



First Half-Year 2006-2007
Soitec Reports Significant Improvement to Results
Increased Visibility and Positive Outlook

- **Strong sales growth of 53.0% with improved gross margin up to 29.0%**
- **Operating income doubles as margin improves to 13.6%**
- **Net income of 21.3 million Euros equals 12.2% of sales**
- **Firm order for a minimum of \$350 million reinforces visibility**
- **Full year guidance confirmed**

Bernin, France, October 30, 2006 – Soitec (Euronext Paris), the world’s leading supplier of silicon-on-insulator (SOI) wafers and other engineered substrates, today announced consolidated results for the first half of its financial year. Strong demand for the Group’s products, particularly 300mm SOI wafers, provided total sales for the period of 175.3 million Euros—an increase of 53% on a year-on-year basis. These record revenues with volume leverage, solid manufacturing execution and lower interest costs resulted in improved margins and a significant increase in both operating and net income over the same period last year. Operating income rose to 23.8 million Euros compared to 11.5 million Euros and net income to 21.3 million Euros against 3.7 million Euros. Operating cash flow of 27.6 million Euros covered both financing and net capital investment requirements in the period. The Group’s cash balances remained a very healthy 305 million Euros at September 30, 2006.

(Euros millions)	H1 2005-2006	H1 2006-2007
Sales	114.6	175.3
Gross profit	27.4	50.8
Research & development	8.2	15.1
SG&A	7.7	11.9
Operating income/(loss)	11.5	23.8
Net financial cost of debt	(7.0)	(2.3)
Net income/(loss)	3.7	21.3
EPS in Euros (diluted)	0.09	0.29

Substantial growth in 300-mm SOI wafer sales drives record-breaking revenues

300mm sales for the half-year were 86% above the same period last year at constant exchange rates (84% in absolute terms) and represented 67% of total wafer sales versus 58% last year. Other high volume wafer diameters, in particular 200mm, also recorded good growth of 14% on a year-on-year basis. Total wafer sales were 168.0 million Euros with annual growth equal to 54% in very similar exchange rate conditions of 1.26 vs. 1.25 last year. Sequentially, however, the exchange rate was unfavourable (1.26 vs. 1.20) resulting in performance growth of 23.9% being reduced to 18.5% in absolute terms. In addition to wafer sales the Group reported royalties of 1.7 million Euros and very strong year-on-year growth of 57% for the Picogiga division where sales totalled 5.3 million Euros.

Group realizes significant improvement in financial results

Record revenues, combined with continuing improvements in manufacturing efficiency, drove a significant gain in operating profitability. Increased volumes produced the expected favourable leverage on manufacturing costs with the result that the gross margin increased to 29.0% of sales versus 23.9% one year ago. Sequentially the gross margin was slightly higher (29.0% vs. 28.7%) despite the unfavourable movement in the Euro/Dollar exchange rate (1.26 vs. 1.20). Net Research & Development expenses of 8.6% of sales for the period reflect the early momentum of major long-term programmes launched under the auspices of Government aided funds. As guided the operating margin rose to 13.6% producing operating income of 23.8 million Euros, which is double the same period last year. Net financial cost for the period is considerably lower than last year with the result that the Group provided net income of 21.3 million Euros for the period compared to 3.7 million one year ago. In terms of cash during the period, net capital investment of 23 million and other financing requirements were covered by operating cash generated of 27.6 million Euros thereby contributing to the maintenance of a healthy cash position of 305 million Euros at the end of the period. Taken together with 12 million Euros allocated to short term financial assets underlying cash is unchanged from 6 months ago.

Continued Visibility

Medium term visibility has been significantly reinforced with a renewed firm volume commitment from Advanced Micro Devices (AMD: NYSE) for the supply of SOI wafers. Following on from the 2006 calendar year order for a minimum of \$150 million, AMD have committed to 15 months from January 2007 for a minimum of \$350 million total. This order comes under the terms of the multi-year agreement for the long-term supply of 300mm UNIBOND™ SOI wafers manufactured using Soitec's proprietary Smart Cut™ process. The wafers will be delivered both to AMD and their foundry partner.

Positive Sales and Results Outlook

The Group confirms its full year sales guidance of 400 million Euros (at April 2006 exchange rate: about 1.25). The Group also remains committed to pursuing cost-efficiencies and strengthening its competitive position through strategic and focused R&D. Increasing revenues combined with continuing management focus on manufacturing efficiency is expected to help drive a further improvement in operating income in the second half of the year with the objective of producing a full year operating margin above 15%. The Group will continue to ramp its 300-mm production in Bernin II to ensure adequate timely capacity in line with customer demand as illustrated by the recently received firm order from AMD.

“As the world's leading supplier of SOI wafers and engineered substrates, Soitec continues to benefit from strong demand for SOI wafers,” said André-Jacques Auberton-Hervé, chief executive officer and president of Soitec. “Our recent strategic initiatives in terms of innovation, additional capacity and access to potential new markets bode well for further development of the Group. Strong demand and solidly improved financial results, validates our business strategy to invest in and develop SOI production capacity. Going forward we remain committed to meeting the industry's rising SOI wafer needs, while also developing the even more advanced engineered substrate technology semiconductor manufacturers will need in the future.”

Recent development

On October 26, Soitec announced a joint development agreement with ARM [(LSE: ARM); (Nasdaq: ARMHY)] to support the future development of silicon-on-insulator (SOI) libraries for fabless and foundry companies. ARM® will leverage its existing microprocessor intellectual property portfolio, Physical IP and the partnership with Soitec to provide designers with the tools, resources and standards needed further to enable and accelerate SOI adoption.

Reporting calendar

Third quarter sales of the financial year 2006-2007 will be published on 15th January 2007 after the Paris Stock Exchange closes.

About the Soitec Group: The Soitec Group is the world's leading innovator and provider of the engineered substrates that serve as the foundation for today's most advanced electronic products and nanotechnologies. Headquartered in Bernin, France, the company manufactures its comprehensive portfolio of engineered substrates, including silicon-on-insulator (SOI) and strained SOI (sSOI), using Soitec's proprietary Smart Cut™ technology—the de facto industry standard. With its strong global presence, patented technology and industry-leading production capacity, Soitec is helping to drive the performance and power advantages that are key to the smaller, more power efficient, and increasingly mobile electronic products favoured by consumers worldwide. Both shares and convertible bonds are listed on Euronext Paris. For more information, visit the company's website located at www.soitec.com

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Soitec

SEPTEMBER 30, 2006 INTERIM FINANCIAL STATEMENTS

Soitec

CONSOLIDATED STATEMENTS OF OPERATIONS (Amounts in thousands of Euros, except per share data)

	Six months ended September 30, 2006	Six months ended September 30, 2005
Sales	175 309	114 629
Cost of Sales	(124 526)	(87 211)
Gross Profit	50 783	27 418
Marketing and selling expenses	(3 825)	(2 802)
Research and development expenses	(15 090)	(8 179)
General and administrative expenses	(8 040)	(4 953)
Operating income	23 828	11 484
Interest income	8 618	5 141
Interest expense.....	(10 897)	(12 151)
Income before tax	21 549	4 474
Income Tax	(239)	(840)
Net income of fully consolidated companies	21 310	3 634
Minority interests	(35)	(40)
Group share of net income	21 345	3 674
Basic net income per share	0,28	0,06
Diluted net income per share	0,29	0,09

CONSOLIDATED BALANCE SHEET
(Amounts in thousands of Euros)

	Six months ended September 30, 2006	Year ended March 31, 2005
Assets		
Non current assets		
Intangible assets.....	25 636	3 662
Tangible assets.....	265 709	247 795
Financial assets	1 061	7 412
	292 406	258 869
Current assets		
Inventories	51 480	39 611
Accounts receivable.....	36 496	32 697
Other receivables	33 670	39 861
Short term financial assets	12 644	-
Cash and cash equivalents.....	304 610	316 282
	438 900	428 451
	731 306	687 320
TOTAL ASSETS		
Shareholders' equity and liabilities		
Shareholders' equity		
Share capital	5 950	5 725
Additional paid-in capital	411 112	377 962
Treasury shares	119	158
Retained earnings	38 357	28 446
Other reserves	181	384
Shareholders' equity - group share	455 719	412 675
Minority interests	471	506
Total shareholders' equity	456 190	413 181
Non current liabilities		
Long term debts	124 114	127 998
Other non current liabilities	1 208	1 422
	125 322	129 420
Current liabilities		
Short term debts	66 632	63 107
Accounts payable	67 984	65 580
Other current liabilities	15 178	16 032
	149 794	144 719
	275 116	274 139
TOTAL CURRENT AND NON CURRENT LIABILITIES		
TOTAL LIABILITIES		
	731 306	687 320

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Amounts in thousands of Euros, except per share data)

	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 2005	56 669 829	4 320	114 925	(72)	(687)	532	119 018	108	119 126
Translation adjustments						257	257		257
Variation of fair value on financial assets available for sale							-		-
Total income and expenses for the year recognized directly in equity						257	257		257
Net income					3 674		3 674	(40)	3 634
Total income and expenses for the period					3 674	257	3 931	(40)	3 891
Stock options and warrants exercised					348		348		348
Operations on capital	1 955 960	148	11 875		20 598		32 621	465	33 086
Variation in shareholders equity of financial instruments.....									
Share-based payments					(4 999)		(4 999)		(4999)
Shares repurchased.....					353		353		353
				86			86		86
30 September 2005	58 625 789	4 468	126 800	14	19 287	789	151 358	533	151 891

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Amounts in thousands of Euros, except per share data)

	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€	K€	K€	K€	K€	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)
Variation of fair value on financial assets available for sale							-		-
Total income and expense for the year recognized directly in equity						(203)	(203)		(203)
Net income					21 345		21 345	(35)	21 310
Total income and expenses for the period					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 instruments									
Share-based payments					(261)		(261)		(261)
Shares repurchased					2 888		2 888		2 888
				(39)			(39)		(39)
30 September 2006	78 063 751	5 950	411 112	119	38 357	181	455 719	471	456 190

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Amounts in thousands of Euros, except per share data)

	Six months ended September 30, 2006	Six months ended September 30, 2005
Consolidated net income	21 345	3 674
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization.....	18 540	15 399
Results on assets sale.....	(213)	(275)
Minority interests	(35)	(39)
Net financial debt cost	2 039	6 450
Share-based payment expenses	2 888	353
Others	-	(122)
Increase (decrease) of cash and cash equivalents from:		
Inventories	(11 910)	(4 576)
Accounts receivable	(3 978)	(5 572)
Other receivables	(3 191)	(941)
Accounts payable.....	4 985	17 638
Other debts.....	(2 885)	1 215
Cash flows provided by operating activities	27 585	33 204
Purchases of intangible assets	(5 026)	(947)
Purchases of tangible assets	(17 442)	(21 957)
Proceeds from sale of tangible and intangible assets	213	275
Proceeds from sale (purchase) of financial assets	(6 069)	1 393
Variation in perimeter	(1 348)	-
Financial interests received	4 520	1 277
Cash flows used in investing activities	(25 152)	(19 959)
Amounts received from shareholders from capital increase	9	4
Amounts received from stock options and warrants exercised	1 465	422
Amounts received from minorities	-	464
Resale (repurchase) of treasury shares	(39)	86
Amounts provided by new loans	-	2 607
Reimbursement of loans (including leasing agreements)	(13 528)	(12 260)
Financial interest paid	(2 887)	(3 367)
Cash flows provided by financing activities	(14 980)	(12 044)
Effect of exchange rates changes on cash and cash equivalents	875	(211)
Variation of net cash and cash equivalents	(11 672)	990
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	316 282	105 712
CASH AND CASH EQUIVALENTS AT END OF YEAR	304 610	106 702