchase) of treasury shares | 100 | (39) |
| Amounts provided by new loans | - | - |
| Reimbursement of loans (including leasing agreements) | (13 541) | (13 528) |
| Financial interest paid | (3 023) | (2 887) |
| Cash flows provided by financing activities | (16 142) | (14 980) |
| Effect of exchange rates changes on cash and cash equivalents | 1 045 | 875 |
| Variation of net cash and cash equivalents | (91 988) | (11 672) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 307 183 | 316 282 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 215 195 | 304 610 |