



2003: Year of restructuring setting the path for a 2004 return to operational profitability

MEMSCAP presents its 2003 financial statements: Year to year consolidated revenue up by 35% and consolidated operational losses down by 37%; shareholders' equity at 29.2 million euros.

Grenoble, France and Durham, North Carolina, March 25, 2004 – MEMSCAP (Euronext: MEN), the leading provider of innovative solutions based on MEMS (micro-electro-mechanical systems) technology, today announces its financial statements for the fiscal year ending December 31, 2003.

Consolidated revenue for year 2003 amounted to 7.7 million euros (8.8 US million dollars), showing a year to year growth of 35% in euros and 47% in US dollars. This trend is expected to continue in 2004 as purchase orders received by MEMSCAP for 2004 already amount to 6.3 million euros (7.7 million dollars), thus representing 82 % of 2003 consolidated revenue.

Consolidated Operational result for fiscal year 2003 is (20.9) million euros compared to (28.6) million euros in 2002, which represents a year to year improvement by 37%. This improvement is significant as 2002 only bore the cost of 6 months of Bernin site versus a full year in 2003 to which is added the cost of North Carolina fabrication facilities, acquired in November 2002.

The company recorded a provision for risk and badwill of (34.7) million euros, mainly generated by the discontinuation of production at the Bernin site and focus of the optical business on foundry services, the badwill resulting from acquisitions, a litigation with one customer and employee severance costs. This provision contributes to an exceptional loss of (34.7) million euros, leading to a net consolidated result of (58.6) million euros.

Company shareholders' equity on December 31, 2003 amounted to 29.2 million euros. Cash and cash equivalent amounted to 5.9 million euros and frozen mutual funds (SICAV) presented as financial fixed assets to 5.6 million euros, totalising 11.5 million euros.

Furthermore, the agreement concluded by MEMSCAP with its financial partners early March 2004, enables the Group to save 3.7 millions euros in cash for fiscal year 2004, as well as to reduce by 2.9 millions euros the financial liabilities linked to the Company lease-back obligations.

During 2003 fiscal year, the Company went through a general restructuring in order to set the path for operational profitability in the second half of 2004. Thus, alongside drastic cost-cutting measures, MEMSCAP initiated and finalised a reorganisation in order to better the efficiency and productivity at group level worldwide. The Company is now concentrated around two core activities, Standard

Products (including the sensors and the skin station) and Custom Products (regrouping the foundry services activities and the software), and is organized into business units supported by a central research and development and corporate G&A teams.

« MEMSCAP has managed through a challenging year so as to prepare a return to operational profitability within the second half of 2004. We have used every day of 2003 to rationalise our activities and increase our efficiency, while growing our revenue and customer portfolio and building our backlog », states Jean Michel Karam, Chairman and Chief Executive Officer of MEMSCAP. « In addition, the agreements concluded with our financial partners beginning of 2004, place this year under good omens ».

About MEMSCAP

MEMSCAP is the leading provider of innovative micro-electro-mechanical systems (MEMS)-based solutions. MEMSCAP solutions include components, component designs (IP), design software, manufacturing and related services. MEMSCAP customers include Fortune 500 businesses, major research institutes and universities. The company's shares are traded on Euronext (FR0004155455-MEN), where MEMSCAP belongs to the Next Economy segment, to the SBF250 and ITCAC50 indexes. More information on the company's products and services can be obtained at <http://www.memscap.com>

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MEMSCAP, S.A.

CONSOLIDATED BALANCE SHEET

(expressed in thousands of euros)

		31 December 2003	31 December 2002
	Note	€	€
Assets			
Fixed Assets			
Goodwill.....	3	5 670	5 229
Intangible fixed assets	4	3 505	2 491
Tangible fixed assets	5	56 966	68 175
Financial fixed assets.....	6	14 405	9 049
		80 546	84 944
Current Assets			
Inventories.....	7	1 203	1 733
Accounts receivable and related accounts	8	5 446	6 309
Other debtors	9	4 542	4 855
Cash and cash equivalent	12	6 060	13 719
		17 251	26 616
Total Assets		97 797	111 560
Liabilities and Shareholders' Equity			
Shareholders' Equity			
Capital	10	5 311	3 251
Additional paid-in capital		114 129	98 674
Retained earnings		(89 464)	(30 828)
Cumulative translation adjustment		(772)	(683)
		29 204	70 414
Provisions for risks and badwill	11	34 777	4 843
Liabilities			
Borrowings and financial liabilities	12	25 476	26 614
Accounts payable	13	6 475	7 215
Other liabilities and associates accounts	14	1 865	2 474
		33 816	36 303
Total Liabilities and Shareholders' Equity		97 797	111 560

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CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of euros)

	Year ended 31 December		
	Note	2003	2002
		€	€
Revenue		7 663	5 713
Cost of sales		(8 065)	(2 368)
Cost of the French manufacturing plant		(7 157)	(11 248)
Gross Margin	15	(7 559)	(7 903)
Operating expenses :			
Research and development expenses		(5 331)	(9 500)
Selling and marketing expenses		(3 335)	(4 268)
General and administrative expenses		(4 741)	(6 956)
Total operating expenses		(13 407)	(20 724)
Operational result.....		(20 966)	(28 627)
Interest expenses		(1 733)	(1 157)
Interest income		306	471
Foreign exchange gain (loss)		(929)	(721)
Net income (loss) before tax benefit		(23 322)	(30 034)
Exceptional Profit (Loss).....	16	(34 714)	-
Corporate tax.....	17	-	2 775
Net income (loss) before acquisition goodwill amortization		(58 036)	(27 259)
Goodwill amortization.....		(598)	(581)
Net income (loss).....		(58 634)	(27 840)
Net earning (loss) per share		(0.75)	(0.50)
Number of shares		77 843 919	56 000 038
Net diluted earning (loss) per share		(0.75)	(0.50)
Number of shares fully diluted.....		77 843 919	56 000 038

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VARIATIONS OF THE CONSOLIDATED SHAREHOLDERS EQUITY

(In thousands, Except for shares)	Number of Shares	Number of Certificates	Amount €	Additional paid in capital €	Retained earnings €	Cumulative translation adjustment €	Total Shareholders' Equity €
Balance at 31 December 2000	39 099 200	1 859 200	2 048	11 014	(2 714)	11	10 359
Certificated exchanged against shares.....	1 859 200	(1 859 200)					-
New shares	1 344 000		67		(63)		4
« Nouveau Marché » Listing ...	11 511 111		576	82 660			83 236
Exercice of warrants					37		37
Net Loss					(213)		(213)
Foreign exchange loss.....						(394)	(394)
Balance at 31 December 2001	<u>53 813 511</u>	<u>-</u>	<u>2 691</u>	<u>93 674</u>	<u>(2 953)</u>	<u>(383)</u>	<u>93 029</u>
Exercice of warrant (BSPCE)					1		1
New shares.....	11 196 800		560	5 000	(36)		5 524
Net Loss					(27 840)		(27 840)
Foreign exchange loss.....						(300)	(300)
Balance at 31 December 2002	<u>65 010 311</u>	<u>-</u>	<u>3 251</u>	<u>98 674</u>	<u>(30 828)</u>	<u>(683)</u>	<u>70 414</u>
Exercice of warrant & options					101		101
Exercice of warrants (BSA)					1 215		1 215
New shares.....	41 218 750		2 060	15 455	(1 318)		16 197
Net Loss					(58 634)		(58 634)
Foreign exchange loss.....						(89)	(89)
Balance at 31 December 2003	<u>106 229 061</u>	<u>-</u>	<u>5 311</u>	<u>114 129</u>	<u>(89 464)</u>	<u>(772)</u>	<u>29 204</u>

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CASH FLOW STATEMENT

(in thousands of euros)

	2003	2002
	€	€
Cash flows from operating activities:		
Net income (loss)	(58 634)	(27 840)
Non cash items written back:		
Amortization and depreciation	39 846	2 421
Capital gain and loss Write off	1 413	179
Cash increase (decrease) on:		
Accounts receivable	(155)	3 551
Inventories	334	(131)
Other accounts receivable, prepayments and accrued income	688	10 428
Accounts payable	(2 565)	(7 302)
Accrued expenses and other debts	32	(1 343)
Cash flows from operating activities	(19 041)	(20 037)
Cash flows from investments activities:		
Tangible fixed assets acquisition	(1 610)	(26 100)
Intangible fixed assets acquisition	(669)	(426)
Financial fixed assets acquisition	(40)	(8 802)
Impact of variation in freeze cash	3 172	-
Sale of fixed assets	4 794	295
Impact of consolidation perimeter	2 833	(7 676)
Cash flows from investments activities	8 480	(42 709)
Cash flows from financing activities:		
Lease funding	-	26 586
Lease reimbursement	(2 742)	(984)
Exercise of warrants & stock options	1 316	1
Increase in capital net of fees	3 757	148
Cash flows from financing activities	2 331	25 751
Effect of exchange rate on C&C equivalent	592	(334)
Variation of C&C equivalent	(7 638)	(37 329)
C&C equival. Beginning of period *	13 555	50 884
C&C equival. End of period *	5 917	13 555

* Excluding 5.630 K€ frozen mutual funds (SICAV) presented as financial fixed assets