



## **MEMSCAP** *The Power of a Small World™*

### **FIRST HALF 2008: 24% GROWTH IN DOLLARS**

*49% Gross Margin for the first half, up by 7 points*

**Grenoble, France and Durham, North Carolina, August 26, 2008** – 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 2008, ending June 30, 2008.

#### **Net improvement of the operational result**

In accordance with the figures given in the first and second quarter press releases, consolidated revenue for this first half amounts to 7.9 million euros (12.1 million US dollars) compared to 7.3 million euros (9.8 million US dollars) for the first half 2007, thus showing a 24% revenue growth in dollars over a year.

Growth margin represents 49% of the semester consolidated revenue, thus showing a 7 points increase compared to the first semester 2007.

Consolidated operating result is (0.4) million euros compared to (1.2) million euros for the same period 2007, despite a degradation of the €/US\$ exchange rate by over 15%. Consolidated net result also improved significantly at (0.3) million euros compared to (0.9) million euros for the first half 2007.

As of June 30, 2008, MEMSCAP Group available cash amounts to 4.6 million euros including cash investments (mutual funds and bonds) recorded under IFRS accounting standards under financial assets available for sale. The Group also has available non-used credit lines for a total amount of 2.3 million euros, i.e a total usable cash of around 7 million euros.

Furthermore, accounts receivable amount to 6.7 million euros while accounts payable total 3.7 million euros. Also, inventory is at 3.6 million euros, to be compared to 3.3 million euros on December 31, 2007.

The Group Shareholder's equity totals 30.9 million euros, including a foreign currency translation of (1.8) million euros.

Finally, on June 30, 2008, the Group holds differed tax assets not recorded in its balance sheet for over 45 million euros.

#### **First Half assessment of the 2008 business plan**

The 2008 fiscal year business plan was centered on the following axis:

- Standard Products : operating on the aerospace and medical markets, this division's task is to increase its growth while maintaining its profitability ;
- Custom Products : this business resources are refocused on high-added value programs so as to ensure profitability over the fiscal year ;
- IntuiSkin : complete the business model in order to increase the recurring revenue part of this activity ;
- Maintain the G&A expenses at 2007 level (corporate overhead).

At the end of this first half, the results per business units of the Group confirm the right execution on the plan:

- Standard Products: 2008 first half revenue of this business unit amounts to 4.5 million euros (6.9 million US dollars) against 3.6 million euros (4.8 million US\$) over the same period 2007. The profit of this business reaches 0.9 million euros compared to 0.4 million euros over the first half 2007.
- Custom Products: this business profit is 0.1 million euros against a (0.3) loss over the same period 2007 ;
- IntuiSkin : this subsidiary doubles its revenue over this first half, for a total over 1 million euros, out of which nearly 30% have been generated by the sales of the IOMA and IOMA Esthetics concepts, even though their commercialization had only started in May 2008 ;
- First half G&A expenses are identical to those of H1 2007, at (1.1) million euros.

#### **Other achievements of the first half**

- The H. Pierantoni trophy awarded to IntuiSkin during the 38th Esthetics Congress for its new IOMA Esthetics Concept (*cf. April 2, 2008 Press Release*);
- The launch by IntuiSkin of its new web site [www.intuiskin.com](http://www.intuiskin.com), operating on two platforms in French and English, and encompassing the company two main offerings for dermatology and (*cf. April 4, 2008 Press Release*) ;
- The successful ending of the HASTAC Project chaired by MEMSCAP that led to the manufacturing of the most performant ever transducers for areospace applications (*cf. April 29, 2008 Press Release*);
- The award to L-3 Communications Avionics Systems of the Technical Standard Order (TSO) Authorization and Supplemental Type Certification (STC) from the Federal Aviation Administration (FAA) for the SmartDeck® Integrated Flight Controls and Display System, which uses MEMSCAP TP3100 high-performance transducers (*cf. June 23, 2008 Press Release*) ;
- The strengthening by INTUISKIN of its aesthetic surgeons and dermatologists network using IOMA medical products throughout the world, with the choice of Australian company Advanced Skin Technology as distributor for Oceany (*cf. June 24, 2008 Press Release*).

**The 3rd Quarter revenue press release will be issued on October 20, 2008.**

#### ***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 C 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 2008

|   | <i>30 June<br/>2008</i> | <i>31 December<br/>2007</i> |
|---|-------------------------|-----------------------------|
|   | €000                    | €000                        |
| <b>Assets</b>                               |                         |                             |
| <b>Non-current assets</b>                   |                         |                             |
| Property, plant and equipment.....          | 9 885                   | 9 262                       |
| Intangible assets .....                     | 12 112                  | 12 373                      |
| Available-for-sale financial assets.....    | 835                     | 860                         |
| Other financial assets .....                | 13                      | 17                          |
| Deferred tax asset.....                     | 1 140                   | 835                         |
|   | <b>23 985</b>           | <b>23 347</b>               |
| <b>Current assets</b>                       |                         |                             |
| Inventories.....                            | 3 574                   | 3 332                       |
| Trade and other receivables.....            | 6 722                   | 6 877                       |
| Prepayments .....                           | 401                     | 260                         |
| Cash and short-term deposits .....          | 3 728                   | 5 845                       |
|   | <b>14 425</b>           | <b>16 314</b>               |
| <b>TOTAL ASSETS</b>                         | <b>38 410</b>           | <b>39 661</b>               |
| <b>Equity and Liabilities</b>               |                         |                             |
| <b>Equity</b>                               |                         |                             |
| Issued capital.....                         | 9 422                   | 9 422                       |
| Share premium .....                         | 35 123                  | 35 823                      |
| Treasury shares.....                        | (142)                   | (61)                        |
| Retained earnings.....                      | (11 689)                | (12 279)                    |
| Foreign currency translation.....           | (1 800)                 | (1 460)                     |
|   | <b>30 914</b>           | <b>31 445</b>               |
| <b>Non-current liabilities</b>              |                         |                             |
| Interest-bearing loans and borrowings ..... | 2 449                   | 1 575                       |
| Provisions.....                             | 102                     | 78                          |
| Other non-current liabilities .....         | 196                     | 196                         |
|   | <b>2 747</b>            | <b>1 849</b>                |
| <b>Current liabilities</b>                  |                         |                             |
| Trade and other payables.....               | 3 684                   | 4 084                       |
| Interest-bearing loans and borrowings ..... | 894                     | 1 715                       |
| Provisions.....                             | 79                      | 476                         |
| Other current liabilities.....              | 92                      | 92                          |
|   | <b>4 749</b>            | <b>6 367</b>                |
| <b>TOTAL LIABILITIES</b>                    | <b>7 496</b>            | <b>8 216</b>                |
| <b>TOTAL EQUITY AND LIABILITIES</b>         | <b>38 410</b>           | <b>39 661</b>               |

# INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

|  | <i>For the six months ended 30 June</i> |                |
|--|---|----------------|
|  | <i>2008</i>                             | <i>2007</i>    |
|  | <u>€000</u>                             | <u>€000</u>    |
| Sales of goods and services.....   | 7 889                                   | 7 347          |
| <b>Revenue from continuing operations .....</b>  | <b>7 889</b>                            | <b>7 347</b>   |
| Cost of sales.....   | (4 015)                                 | (4 286)        |
| <b>Gross profit .....</b>  | <b>3 874</b>                            | <b>3 061</b>   |
| Research and development expenses .....  | (1 799)                                 | (1 809)        |
| Selling and distribution costs.....  | (839)                                   | (681)          |
| Administrative expenses .....  | (1 631)                                 | (1 749)        |
| <b>Profit / (Loss) from continuing operations before tax and finance costs.....</b>                        | <b>(395)</b>                            | <b>(1 178)</b> |
| Finance costs.....   | (281)                                   | (90)           |
| Finance income.....  | 79                                      | 123            |
| <b>Profit / (Loss) before tax .....</b>  | <b>(597)</b>                            | <b>(1 145)</b> |
| Income tax profit.....   | 312                                     | 197            |
| <b>Profit / (Loss) for the period.....</b>   | <b>(285)</b>                            | <b>(948)</b>   |
| <br>Earnings per share:  |   |                |
| - Basic, for profit for the period attributable to ordinary equity holders of the parent (in euros).....   | € (0,06)                                | € (0,21)       |
| - Diluted, for profit for the period attributable to ordinary equity holders of the parent (in euros)..... | € (0,06)                                | € (0,20)       |

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

| <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> |
|---|-------------------------|-----------------------|----------------------|------------------------|--------------------------|-------------------------------------|----------------------------------|
|   |                         | €000                  | €000                 | €000                   | €000                     | €000                                | €000                             |
| <b>At 1 January 2007 .....</b>  | <b>4 554 236</b>        | <b>9 108</b>          | <b>39 912</b>        | <b>(112)</b>           | <b>(17 474)</b>          | <b>(1 227)</b>                      | <b>30 207</b>                    |
| Foreign currency translation.....   | --                      | --                    | --                   | --                     | --                       | 119                                 | 119                              |
| <i>Total income and expense for the period recognised directly in equity.....</i> | <i>--</i>               | <i>--</i>             | <i>--</i>            | <i>--</i>              | <i>--</i>                | <i>119</i>                          | <i>119</i>                       |
| Loss for the period .....   | --                      | --                    | --                   | --                     | (948)                    | --                                  | (948)                            |
| <i>Total income and expense for the period.....</i>                               | <i>--</i>               | <i>--</i>             | <i>--</i>            | <i>--</i>              | <i>(948)</i>             | <i>119</i>                          | <i>(829)</i>                     |
| Exercise of warrants (BSA and stock-options).....                                 | 32 858                  | 66                    | 108                  | --                     | (3)                      | --                                  | 171                              |
| Retained earnings offset with share premium.....                                  | --                      | --                    | (5 647)              | --                     | 5 647                    | --                                  | --                               |
| Treasury shares.....  | --                      | --                    | --                   | 72                     | --                       | --                                  | 72                               |
| Share-based payment.....  | --                      | --                    | --                   | --                     | 82                       | --                                  | 82                               |
| <b>At 30 June 2007 .....</b>  | <b>4 587 094</b>        | <b>9 174</b>          | <b>34 373</b>        | <b>(40)</b>            | <b>(12 696)</b>          | <b>(1 108)</b>                      | <b>29 703</b>                    |
| <b>At 1 January 2008 .....</b>  | <b>4 711 148</b>        | <b>9 422</b>          | <b>35 823</b>        | <b>(61)</b>            | <b>(12 279)</b>          | <b>(1 460)</b>                      | <b>31 445</b>                    |
| Foreign currency translation.....   | --                      | --                    | --                   | --                     | --                       | (340)                               | (340)                            |
| <i>Total income and expense for the period recognised directly in equity.....</i> | <i>--</i>               | <i>--</i>             | <i>--</i>            | <i>--</i>              | <i>--</i>                | <i>(340)</i>                        | <i>(340)</i>                     |
| Loss for the period .....   | --                      | --                    | --                   | --                     | (285)                    | --                                  | (285)                            |
| <i>Total income and expense for the period.....</i>                               | <i>--</i>               | <i>--</i>             | <i>--</i>            | <i>--</i>              | <i>(285)</i>             | <i>(340)</i>                        | <i>(625)</i>                     |
| Retained earnings offset with share premium.....                                  | --                      | --                    | (700)                | --                     | 700                      | --                                  | --                               |
| Treasury shares.....  | --                      | --                    | --                   | (81)                   | --                       | --                                  | (81)                             |
| Share-based payment.....  | --                      | --                    | --                   | --                     | 175                      | --                                  | 175                              |
| <b>At 30 June 2008 .....</b>  | <b>4 711 148</b>        | <b>9 422</b>          | <b>35 123</b>        | <b>(142)</b>           | <b>(11 689)</b>          | <b>(1 800)</b>                      | <b>30 914</b>                    |

# INTERIM CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

*For the six months ended 30 June*

|   | <i>2008</i>    | <i>2007</i>    |
|---|----------------|----------------|
|   | <i>€000</i>    | <i>€000</i>    |
| <b>Cash flows from operating activities:</b>                                |                |                |
| Net income/(loss) .....   | (285)          | (948)          |
| Non cash items written back:  |                |                |
| Amortization and depreciation .....   | 354            | 570            |
| Capital gain or loss on disposal of fixed assets .....                      | 1              | --             |
| Other non financial activities .....  | (258)          | (195)          |
| Accounts receivable .....   | 69             | (971)          |
| Inventories.....  | (306)          | (781)          |
| Other debtors.....  | (92)           | 422            |
| Accounts payable .....  | (142)          | (210)          |
| Other liabilities.....  | (151)          | (95)           |
| <b>Total net cash flows from operating activities.....</b>                  | <b>(810)</b>   | <b>(2 208)</b> |
| <b>Cash flows from investing activities:</b>                                |                |                |
| Proceeds from sale of property, plant, equipment and intangible assets..... | 12             | 33             |
| Purchase of fixed assets.....   | (1 317)        | (991)          |
| Proceeds from sale/(purchase) of financial assets .....                     | 25             | 120            |
| Impact of variation of frozen cash.....                                     | --             | 95             |
| <b>Total net cash flows from investing activities.....</b>                  | <b>(1 280)</b> | <b>(743)</b>   |
| <b>Cash flows from financing activities:</b>                                |                |                |
| Proceeds from borrowings.....   | 1 024          | 636            |
| Repayment of borrowings .....   | (114)          | (179)          |
| Payment of finance lease liabilities .....                                  | (41)           | (394)          |
| Proceeds from sale/(purchase) of treasury shares.....                       | (81)           | 72             |
| Proceeds from issue of share .....  | --             | 171            |
| <b>Total net cash flows from financing activities .....</b>                 | <b>788</b>     | <b>306</b>     |
| Net foreign exchange difference .....                                       | (11)           | (92)           |
| <b>Increase/(decrease) in net cash and cash equivalents .....</b>           | <b>(1 313)</b> | <b>(2 737)</b> |
| <b>Opening cash and cash equivalents balance.....</b>                       | <b>4 402</b>   | <b>8 623</b>   |
| <b>Closing cash and cash equivalents balance .....</b>                      | <b>3 089</b>   | <b>5 886</b>   |