



## FIRST HALF RESULTS 2009-2010

- **Gross margin at 8.0% from sales of 94.2 million Euros**
- **Sequential reduction of Current Operating Loss at 15.8 million Euros**
- **Net loss of 19.4 million Euros**
- **Cash of 306 million Euros at 30th September**
- **Sequential growth confirmed for the second half of the year**

*Bernin, France, November 18th 2009* – 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 2009-2010. In the first half of the year the Group recorded consolidated sales of 94.2 million Euros down by 21.7% year on year, despite an improvement in the Dollar, which increased by 11% against the Euro. Although helped by favourable exchange and cost cutting measures, the soft activity resulted in a current operating loss of 15.8 million Euros compared to 9.4 million Euros in the first half of the previous financial year. On a sequential basis with almost stable sales the current operating loss was significantly reduced from 19.0 million Euros in the second half of the previous year despite the 5% unfavourable exchange movement. After the net interest charge and an immaterial non current item, the net loss came to 19.4 million Euros compared to a loss of 8.0 million Euros in the same period in 2008-2009 and a loss of 35.3 million Euros in the second half of the previous year. Despite the net loss, positive operating cash flow of 15.8 million Euros was generated in the period and capital expenditure was kept to a minimum. Taking into account capital lease repayments and net proceeds from the recent convertible bond issue, the company closed the half year with strong cash and cash equivalents of 306 million Euros at end September 2009.

In Euros millions	H1 2008-2009	<b>H1 2009-2010</b>
Sales	120.3	<b>94.2</b>
Gross margin	15.8	<b>7.6</b>
Research & development	13.0	<b>12.5</b>
SG & A	12.2	<b>10.9</b>
Current Operating (Loss)	(9.4)	<b>(15.8)</b>
Operating Loss	(9.4)	<b>(16.3)</b>
Net financial (cost)/revenue	3.0	<b>(3.0)</b>
Net income/(loss) (Group share)	(8.0)	<b>(19.4)</b>
Diluted EPS (in Euros)	(0.10)	<b>(0.22)</b>

## **Strong cost reductions limit the impact of lower sales**

In the first half of the financial year 300 mm, which represented 85% of total wafer sales, were up sequentially by 5.2% or 10.9% at constant exchange but lower than the prior year by 18.2% or 26.1% at constant exchange. All other wafer sales were down both sequentially by 18.0% or 13.6% at constant exchange and on a year on year basis by 39.9% or 45.7% at constant exchange. Licensing revenues contributed 1.4 million in the first half of the year with Tracit and Picogiga contributing combined sales of 5.0 million Euros.

The significant reduction in sales essentially explains the year on year reduction in the Group's gross margin from 13.1% to 8.0% of sales even though the exchange movement was favourable. On a sequential basis gross margin more than doubled from 3.3 million Euros to 7.6 million Euros from almost stable sales and an unfavourable exchange impact as cost cutting initiatives delivered a positive impact.

On a yearly basis, the manufacturing margin from wafer sales decreased to 18.4% from 21.9% but rose strongly from 12.8% in the second half of the previous year. Net R&D expense reached 13.3% of sales to sustain future growth and SG & A expenses decreased year on year by 11%, equal to 1.3 million Euros, helping to limit the current operating loss to 15.8 million Euros compared to 9.4 million Euros for the first half of last year and 19.0 million Euros for the second half of the previous year. Net impact from Singapore plant was 5.6 million Euros for the period compared to 5.8 million Euros year on year and 6.9 sequentially. Immaterial non current items of 0.4 million Euros and net interest expense of 3.0 million Euros results in a net loss for the period of 19.4 million Euros compared to a net loss of 8.0 million Euros for the same period last year and 35.3 million Euros for the second half of the prior year.

Despite the net loss, positive operating cash flow equalled 15.8 million Euros. Net Capital expenditure was limited to 3.8 million Euros and loan repayments and related interest were 15.3 million Euros. Excluding the impact of the recent convertible bond issue, net cash increased from 90 million Euros at the end of March 2009 to 101 million Euros at the end of September. The balance sheet at the end of the period is strong showing cash and cash equivalents of 306 million Euros.

## **Sequential increase in activity confirmed for the second half at constant exchange**

Recent indications from major customers and positive industry news flow point to further sequential growth over the full second half of the year at constant exchange. Actual performance will depend mainly on final demand during calendar year end as well as reassessment by customers of their Q1 requirements.

## 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 and materialize when the macro economic environment rebounds on a sustainable basis. This is evidenced by recent announcements throughout the SOI eco-system, such as enlarged customer offers, the release of new SOI dedicated design libraries and positive initiatives from the SOI Industry Consortium. The Group will also apply its resources to medium to long term value creation in markets that require high performance, such as mobile displays, high brightness solid state lighting, lasers, sensors, 3D transistors, back side illumination and solar cells.

## Agenda

Third-quarter sales for the 2009-2010 financial year will be published on January 18th 2010 after the closure of the Paris Bourse.

## About the Soitec Group

The Soitec Group is the world's leading innovator and provider of the engineered substrate solutions that serve as the foundation for today's most advanced microelectronic products. The group leverages its proprietary Smart Cut™ technology to engineer new substrate solutions, such as silicon-on-insulator (SOI) wafers, which became the first high-volume application for this proprietary technology. Since then, SOI has emerged as the material platform of the future, enabling the production of higher performing, faster chips that consume less power.

Today, Soitec produces more than 80 percent of the world's SOI wafers. Headquartered in Bernin, France, with two high volume fabs on-site, Soitec has offices throughout the United States, Japan and Taiwan, and a new production site in the process of customers' qualification in Singapore.

Two other divisions, Picogiga International (Les Ulis) and Tracit Technologies (Bernin), complete the Soitec Group. Picogiga delivers advanced substrates solutions, including III-V epiwafers and gallium nitride (GaN) wafers, to the compound material world for the manufacture of high-frequency electronics and other optoelectronic devices. Tracit, on the other hand, provides thin-film layer transfer technologies used to manufacture advanced substrates for power ICs and Microsystems, as well as generic circuit transfer technology, Smart Stacking for applications such as image sensors and 3D-integration. Shares of the Soitec Group are listed on Euronext Paris.

For more information, visit [www.soitec.com](http://www.soitec.com).

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	Six months ended September 30, 2009	Six months ended September 30, 2008
Sales .....	94,213	120,294
Cost of Sales .....	(86,641)	(104,487)
<b>Gross Profit</b> .....	<b>7,572</b>	<b>15,807</b>
Marketing and selling expenses .....	(3,518)	(3,027)
Research and development expenses .....	(12,484)	(12,972)
General and administrative expenses .....	(7,399)	(9,181)
<b>Current Operating income</b> .....	<b>(15,829)</b>	<b>(9,373)</b>
Other operating income .....	-	-
Other operating expense .....	(442)	-
<b>Operating income</b> .....	<b>(16,271)</b>	<b>(9,373)</b>
Interest Income .....	2,276	11,510
Interest expense .....	(5,328)	(8,505)
<b>Financial income</b> .....	<b>(3,052)</b>	<b>(3,005)</b>
<b>Income (loss) before tax</b> .....	<b>(19,323)</b>	<b>(6,368)</b>
Income Tax .....	(84)	(1,717)
<b>Net income of fully consolidated companies</b> .....	<b>(19,407)</b>	<b>(8,085)</b>
Minority interests .....	5	(43)
<b>Group share of net income</b> .....	<b>(19,412)</b>	<b>(8,042)</b>
Basic net income per share .....	(0.22)	(0.10)
Diluted net income per share .....	(0.22)	(0.10)

#### COMPREHENSIVE INCOME

	Six months ended September 30, 2009	Six months ended September 30, 2008
<b>Net income of fully consolidated companies</b> .....	<b>(19,412)</b>	<b>(8,042)</b>
Exchange differences on translating foreign operations .....	(13,876)	13,873
Available-for-sale financial assets .....	-	-
Cash flow hedges .....	-	-
Gains on property revaluation.....	-	-
Issue of share capital expenses .....	(567)	(2,023)
Income tax relating to components of other comprehensive income .....	190	674
<b>Other comprehensive income net of tax</b> .....	<b>(14,253)</b>	<b>12,524</b>
<b>Total comprehensive income of fully consolidated companies</b> .....	<b>(33,665)</b>	<b>4,482</b>
Minority interests .....	5	(43)
<b>Group share Comprehensive income</b> .....	<b>(33,660)</b>	<b>4,439</b>

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## CONSOLIDATED BALANCE SHEET (Amounts in thousands of Euros)

	30 September 2009	31 March 2009
<b>Assets</b>		
<b>Non current assets</b>		
Intangible assets .....	17,178	20,698
Tangible assets .....	320,147	355,376
Deferred tax assets .....	1,134	674
Financial assets .....	969	1,051
	<b>339,428</b>	<b>377,799</b>
<b>Current assets</b>		
Inventories .....	34,786	37,881
Accounts receivable .....	26,206	18,355
Other receivables .....	30,799	35,002
Short-term financial assets .....	58	203
Cash and cash equivalents .....	306,116	167,280
	<b>397,965</b>	<b>258,721</b>
<b>TOTAL ASSETS</b>	<b>737,393</b>	<b>636,520</b>
<b>Shareholder's equity and liabilities</b>		
<b>Shareholder's equity</b>		
Share capital .....	8,546	8,512
Additional paid-in capital .....	476,386	475,459
Treasury shares.....	(210)	(210)
Retained earnings.....	28,172	19,440
Other reserves .....	(4,436)	9,144
<b>Shareholders equity – Group share</b> .....	<b>508,458</b>	<b>512,345</b>
Minority interests .....	244	239
<b>Total shareholder's equity</b>	<b>508,702</b>	<b>512,584</b>
<b>Non current liabilities</b>		
Long term debts.....	150,795	49,254
Deferred tax liabilities .....	-	-
Other non current liabilities .....	2,143	1,930
	<b>152,938</b>	<b>51,184</b>
<b>Current Liabilities</b>		
Short term debts .....	29,796	27,794
Accounts payable .....	30,867	28,865
Other current liabilities .....	15,090	16,093
	<b>75,753</b>	<b>72,752</b>
<b>TOTAL CURRENT AND NON CURRENT LIABILITIES</b>	<b>228,691</b>	<b>123,936</b>
<b>TOTAL LIABILITES</b>	<b>737,393</b>	<b>636,520</b>

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Amounts in thousands of Euros)

	Ordinary shares		APIC	Shares repurchased	Retained earnings	Other reserves	Total shareholders equity – Group/Share	Minority interests	Total shareholders equity
	Number of shares issued	Share capital							
<b>March 31, 2008</b>	<b>82,755,632</b>	<b>8,276</b>	<b>465,050</b>	<b>(211)</b>	<b>57,089</b>	<b>(16,056)</b>	<b>514,148</b>	<b>355</b>	<b>514,503</b>
Translation adjustments		13,873					13,873		13,873
Variation of fair value of assets available for sale									
Variation of revaluation adjustments									
Issue of share capital expense			(1,349)		(8,042)		(1,349)	(43)	(1,349)
Total income and expense for the year recognized directly in equity			(1,349)			13,873	12,524		12,524
Net income (loss)					(8,042)		(8,042)	(43)	(8,085)
Total income and expenses for the year					(8,042)	13,873	4,482	(43)	4,439
Stock options and warrants exercised									
ABSAARS operation	2,250,000	225	11,708		11		11,944		11,944
Issue of share capital	111,351	11	40		-		51		51
Variation in shareholders equity of financial instruments									
Share based payments					2,156		2,156		2,156
Shares repurchased				3			3		3
<b>September 30, 2008</b>	<b>85,119,383</b>	<b>8,512</b>	<b>475,449</b>	<b>(208)</b>	<b>51,214</b>	<b>(2,183)</b>	<b>532,784</b>	<b>312</b>	<b>533,096</b>

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Amounts in thousands of Euros)

	Ordinary shares		APIC	Shares repurchased	Retained earnings	Other reserves	Total shareholders equity – Group/Share	Minority interests	Total shareholders equity
	Number of shares issued	Share capital							
<b>March 31, 2009</b> .....	<b>85,119,383</b>	<b>8,512</b>	<b>475,459</b>	<b>(210)</b>	<b>19,440</b>	<b>9,144</b>	<b>512,345</b>	<b>239</b>	<b>512,884</b>
Translation adjustments .....					(296)	(13,580)	(13,876)		(13,876)
Variation of fair value of assets available for sale .....									
Variation of revaluation adjustments .....									
Issue of share capital expense.....			(377)				(377)		(377)
Total income and expense for the year recognized directly in equity.....			(377)		(296)	(13,580)	(14,253)		(14,253)
Net income (loss) .....					(19,412)		(19,412)	5	(19,407)
Total income and expenses for the year .....			(377)		(19,708)	(13,580)	(33,665)	5	(33,660)
Issue of share capital .....	343,756	34	1,304		2,240		3,578		3,578
Variation in shareholders equity of financial instruments .....					23,918		23,918		23,918
Share based payments .....					2,218		2,218		2,218
Others .....					64		64		64
<b>September 30, 2009</b> .....	<b>85,463,139</b>	<b>8,546</b>	<b>476,386</b>	<b>(210)</b>	<b>28,172</b>	<b>(4,436)</b>	<b>508,458</b>	<b>244</b>	<b>508,702</b>

	<b>Six months ended September 30, 2009</b>	<b>Six months ended September 30, 2008</b>
<b>Consolidated net income (loss)</b>	<b>(19,412)</b>	<b>(8,042)</b>
<b>Adjustments to reconcile net income (loss) to net cash used in operating activities :</b>		
Depreciation and amortization .....	28,089	22,554
Goodwill depreciation).....	-	-
Loss on disposal of fixed asset .....	28	524
Variation in deferred tax.....	84	1,599
Minority interests .....	5	(43)
Net financial debt cost .....	2,879	(588)
Share based payment expenses .....	2,218	2,155
Other .....	-	-
<b>Increase (decrease) of cash and cash equivalents from :</b>		
Inventories .....	2,928	5,149
Accounts receivable .....	(6,854)	(1,028)
Other receivables .....	(3,144)	(2,623)
Accounts payable .....	3,823	(8,193)
Other debts .....	5,151	1,204
<b>Cash flows provided by operating activity</b>	<b>15,795</b>	<b>12,668</b>
Purchase of intangible assets .....	(308)	(1,892)
Purchase of tangible assets .....	(4,056)	(29,850)
Proceeds from sale of tangible and intangible assets .....	218	461
Proceeds from sale (purchase) of financial assets .....	-	(7)
Variation in perimeter .....	-	-
Financial interest received .....	365	3,081
<b>Cash flows used in investing activities</b>	<b>(3,781)</b>	<b>(28,207)</b>
Amounts received from shareholders from capital increase .....	1,905	9,910
Amounts received from stock options and warrants exercised .....	1,170	51
Resale (repurchase) of shares .....	-	-
Amounts provided by new loans .....	140,187	-
Reimbursement of loans (including leasing agreements) .....	(13,847)	(13,952)
Financial interest paid .....	(1,441)	(2,452)
<b>Cash flows provided by (used in) financing activities</b>	<b>127,974</b>	<b>(6,443)</b>
Effect of exchange rates changes on cash and cash equivalents	1,152	1,747
<b>Variation of net cash and cash equivalents</b>	<b>138,836</b>	<b>20,235</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR .....	167,280	186,933
CASH AND CASH EQUIVALENTS AT END OF THE YEAR.....	306,116	166,698