



MEMSCAP HITS A DECISVE MILESTONE ON ITS WAY TO PROFITABILITY

The Company finalised the sale of its Bernin Site office building and concluded a major agreement with its financial and banking partners

Grenoble, France and Durham, North Carolina, October 17, 2005 – MEMSCAP (Euronext: MEN), the leading provider of innovative solutions based on MEMS (micro-electro-mechanical systems) technology, today announces the completion of the sale of its Bernin site office building with signature of the official sale of property act, as well the finalisation of a major agreement with its financial and banking partners.

The Company had announced on September 5 2005, the conclusion of a sale deal on this office building which finalisation occurred today. This partial sale of the Bernin site is made for a global amount of 8.16 million euros and a net amount, after deduction of the registry expenses, and other applicable fees or taxes, of 6.8 million euros corresponding to the net book value of this asset. The industrial buildings of the Bernin site (including clean-rooms) are not part of the sale as they will partly be proposed for rental.

Within the scope of this sale, MEMSCAP becomes tenant of the offices with an option to either substitute new tenants or sublet. To this day, MEMSCAP has signed renting agreements and sub-letting agreements with several companies, and thus reduces its own renting costs.

Concurrently to the sale, the Company has concluded an agreement with its financial and banking partners, including the following:

- Within the real-estate lease-back, this agreement releases the pledge of 3.9 million euros freed mutual funds (SICAV) used up to 2.8 million euros as a pre-payment (“avance-preneur”), that will be used to reimburse the remaining lease obligations. This “avance-preneur” will contribute to reimbursing the real-estate lease-back up to 0.47 million euros per year over the lease running period. The lease-back yearly reimbursement that was 2.8 million euros (excluding tax) per year prior to the sale goes down to 1.6 million euros (excluding tax) after the office building sale, and finally becomes 1.18 million euros (excluding tax) with this “avance-preneur”.
- Within the equipment lease-back, the agreement decreases the amount of freed mutual funds (SICAV) up to 50% of the amount, thus enabling MEMSCAP to receive 0.3 million euros available cash.
- The authorisation to sub-let totally or partly the industrial building. The Company evaluates the annual amount that rents of the industrial building could generate to more than 2 million euros excluding tax and charges.

The following table shows the synthesis of the evolution of the two lease-back agreements for the Bernin Site (representing most of MEMSCAP financial liabilities) and their impact on the Group cash: the debt is reduced by over 50% while the reimbursements of the lease decrease by more than 58%.

<i>In million euros</i>		31/12/2004	21/10/2005	Reduction
Real-estate lease back	Remaining liabilities	17 750	9 578	46.0%
	Net debt*	13 632	6 755	50.4%
	Yearly reimbursement (excluding tax)	2 830	1 179	58.3%
Equipment lease-back	Remaining liabilities	1 613	1 004	37.8%
	Net debt*	778	502	35.5%
	Yearly reimbursement (excluding tax)	682	**	**

* Net debt = Remaining liabilities less frozen mutual funds or the « avance- preneur »

** The equipment lease-back should be fully reimbursed by July 30,2006

« These agreements represent a major milestone on MEMSCAP road back to profitability », declares Jean Michel Karam, Chairman and Chief Executive Officer of MEMSCAP. « We will now be able to fully dedicate ourselves to achieving our business and operational goals ».

The third quarter revenue will be published on October 24, 2005.

About MEMSCAP

MEMSCAP is the leading provider of innovative micro-electro-mechanical systems (MEMS)-based solutions. MEMSCAP 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 Euronext Eurolist (FR0004155455-MEN), where MEMSCAP belongs to the Next Economy segment. More information on the company's products and services can be obtained at <http://www.memscap.com>
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