



MEMSCAP

The Power of a Small World™

FIRST HALF 2014 EARNINGS: POSITIVE OPERATING CASH FLOW AT € 0.7 MILLION

Net earnings at break-even level and increase of the gross margin rate by 11 points

Grenoble, France and Durham, North Carolina, August 29, 2014 – 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 2014, ending June 30, 2014.

Revenue and consolidated earnings for the first half of 2014

In accordance with the figures given in the first and second quarter press releases, consolidated revenue for the first half of 2014 amounted to € 6.5 million (US\$ 8.9 million) compared to € 7.6 million (US\$ 10.0 million) for the first half of 2013 and € 6.1 million (US\$ 8.1 million) for the second half of 2013.

Consolidated revenue distribution by market segment over the first half of 2014 is as follows:

Market Segments	Revenue (M€)	%
Aerospace	3.1	48%
Medical / Biomedical	1.4	21%
Mass Market / Other Applications	1.4	21%
Optical Communications / Adaptive Optics	0.7	10%
Total	6.5	100%

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

MEMSCAP consolidated earnings for the first half of 2014 are given by the following table:

(In million euros)	For the 6 months ended 30 June 2014	For the 6 months ended 30 June 2013
Revenue	6.5	7.6
- Standard products*	4.2	4.1
- Custom products	2.3	3.5
Gross Margin	2.0	1.5
Operating Expenses**	(2.0)	(2.2)
Operating Profit / (Loss)	0.0	(0.7)
Financial profit / (Loss)	0.0	0.0
Net Profit / (Loss)	0.0	(0.7)

(Financial data were subject to a limited review by the Group's statutory auditors. On August 28th, 2014, the MEMSCAP board of directors authorized the release of the HY 2014 consolidated financial statements. Any apparent discrepancies in totals are due to rounding.)

* Including the royalties from the dermo-cosmetics segment.

** Net of research & development grants.

* * *

Significant increase of the gross margin leading to net earnings at break-even level

The consolidated gross margin for the first half of 2014 increased by € 0.5 million and amounted to € 2.0 million. The gross margin rate was 31% of the consolidated revenue for the first half of 2014 compared to 20% for the first half of 2013 showing a significant increase by 11 points.

The growth of the Group's gross margin and the control of the operating costs, which amounted to € 2.0 million (net of research & development grants) for the first half of 2014 compared to € 2.2 million for the first half of 2013, led to operating earnings at break-even level versus an operating loss of € (0.7) million for the first half of 2013.

Finally, the consolidated net earnings were at break-even level for the first half of 2014 versus a net consolidated loss of € (0.7) million for the first half of 2013.

Positive operating cash flow at € 0.7 million

The significant improvement in consolidated net earnings associated with the optimization of the working capital requirement of the Group resulted in a positive operating cash flow of € 0.7 million for the first half of 2014 versus a consumption of operating cash flow of € 0.7 million for the first half of 2013.

At June 30, 2014, the Group's available liquidities amounted to € 3.2 million (December 31, 2013: € 2.5 million) including cash investments (Corporate bonds) for € 1.3 million recorded under financial assets available for sale.

MEMSCAP shareholders' equity totaled € 17.2 million at June 30, 2014.

Analysis and perspectives

The first half of fiscal year 2014 validated the actions engaged to improve the operating margin and net earnings of the Company.

The Group relies on the sustained demand related to its avionics and medical / biomedical markets which represented more than 68% of the consolidated sales for the first half of 2014. As previously announced, the mass market segment initiated a gradual recovery during the first half of 2014.

At June 30, 2014, the Group benefits from a solid order backlog in avionics and medical market segments. The Company intends to continue its efforts focused on the improvement of its net earnings during the coming quarter.

Q3 2014 Earnings: October 24, 2014

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.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Interim condensed consolidated financial statements at 30 June 2014

	<i>30 June 2014</i>	<i>31 December 2013</i>
	<u>€000</u>	<u>€000</u>
Assets		
Non-current assets		
Property, plant and equipment	3 345	3 318
Goodwill and intangible assets	8 912	9 017
Available-for-sale financial assets	1 288	1 141
Deferred tax asset	1 097	1 121
	<u>14 642</u>	<u>14 597</u>
Current assets		
Inventories	3 309	3 733
Trade and other receivables	2 046	2 291
Prepayments	279	155
Cash and short-term deposits	1 885	1 382
	<u>7 519</u>	<u>7 561</u>
Total assets	<u>22 161</u>	<u>22 158</u>
Equity and liabilities		
Equity		
Issued capital	1 772	1 736
Share premium	18 773	20 383
Treasury shares	(128)	(123)
Retained earnings	(1 357)	(3 074)
Foreign currency translation	(1 841)	(1 842)
	<u>17 219</u>	<u>17 080</u>
Non-current liabilities		
Interest-bearing loans and borrowings	1 514	1 517
Employee benefit liability	130	131
	<u>1 644</u>	<u>1 648</u>
Current liabilities		
Trade and other payables	2 138	2 336
Interest-bearing loans and borrowings	1 082	1 015
Other current financial liabilities	--	1
Provisions	78	78
	<u>3 298</u>	<u>3 430</u>
Total liabilities	<u>4 942</u>	<u>5 078</u>
Total equity and liabilities	<u>22 161</u>	<u>22 158</u>

CONSOLIDATED STATEMENT OF INCOME

Interim condensed consolidated financial statements at 30 June 2014

	<i>For the six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	€000	€000
Continuing operations		
Sales of goods and services.....	6 463	7 645
Revenue	6 463	7 645
Cost of sales.....	(4 472)	(6 109)
Gross profit	1 991	1 536
Other income.....	283	--
Research and development expenses.....	(1 120)	(899)
Selling and distribution costs.....	(332)	(374)
Administrative expenses.....	(870)	(962)
Operating profit / (loss)	(48)	(699)
Finance costs.....	(54)	(95)
Finance income.....	80	72
Profit / (loss) for the period from continuing operations before tax	(22)	(722)
Income tax expense.....	--	--
Profit / (loss) for the period from continuing operations	(22)	(722)
Profit / (loss) for the period	(22)	(722)
Earnings per share:		
- Basic, for profit / (loss) for the period attributable to ordinary equity holders of the parent (in euros).....	€ (0.003)	€ (0.119)
- Diluted, for profit / (loss) for the period attributable to ordinary equity holders of the parent (in euros).....	€ (0.003)	€ (0.118)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Interim condensed consolidated financial statements at 30 June 2014

	<i>For the six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>€000</i>	<i>€000</i>
Profit / (loss) for the period	(22)	(722)
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains / (losses)	--	(5)
Income tax on items that will not be reclassified to profit or loss.....	--	--
Total items that will not be reclassified to profit or loss	--	(5)
Items that may be reclassified subsequently to profit or loss		
Net gain / (loss) on available-for-sale financial assets	20	(14)
Exchange differences on translation of foreign operations	1	(680)
Income tax on items that may be reclassified to profit or loss	--	--
Total items that may be reclassified to profit or loss	21	(694)
Other comprehensive income for the period, net of tax	21	(699)
Total comprehensive income for the period, net of tax	(1)	(1 421)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Interim condensed consolidated financial statements at 30 June 2014

<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>
At 1 January 2013	6 071 011	1 518	19 419	(132)	(1 741)	(455)	18 609
Loss for the period	--	--	--	--	(722)	--	(722)
Other comprehensive income for the period, net of tax	--	--	--	--	(19)	(680)	(699)
Total comprehensive income	--	--	--	--	(741)	(680)	(1 421)
Treasury shares	--	--	--	1	--	--	1
Share-based payment	--	--	--	--	47	--	47
At 30 June 2013	6 071 011	1 518	19 419	(131)	(2 435)	(1 135)	17 236
At 1 January 2014	6 943 718	1 736	20 383	(123)	(3 074)	(1 842)	17 080
Loss for the period	--	--	--	--	(22)	--	(22)
Other comprehensive income for the period, net of tax	--	--	--	--	20	1	21
Total comprehensive income	--	--	--	--	(2)	1	(1)
Capital increase	145 497	36	103	--	(14)	--	125
Retained earnings offset with share premium	--	--	(1 713)	--	1 713	--	--
Treasury shares	--	--	--	(5)	--	--	(5)
Share-based payment	--	--	--	--	20	--	20
At 30 June 2014	7 089 215	1 772	18 773	(128)	(1 357)	(1 841)	17 219

CONSOLIDATED CASH FLOW STATEMENT

Interim condensed consolidated financial statements at 30 June 2014

	<i>For the six months ended 30 June</i>	
	2014	2013
	€000	€000
Cash flows from operating activities:		
Net profit / (loss) for the period	(22)	(722)
Non-cash items written back:		
Amortization and depreciation	394	435
Capital gain or loss on disposal of fixed assets	(19)	(3)
Other non-financial activities	46	47
Accounts receivable	285	(471)
Inventories	426	(593)
Other debtors	(77)	55
Accounts payable	(372)	541
Other liabilities	57	(7)
Total net cash flows from operating activities	718	(718)
Cash flows from investing activities:		
Purchase of fixed assets	(112)	(277)
Proceeds from sale / (purchase) of financial assets	(107)	(43)
Total net cash flows from investing activities	(219)	(320)
Cash flows from financing activities:		
Repayment of borrowings	(280)	(305)
Payment of finance lease liabilities	(59)	(56)
Sale / (purchase) of treasury shares	(5)	1
Proceeds from issue of shares	125	--
Total net cash flows from financing activities	(219)	(360)
Net foreign exchange difference	24	23
Increase / (decrease) in net cash and cash equivalents	304	(1 375)
Opening cash and cash equivalents balance	1 175	2 069
Closing cash and cash equivalents balance	1 479	694