



Strong Results for 2006-2007

- **Gross margin increases to 29.1% of sales**
- **Net income more than doubles to 46.2 million Euros**
- **A healthy and strengthened balance sheet**
- **Concentration on profitability given short term climate of uncertainty**

Bernin, France, May 9th 2007 – Soitec, the leading manufacturer of SOI (Silicon on Insulator) today announced its consolidated results for the financial year ending 31 March 2007. Boosted by the adoption of SOI in consumer markets and the success of its major customers, sales increased by 41.5% and this led to a strong increase in the Group's results despite the Dollar weakening over the year by 4.6% against the Euro. Gross profit generated rose by more than half to 108.1 million Euros and the gross margin improved to 29.1% of sales compared to 26.6% for the previous year. Operating income was 48.5 million Euros at a margin of 13.0% of sales. Combined with significantly lower net interest expense, this resulted in more than doubled net income for the year of 46.2 million Euros. Operating cash flow generated, equal to 20% of sales, was 74.5 million Euros and this covered loan repayments and almost all capital expenditure. At the year end the Group held cash balances of 307 million Euros. The balance sheet was further strengthened by the full conversion of all outstanding 2001-2006 convertible bonds during the year.

(€ Million - IFRS)	2005-2006	2006-2007
Sales	262.8	372.0
Gross profit	70.0	108.1
Research & Development	16.4	31.0
SG &A	17.6	28.6
Operating income	36.0	48.5
Net interest (exp)/inc	(12.3)	0.3
Net income – Group share	22.5	46.2
Net income per share (in Euros – undiluted)	0.37	0.59

The Group sets new sales record of 372.0 million Euros

Total wafer sales for the year were 358.9 million Euros equal to growth of 42.7% (or 48.9% at constant exchange rates) predominantly driven by very satisfactory sales of 300mm with growth of 72.9% in performance and representing 69% of total wafer sales. Sales of all other diameters, in particular 200mm, recorded performance growth of 13.5%. Picogiga, licensing and the recently acquired Tracit activity contributed respectively 8.7 million, 3.4 million and 1.0 million Euros for the year.

Significant increase in results with further reinforcement of balance sheet

The combination of increased sales volumes controlled selling prices and continued improvements in industrial efficiency enabled gross margin to improve to 29.1% of sales compared to 26.6% in the previous year, despite the unfavourable movement in the Dollar against the Euro (-4.6% over the year). Net Research & Development increased to 8.3% of sales from 6.2% in the prior year reflecting the Group's commitment to priority projects such as NanoSmart™ and the development of an SOI ecosystem based on the agreement with ARM that was signed in the year. For the year as a whole, operating income rose by over one third to 48.5 million Euros at an operating margin of 13.0% of sales. Despite higher non-recurrent legal and administrative expenses in the second half of the year the operating margin remained stable excluding the unfavourable sequential exchange rate movement. Almost all the outstanding 2001-2006 bonds converted immediately prior to the redemption date and by the year-end 84.2% of the 2004-2009 instrument had also converted. This led to a very significant reduction in interest expense. Higher interest income generated by cash invested enabled the Group to report net interest income of 0.3 million Euros compared to net interest expense of 12.3 million Euros in the previous year. Group share of net income came out more than double the previous year at 46.2 million Euros equal to 0.59 Euros earnings per share on an undiluted basis.

The Group generated cash flow from operations of 74.5 million Euros, which covered investment in capacity and debt reimbursements. At end March 2007, the Group's balance sheet was extremely strong with cash available of over 307 million Euros almost unchanged from the situation one year ago.

Medium-term prospects unchanged - Concentration on profitability given short term climate of uncertainty

The Group remains confident that SOI will continue to be widely adopted in the industry. As the technologies transition from 65 nanometer to 45 and below geometries, the partnership with ARM will make available design libraries adapted to Smart Cut™ based engineered substrates, widen the SOI ecosystem and stimulate demand for value added new materials from the fabless and foundry world.

In the short term, as the supply chain continues to absorb excess inventories held by its main customers, the Group remains cautious, particularly for the first quarter and anticipates a flat first half in performance for the financial year 2007-2008. New product launches provide positive signs for performance growth over the year as a whole. In this climate of uncertainty, the Group will concentrate on improving its results with measures to adapt its cost structure to the current demand level without impacting the implementation of the new plant in Singapore.

Agenda

The results for the first quarter of the 2007-2008 financial year will be published on Monday 16 July 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 favored 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

*SOI = Silicon On Insulator and sSOI = strained Silicon On Insulator

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

	Year ended March 31, 2007	Year ended March 31, 2006
	<u> </u>	<u> </u>
Sales.....	371 967	262 816
Cost of Sales	<u>(263 877)</u>	<u>(192 835)</u>
Gross Profit	<u>108 090</u>	<u>69 981</u>
Marketing and selling expenses	(8 509)	(6 095)
Research and development expenses	(31 044)	(16 394)
General and administrative expenses	<u>(20 086)</u>	<u>(11 528)</u>
Operating income	<u>48 451</u>	<u>35 964</u>
Interest income.....	19 408	10 349
Interest expense	(19 142)	(22 634)
Income (loss) before tax	<u>48 717</u>	<u>23 679</u>
Income Tax	(2 582)	(1 269)
Net income (loss) of fully consolidated companies	<u>46 135</u>	<u>22 410</u>
Minority interest	(45)	(67)
Group share of net income (loss)	46 180	22 477
Basic net result by share in Euro.....	0,59	0,37
Diluted net result per share	0,54	0,40

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CONSOLIDATED BALANCE SHEET (Amounts in thousands of Euros)

	Note	March 31, 2007	March 31, 2006
Assets			
Non current assets			
Intangible assets		26 341	3 662
Tangible assets		288 702	247 795
Financial assets		1 700	7 412
		316 743	258 869
Current assets			
Inventories		58 722	39 611
Accounts receivables		51 631	32 697
Other receivables		34 465	39 861
Short term financial assets		6 437	-
Cash and cash equivalents		307 183	316 282
		458 438	428 451
TOTAL ASSETS		775 181	687 320
Shareholder's equity and liabilities			
Shareholder's equity			
Share capital		8 219	5 725
Additional paid-in capital		462 128	377 962
Shares repurchased		(137)	158
retained earnings		62 543	28 446
Other reserves		559	384
Shareholders equity – group share		533 312	412 675
Minority interests		461	506
Total shareholder's equity		533 773	413 181
Non current liabilities			
Long term debts.....		103 502	127 998
Deferred tax liabilities		1 318	-
Other non current liabilities		1 890	1 422
		106 710	129 420
Current Liabilities			
Short term debts		28 011	63 107
Accounts payable		86 140	65 580
Other current liabilities		20 547	16 032
		134 698	144 719
TOTAL CURRENT AND NON CURRENT LIABILITIES		241 408	274 139
TOTAL LIABILITES		775 181	687 320

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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							
	K€	K€	K€	K€	K€	K€	K€	K€	K€
March 31, 2005	56 669 829	4 320	114 925	(72)	(687)	532	119 018	108	119 126
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Translation adjustments						315	315		315
Net loss on financial assets available for sale						(463)	(463)		(463)
Total income and expense for the year recognized directly in equity (Note...)						(148)	(148)		(148)
Net income (loss)					22 477		22 477	(67)	22 410
Total income and expenses for the year					22 477	(148)	22 329	(67)	22 262
Stock options and warrants exercised (Note...)					7 776		7 776		7 776
Operations on capital (Note...)	18 440 759	1 405	263 037		5 801		270 243	465	270 708
Variation in shareholders equity of financial instruments (Note...)					(10 618)		(10 618)		(10 618)
Share based payments (Note...)					3 697		3 697		3 697
Shares repurchased				230			230		230
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March 31, 2006	75 110 588	5 725	377 962	158	28 446	384	412 675	506	413 181
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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							
	K€	K€	K€	K€	K€	K€	K€	K€	K€
March 31, 2006	75 110 588	5 725	377 962	158	28 446	384	412 675	506	413 181
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Translation adjustments						(433)	(433)		(433)
Net loss on financial assets available for sale						463	463		463
Variation of reevaluation adjustments						145	145		145
Total income and expense for the year recognized directly in equity						175	175		175
Net income (loss)					46 180		46 180	(45)	46 135
Total income and expenses for the year	7 074 516	585	86 075		46 180	175	46 355	(45)	46 310
Stock options and warrants exercised					(5 425)		(5 425)		(5 425)
Operations on capital					(8 823)		77 837		77 837
Variation in shareholders equity of financial instruments (Note 3.8.3)				(295)	(3 799)		(3 799)		(3 799)
Share based payments		1 909	(1 909)						
Shares repurchased					5 964		5 964		5 964
Conversion of the shares nominal value							(295)		(295)
March 31, 2007	82 185 104	8 219	462 128	(137)	62 543	559	533 312	461	533 773

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CONSOLIDATED STATEMENTS OF CASH FLOWS (Amounts in thousands of Euros)

	Year ended March 31, 2007	Year ended March 31, 2006
Consolidated net income (loss)	46 180	22 477
Adjustments to reconcile net income (loss) to net cash used in operating activities :		
Depreciation and amortization	38 299	31 874
Result on assets sale	(243)	(166)
Variation in deferred tax.....	1 318	-
Minority interests	(45)	(68)
Net financial debt cost	(2 631)	11 895
Share based payment expenses	5 964	3 697
Others	-	9
Increase (decrease) of cash and cash equivalents from :		
Inventories	(19 404)	(16 980)
Accounts receivable	(19 723)	(6 840)
Other receivables	(4 078)	(7 220)
Accounts payable	25 849	23 307
Other debts	2 963	6 135
Cash flows provided by operating activity	74 449	68 118
Purchase of intangible assets	(6 555)	(2 452)
Purchase of tangible assets	(61 914)	(34 965)
Proceeds from sale of tangible and intangible assets	1 400	166
Proceeds from sale (purchase) of financial assets	(315)	9 796
Variation in perimeter	(1 348)	-
Financial interest received	10 855	2 706
Cash flows used in investing activities	(57 877)	(24 749)
Amounts received from shareholders from capital increase	-	198 733
Amounts received from stock options and warrants exercised	8 124	4 240
Resale (repurchase) of shares	(295)	231
Amounts provided by new loans	-	2 607
Reimbursement of loans (including leasing agreements)	(27 936)	(29 051)
Financial interest paid	(7 334)	(11 152)
Cash flows provided by financing activities	(27 441)	165 608
Effect of exchange rates changes on cash and cash equivalents	1 770	1 591
Variation of net cash and cash equivalents	(9 099)	210 570
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	316 282	105 712
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	307 183	316 282