



# MEMSCAP

*The Power of a Small World™*

## FIRST HALF 2012 EARNINGS: EUR.0.5 MILLION NET PROFIT

**EUR.6.3 million consolidated revenue  
growing by 23% compared to first half year 2011**

**Grenoble, France and Durham, North Carolina, August 31, 2012** – MEMSCAP (NYSE Euronext: MEMS), the leading provider of innovative solutions based on MEMS (micro-electro-mechanical systems) technology, announced today its earnings for the first half of 2012, ending June 30, 2012.

### Revenue and consolidated earnings for the first half of 2012

In accordance with the figures given in the first and second quarter press releases, consolidated revenue for the first half of 2012 amounted to EUR.6.3 million (US\$.8.1 million) compared to EUR.5.1 million (US\$.7.1 million) for the first half of 2011. Thus, the consolidated revenue increased by 23% compared to the first half year 2011.

Consolidated revenue distribution by market segment over the first half of 2012 is as follows:

Market Segments	Revenue (M€)	%
Aerospace	2.6	41%
Optical Communications / Adaptive Optics	1.4	23%
Medical / Biomedical	1.4	22%
Other Applications	0.9	14%
<b>Total</b>	<b>6.3</b>	<b>100%</b>

*(Any apparent discrepancies in totals are due to rounding.)*

MEMSCAP consolidated earnings for the first half of 2012 are given by the following table:

(In million euros)	For the 6 months ended 30 June 2012	For the 6 months ended 30 June 2011
Revenue	6.3	5.1
- Standard products	3.7	3.3
- Custom products	2.6	1.8
Gross Margin	1.8	1.5
Operating Profit / (Loss)	(0.6)	(0.8)
Financial profit / (Loss)	1.1	(0.1)
<b>Net Profit / (Loss)</b>	<b>0.5</b>	<b>(0.9)</b>

*(Financial data were subject to a limited review by the Group's statutory auditors. On August 30<sup>th</sup>, 2012, the MEMSCAP board of directors authorized the release of the HY 2012 consolidated financial statements. Any apparent discrepancies in totals are due to rounding.)*

First half year gross margin benefited from a favorable volume effect due to the increase of the Group's sales. Thus, the gross margin amounted to EUR.1.8 million and increased by EUR.0.3 million compared to the first half of 2011. The gross margin rate is impacted by costs related to the initialization of a new product line in accordance with the goals of the last capital increase. As a result, gross margin rate for the first half of 2012 is 28% of the consolidated revenue compared to 30% for the first half of 2011.

Due to the gross margin increase, operating loss amounted to EUR.(0.6) million for the first half of 2012 compared to an operating loss of EUR.(0.8) million for the first half of 2011. At June 30, 2012, operating expenses - including R&D grants - amounted to EUR.2.4 million. This amount is similar to the level of operating expenses of the first half of 2011.

Following the sale of its stake in the company INTUISKIN/ICOSMECEUTICALS (See Press release dated June 26, 2012), the Group recorded a EUR.1.3 million financial gain. Including this financial gain, the Group's consolidated net profit amounted to EUR.0.5 million for the first half of 2012 versus a net loss of EUR.(0.9) million for the first half of 2011.

### **Cash flow evolution**

Due to the sale of the stake in the company INTUISKIN/ICOSMECEUTICALS, net cash flows from investing activities increased by EUR.2.9 million. The rights issue on February 7, 2012 strengthened net cash flows from financing activities by EUR.1.1 million. Thus, net cash and cash equivalents increased by EUR.3.1 million during the first half of 2012.

At June 30, 2012, the Group's available liquidities amounted to EUR.4.8 million including cash investments (Corporate bonds) for EUR.1.1 million recorded under financial assets available for sale. Net cash position including financial debts ended at EUR.1.2 million at June 30, 2012 compared to a net indebtedness of EUR.(2.2) million at December 31, 2011.

MEMSCAP shareholders' equity totaled EUR.19.1 million at June 30, 2012 compared to EUR.17.3 million at December 31, 2011.

### **Analysis and perspectives**

During the first half of 2012, MEMSCAP experienced a sales increase for all its divisions. The sales growth related to the Custom products business unit (+EUR.0.8 million / +43% versus HY 2011) was mainly due to the development of new applications and services as well as the strong demand of the Optical Communications market on first half 2012. In addition, the revenue of the Standard products business unit benefited from the growth of its medical market and showed a EUR.0.4 million increase / +13% compared to the first half of 2011.

The positive trend, initiated during the 4<sup>th</sup> quarter 2011 and confirmed during the first half of 2012, is expected to continue during the second half of 2012.

### **Q3 2012 Earnings: October 25, 2012.**

#### ***About MEMSCAP***

MEMSCAP is the leading provider of innovative micro-electro-mechanical systems (MEMS)-based solutions. MEMSCAP standard and custom products and solutions include components, component designs (IP), manufacturing and related services. MEMSCAP customers include Fortune 500 businesses, major research institutes and universities. The company's shares are traded on the Eurolist of NYSE Euronext Paris S.A (ISIN: FR0010298620-MEMS). More information on the company's products and services can be obtained at [www.memscap.com](http://www.memscap.com).

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# INTERIM CONSOLIDATED BALANCE SHEET

## at 30 June 2012

	<b>30 June 2012</b>	<b>31 December 2011</b>
	<b>€000</b>	<b>€000</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment .....	3 661	3 813
Goodwill and intangible assets .....	9 680	9 516
Available-for-sale financial assets .....	1 056	2 983
Deferred tax asset .....	1 237	1 201
	<b>15 634</b>	<b>17 513</b>
<b>Current assets</b>		
Inventories .....	3 518	3 476
Trade and other receivables .....	2 792	2 703
Income tax receivable .....	--	30
Prepayments .....	264	283
Cash and short-term deposits .....	3 783	640
	<b>10 357</b>	<b>7 132</b>
<b>Total assets</b>	<b>25 991</b>	<b>24 645</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Issued capital .....	1 518	9 431
Share premium .....	19 420	12 703
Treasury shares .....	(134)	(140)
Retained earnings .....	(1 152)	(3 780)
Foreign currency translation .....	(578)	(937)
	<b>19 074</b>	<b>17 277</b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings .....	2 256	2 455
Other non-current financial liabilities .....	25	75
Employee benefit liability .....	328	275
	<b>2 609</b>	<b>2 805</b>
<b>Current liabilities</b>		
Trade and other payables .....	2 813	3 104
Interest-bearing loans and borrowings .....	1 237	1 159
Other current financial liabilities .....	164	207
Provisions .....	94	93
	<b>4 308</b>	<b>4 563</b>
<b>Total liabilities</b>	<b>6 917</b>	<b>7 368</b>
<b>Total equity and liabilities</b>	<b>25 991</b>	<b>24 645</b>

## INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	<i>For the six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>€000</i>	<i>€000</i>
<b>Continuing operations</b>		
Sales of goods and services.....	6 260	5 070
<b>Revenue</b> .....	<b>6 260</b>	<b>5 070</b>
Cost of sales.....	(4 498)	(3 544)
<b>Gross profit</b> .....	<b>1 762</b>	<b>1 526</b>
Other income.....	--	137
Research and development expenses.....	(865)	(953)
Selling and distribution costs.....	(434)	(428)
Administrative expenses.....	(1 055)	(1 111)
<b>Operating profit / (loss)</b> .....	<b>(592)</b>	<b>(829)</b>
Finance costs.....	(153)	(115)
Finance income.....	1 273	58
<b>Profit / (loss) for the period from continuing operations before tax</b> .....	<b>528</b>	<b>(886)</b>
Income tax expense.....	--	--
<b>Profit / (loss) for the period from continuing operations</b> .....	<b>528</b>	<b>(886)</b>
<b>Profit / (loss) for the period</b> .....	<b>528</b>	<b>(886)</b>
Earnings per share:		
- Basic, for profit / (loss) for the period attributable to ordinary equity holders of the parent (in euros).....	€ 0,09	€ (0,19)
- Diluted, for profit / (loss) for the period attributable to ordinary equity holders of the parent (in euros).....	€ 0,09	€ (0,19)

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	<i>For the six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>€000</i>	<i>€000</i>
<b>Profit / (loss) for the period</b> .....	<b>528</b>	<b>(886)</b>
Net (loss) / gain on available-for-sale financial assets.....	(267)	43
Exchange differences on translation of foreign operations.....	359	(242)
Income tax effect.....	--	--
<b>Other comprehensive income for the period, net of tax</b> .....	<b>92</b>	<b>(199)</b>
<b>Total comprehensive income for the period, net of tax</b> .....	<b>620</b>	<b>(1 085)</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

<i>(In thousands euros, except for number of shares)</i>	<i>Number of shares</i>	<i>Issued capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Retained earnings</i>	<i>Foreign currency translation</i>	<i>Total shareholders' equity</i>
		<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
<b>At 1 January 2011</b> .....	<b>4 713 970</b>	<b>9 428</b>	<b>12 701</b>	<b>(99)</b>	<b>(2 085)</b>	<b>(1 057)</b>	<b>18 888</b>
Net (loss) / gain on available-for-sale financial assets.....	--	--	--	--	43	--	43
Foreign currency translation .....	--	--	--	--	--	(242)	(242)
<b>Total income and expense for the period recognised directly in equity</b> .....	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>43</b>	<b>(242)</b>	<b>(199)</b>
Loss for the period .....	--	--	--	--	(886)	--	(886)
<b>Total income and expense for the period</b> .....	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(843)</b>	<b>(242)</b>	<b>(1 085)</b>
Exercise of stock options .....	1 250	2	1	--	--	--	3
Treasury shares .....	--	--	--	(16)	--	--	(16)
Share-based payment .....	--	--	--	--	77	--	77
<b>At 30 June 2011</b> .....	<b>4 715 220</b>	<b>9 430</b>	<b>12 702</b>	<b>(115)</b>	<b>(2 851)</b>	<b>(1 299)</b>	<b>17 867</b>
<b>At 1 January 2012</b> .....	<b>4 715 349</b>	<b>9 431</b>	<b>12 703</b>	<b>(140)</b>	<b>(3 780)</b>	<b>(937)</b>	<b>17 277</b>
Net (loss) / gain on available-for-sale financial assets.....	--	--	--	--	(267)	--	(267)
Foreign currency translation .....	--	--	--	--	--	359	359
<b>Total income and expense for the period recognised directly in equity</b> .....	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(267)</b>	<b>359</b>	<b>92</b>
Loss for the period .....	--	--	--	--	528	--	528
<b>Total income and expense for the period</b> .....	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>261</b>	<b>359</b>	<b>620</b>
Reduction of capital .....	--	(8 252)	8 252	--	--	--	--
Capital increase .....	1 355 662	339	790	--	--	--	1 129
Retained earnings offset with share premium .....	--	--	(2 325)	--	2 325	--	--
Treasury shares .....	--	--	--	6	--	--	6
Share-based payment .....	--	--	--	--	42	--	42
<b>At 30 June 2012</b> .....	<b>6 071 011</b>	<b>1 518</b>	<b>19 420</b>	<b>(134)</b>	<b>(1 152)</b>	<b>(578)</b>	<b>19 074</b>

# CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2012

	<i>For the six months ended 30 June</i>	
	<b>2012</b>	<b>2011</b>
	<b>€000</b>	<b>€000</b>
<b>Cash flows from operating activities:</b>		
Net profit / (loss) for the period .....	528	(886)
Non cash items written back:		
Amortization and depreciation .....	520	735
Capital gain or loss on disposal of fixed assets .....	(1 277)	(2)
Other non financial activities .....	43	71
Accounts receivable .....	(129)	383
Inventories .....	60	(391)
Other debtors .....	23	122
Accounts payable .....	(293)	81
Other liabilities .....	73	(124)
<b>Total net cash flows from operating activities .....</b>	<b>(452)</b>	<b>(11)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property, plant, equipment and intangible assets .....	9	2
Purchase of fixed assets .....	(180)	(317)
Proceeds from sale/(purchase) of financial assets .....	45	11
Net outflow from sale of a subsidiary, net of cash disposed .....	2 858	--
<b>Total net cash flows from investing activities .....</b>	<b>2 732</b>	<b>(304)</b>
<b>Cash flows from financing activities:</b>		
Repayment of borrowings .....	(308)	(212)
Payment of finance lease liabilities .....	(46)	(61)
Sale / (purchase) of treasury shares .....	6	(16)
Decrease / (increase) in restricted cash .....	--	23
Proceeds from issue of shares .....	1 129	3
<b>Total net cash flows from financing activities .....</b>	<b>781</b>	<b>(263)</b>
Net foreign exchange difference .....	19	(41)
<b>Increase / (decrease) in net cash and cash equivalents .....</b>	<b>3 080</b>	<b>(619)</b>
<b>Opening cash and cash equivalents balance .....</b>	<b>28</b>	<b>433</b>
<b>Closing cash and cash equivalents balance .....</b>	<b>3 108</b>	<b>(186)</b>