



# MEMSCAP

*The Power of a Small World™*

## MEMSCAP FIRST HALF 2011 EARNINGS

***Operating cash flow at break-even point  
despite the weakness of the optical communications segment***

**Grenoble, France and Durham, North Carolina, August 31, 2011** – 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 2011, ending June 30, 2011.

### Revenue and consolidated earnings for the first half of 2011

In accordance with the figures given in the first and second quarter press releases, consolidated revenue for the first half of 2011 amounted to 5.1 million euros (7.1 million US dollars) compared to 6.4 million euros (8.5 million US dollars) for the first half of 2010.

Consolidated revenue distribution by market segment over the first half of 2011 is as follows:

Market Segments	Revenue (M€)	%
Aerospace	2.5	49%
Medical / Biomedical	1.1	22%
Optical Communications / Adaptive Optics	1.1	21%
Other Applications	0.4	8%
<b>Total</b>	<b>5.1</b>	<b>100%</b>

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

MEMSCAP consolidated earnings for the first half of 2011 are given by the following table:

(In million euros)	For the 6 months ended 30 June 2011	For the 6 months ended 30 June 2010
Revenue	5.1	6.4
Gross Margin	1.5	2.5
Operating Profit / (Loss) from Continuing Operations	(0.8)	(0.2)
Profit / (Loss) from Continuing Operations	(0.9)	(0.2)
Loss from Discontinued Operations	--	(0.4)
<b>Net Profit / (Loss)</b>	<b>(0.9)</b>	<b>(0.6)</b>

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

First half gross margin was affected by the decrease in business volume and ended at 30% of the consolidated revenue compared to 39% for the first half of 2010. However, the constant optimization of the company cost structure reduced this unfavorable impact. Consequently, first half operating costs (including state grants) amounted to 2.4 million euros compared to 2.7 million euros for the first half of 2010.

First half operating loss from continuing operations is thus (0.8) million euros compared to (0.2) million euros for the first half of 2010.

First half loss from continuing operations amounted to (0.9) million euros compared to (0.2) million euros for the first half of 2010. It is reminded that the (0.4) million euros loss from discontinued operations for the first half of 2010 was related to INTUISKIN operations sold on May 26, 2010.

MEMSCAP net loss ended at (0.9) million euros for the first half of 2011 compared to (0.6) million euros for the first half of 2010 including the loss related to INTUISKIN operations.

### **Cash flow evolution**

Despite the weakness of the demand over the first half of 2011, operating cash flow remained at breakeven point similar to the first half of 2010 due to cost optimization programs. First half net cash flow resulted in a (0.6) million euros decrease compared to a (0.7) million euros decrease for the first half of 2010.

At June 30, 2011, MEMSCAP available cash amounted to 1.8 million euros including cash investments (Corporate bonds) for 1.1 million euros recorded under financial assets available for sale. Net cash position including financial debts ended at (2.0) million euros at June 30, 2011 compared to (1.7) million euros at December 31, 2010.

Finally, MEMSCAP shareholders' equity totaled 17.9 million euros at June 30, 2011 compared to 18.9 million euros at December 31, 2010.

### **Analysis and perspectives**

In spite of solid sales in the aerospace segment, first half revenue was affected by the temporary slowdown on the optical communications sector. Consequently, decrease in optical communications and adaptive optics sales achieved 1.0 million euros for the first half of 2011 compared to the first half of 2010.

This temporary weakness of the optical communications segment was the result of relatively soft inventory reduction by the major system vendors. MEMSCAP expects a significant re-acceleration of the demand on this sector for the second half of the year 2011.

### **Q3 2011 Earnings: October 27, 2011.**

#### ***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 2011

	<i>30 June 2011</i>	<i>31 December 2010</i>
	<i>€000</i>	<i>€000</i>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment.....	3 692	4 067
Goodwill and intangible assets.....	9 299	9 306
Available-for-sale financial assets.....	2 780	2 725
Other financial assets .....	3	3
Deferred tax asset.....	1 172	1 170
	<b>16 946</b>	<b>17 271</b>
<b>Current assets</b>		
Inventories.....	4 068	3 723
Trade and other receivables.....	3 132	3 514
Income tax receivable.....	6	56
Prepayments .....	386	222
Other current financial assets .....	--	67
Cash and short-term deposits.....	773	1 213
	<b>8 365</b>	<b>8 795</b>
<b>Total assets</b>	<b>25 311</b>	<b>26 066</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Issued capital.....	9 430	9 428
Share premium .....	12 702	12 701
Treasury shares.....	(115)	(99)
Retained earnings .....	(2 851)	(2 085)
Foreign currency translation.....	(1 299)	(1 057)
	<b>17 867</b>	<b>18 888</b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings.....	2 161	2 361
Other non-current financial liabilities.....	172	172
Employee benefit liability .....	592	462
	<b>2 925</b>	<b>2 995</b>
<b>Current liabilities</b>		
Trade and other payables.....	2 935	2 757
Interest-bearing loans and borrowings.....	1 375	1 260
Other current financial liabilities.....	116	116
Provisions.....	93	50
	<b>4 519</b>	<b>4 183</b>
<b>Total liabilities</b>	<b>7 444</b>	<b>7 178</b>
<b>Total equity and liabilities</b>	<b>25 311</b>	<b>26 066</b>

# INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	<i>For the six months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>€000</i>	<i>€000</i>
<b>Continuing operations</b>		
Sales of goods and services.....	5 070	6 403
<b>Revenue</b> .....	<b>5 070</b>	<b>6 403</b>
Cost of sales.....	(3 544)	(3 926)
<b>Gross profit</b> .....	<b>1 526</b>	<b>2 477</b>
Other income.....	137	107
Research and development expenses.....	(953)	(1 183)
Selling and distribution costs.....	(428)	(377)
Administrative expenses.....	(1 111)	(1 269)
Other expenses.....	--	--
<b>Operating profit / (loss)</b> .....	<b>(829)</b>	<b>(245)</b>
Finance costs.....	(115)	(141)
Finance income.....	58	164
<b>Profit / (loss) for the period from continuing operations before tax</b> .....	<b>(886)</b>	<b>(222)</b>
Income tax expense.....	--	--
<b>Profit / (loss) for the period from continuing operations</b> .....	<b>(886)</b>	<b>(222)</b>
<b>Discontinued operations</b>		
Gain / (loss) after tax for the period from discontinued operations.....	--	(404)
<b>Profit / (loss) for the period</b> .....	<b>(886)</b>	<b>(626)</b>
Earnings per share:		
- Basic, for profit / (loss) for the period attributable to ordinary equity holders of the parent (in euros).....	€ (0,19)	€ (0,13)
- Diluted, for profit / (loss) for the period attributable to ordinary equity holders of the parent (in euros).....	€ (0,19)	€ (0,13)
Earnings per share for continuing operations:		
- Basic, for profit / (loss) from continuing operations attributable to ordinary equity holders of the parent (in euros).....	€ (0,19)	€ (0,05)
- Diluted, for profit / (loss) from continuing operations attributable to ordinary equity holders of the parent (in euros).....	€ (0,19)	€ (0,05)

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	<i>For the six months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<u>€000</u>	<u>€000</u>
<b>Profit / (loss) for the period</b> .....	<b>(886)</b>	<b>(626)</b>
Net (loss) / gain on available-for-sale financial assets .....	43	(132)
Exchange differences on translation of foreign operations .....	(242)	933
Income tax effect .....	--	--
<b>Other comprehensive income for the period, net of tax</b> .....	<b>(199)</b>	<b>801</b>
<b>Total comprehensive income for the period, net of tax</b> .....	<b>(1 085)</b>	<b>175</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

<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 2010</b> .....	<b>4 713 970</b>	<b>9 428</b>	<b>26 108</b>	<b>(114)</b>	<b>(15 250)</b>	<b>(1 884)</b>	<b>18 288</b>
Net (loss) / gain on available-for-sale financial assets.....	--	--	--	--	(132)	--	(132)
Foreign currency translation.....	--	--	--	--	--	933	933
<b>Total income and expense for the period recognised directly in equity</b> .....	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(132)</b>	<b>933</b>	<b>801</b>
Loss for the period .....	--	--	--	--	(626)	--	(626)
<b>Total income and expense for the period</b> .....	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(758)</b>	<b>933</b>	<b>175</b>
Discontinued operations .....	--	--	(4 408)	--	4 408	--	--
Retained earnings offset with share premium .....	--	--	(8 999)	--	8 999	--	--
Treasury shares.....	--	--	--	(8)	--	--	(8)
Share-based payment.....	--	--	--	--	85	--	85
<b>At 30 June 2010</b> .....	<b>4 713 970</b>	<b>9 428</b>	<b>12 701</b>	<b>(122)</b>	<b>(2 516)</b>	<b>(951)</b>	<b>18 540</b>
<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>

# CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011

	<i>For the six months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>€000</i>	<i>€000</i>
<b>Cash flows from operating activities:</b>		
Profit / (loss) after tax from continuing operations .....	(886)	(222)
Profit / (loss) after tax from discontinued operations .....	--	(404)
<b>Net profit / (loss) for the period .....</b>	<b>(886)</b>	<b>(626)</b>
Non cash items written back:		
Amortization and depreciation .....	735	555
Capital gain or loss on disposal of fixed assets .....	(2)	3
Other non financial activities .....	71	75
Accounts receivable .....	383	(796)
Inventories .....	(391)	408
Other debtors .....	122	73
Accounts payable .....	81	303
Other liabilities .....	(124)	(26)
<b>Total net cash flows from operating activities .....</b>	<b>(11)</b>	<b>(31)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property, plant, equipment and intangible assets .....	2	5
Purchase of fixed assets .....	(317)	(132)
Proceeds from sale/(purchase) of financial assets .....	11	(52)
Net outflow from sale of a subsidiary, net of cash disposed .....	--	(138)
<b>Total net cash flows from investing activities .....</b>	<b>(304)</b>	<b>(317)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings .....	--	--
Repayment of borrowings .....	(212)	(250)
Payment of finance lease liabilities .....	(61)	(55)
Sale / (purchase) of treasury shares .....	(16)	(8)
Decrease / (increase) in restricted cash .....	23	--
Proceeds from issue of share .....	3	--
<b>Total net cash flows from financing activities .....</b>	<b>(263)</b>	<b>(313)</b>
Net foreign exchange difference .....	(41)	(17)
<b>Increase / (decrease) in net cash and cash equivalents .....</b>	<b>(619)</b>	<b>(678)</b>
<b>Opening cash and cash equivalents balance .....</b>	<b>433</b>	<b>1 104</b>
<b>Closing cash and cash equivalents balance .....</b>	<b>(186)</b>	<b>426</b>