



MEMSCAP
The Power of a Small World™

MEMSCAP 2006: 46% ANNUAL GROWTH & HEALTHY FINANCIAL SITUATION

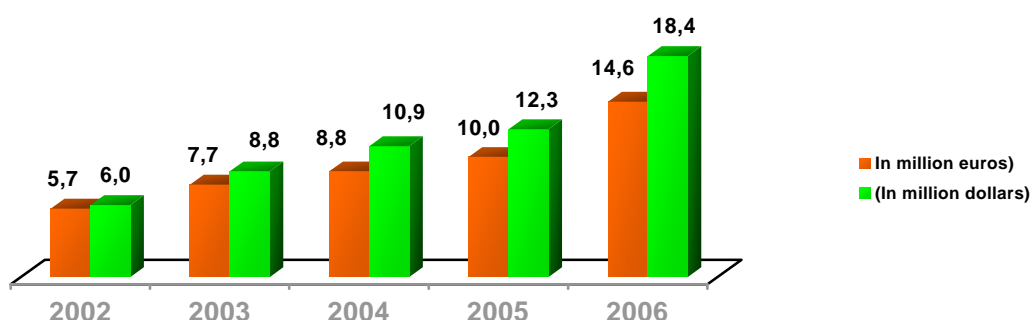
MEMSCAP Group ready for 2007 challenges

Grenoble, France and Durham, North Carolina, February, 28 2007 – MEMSCAP (Euronext: MEMS), 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, 2006.

Consolidated Group results reflect a healthy financial situation which should accelerate and intensify Company growth. Main fiscal year achievements include:

- 5th consecutive year of growth for the consolidated revenue,
- Gross margin progressing by 13.5 points,
- Net profitability over second semester,
- Available cash of more than 10.4 million euros,
- Net liabilities cancellation and net cash of more than 8 million euros,
- The sale of the industrial building of the Bernin site to SOITEC (net sale amount of 13 million euros) and early cancellation of Bernin offices lease (saving of 2.2 million euros),
- Several new certifications and renewals : Aeronautics (AS9100), Medical (ISO 13485 :2003), North Carolina Fab (TL9000), CE Marking for IntuiSkin products,
- Renewal of OSEO-ANVAR qualification,
- Reverse stock split and subsequent trading of the MEMSCAP new shares under ticker symbol « MEMS » starting March 20,
- Coverage initiation of MEMSCAP stock by 3 new analysts (CM-CIC, Odco Midcap and Invest Securities) for a total of 5 analysts (with SG and KBC Securities),
- A new graphical chart for MEMSCAP.

Year 2006 consolidated revenue amounted to 14.6 million euros (18.4 million US dollars) compared to 10 million euros for fiscal year 2005 (12.3 million US dollars), representing an annual growth of 46% in euros and 50% in US dollars. Company thus shows its 5th consecutive year of growth.



Gross margin is at 6.7 million euros and represents 46% of consolidated revenue, in progress of 13.5 points par compared to 2005.

Apart from the exceptional elements mainly linked to the sale of the Bernin industrial site recorded in the second quarter is (1.5) million euros compared to (3.8) million euros for fiscal year 2005. These exceptional elements, showed as “Other Expenses”, correspond nearly entirely to the provision for depreciation of the Bernin industrial site book value.

The net consolidated result is (5.8) million euros. Excluding exceptional items, the net result is (1.3) million euros compared to (4.2) million euros for fiscal year 2005. On the other hand, the Company shows a net profit overall the second semester of 2006.

The Company's two core activities, Standard Products and Custom Products, contribute to the revenue and results as follows:

<i>In million euros</i>	2005	2006
Revenue		
Standard Products	5,0	6,8
Custom Products	5,0	7,9
Total Revenue	10,0	14,6
Cost of Revenue	(6,8)	(7,9)
Gross Margin	3,3	6,7
<i>% of Revenue</i>	32,5%	46%
Operating Expenses	(6,8)	(8,2)
Operating Profit / (Loss)	(3,6)	(1,5)
Other Expenses *	(0,2)	(4,5)
Profit / (Loss) from operations before tax and finance costs	(3,8)	(6,0)
Financial Profit / (Loss)	(0,9)	(0,2)
Tax	0,4	0,4
Net Profit / (Loss)	(4,2)	(5,8)
Net Profit / (Loss) excluding "Other Expenses"	(4,0)	(1,3)

**Other Expenses are mostly the expenses linked to Bernin site sale*

On December 31, 2006, MEMSCAP Group available cash amounts to 10.4 million euros including cash investments (mutual funds and bonds) recorded under IFRS accounting standards under current and non-current financial assets. Shareholder's equity totals 30.2 million euros.

At the closing, MEMSCAP does not record differed tax assets in its balance sheet other than the cumulated losses over the future tax profit of its Norwegian subsidiary, i.e. 0.4 million euros. Thus, MEMSCAP holds on December 31, 2006, a total differed tax of 42 million euros, as shown in the table below:

<i>In million euros</i>	Cumulated losses	Differed tax	Expiration date
France	109.4	36.5	Unlimited
USA	12.0	4.9	Between 2014 & 2020
Norway	3.8	1.0	Between 2012 & 2014
Total	125.2	42.4	

« 2006 was a key year for MEMSCAP which had to extend the trend of good results and maintain high growth ratios» explains Jean Michel Karam, Chairman and Chief Executive Officer of MEMSCAP. «MEMSCAP has fully achieved those targets. Ending the year without any net liabilities, an available cash of more than 10 million euros and a strong potential for the coming year, our Group is ready for 2007 challenges».

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 Euronext Paris S.A (ISIN: FR0010298620-MEMS), where MEMSCAP belongs to the Next Economy segment. More information on the company's products and services can be obtained at www.memscap.com.

For more information contact:

Aurore Foulon
Vice President
Corporate Communications,
MEMSCAP
Tel.: +33 (0)4 76 92 85 00
aurore.foulon@memscap.com

Yann Cousinet
CFO

MEMSCAP
Tel.: +33 (0) 4 76 92 85 00
yann.cousinet@memscap.com

CONSOLIDATED BALANCE SHEET

at 31 December 2006

	<i>31 December 2006</i>	<i>31 December 2005</i>
	€000	€000
Assets		
Non-current assets		
Property, plant and equipment.....	9 394	23 466
Intangible assets.....	8 380	8 660
Financial assets.....	677	4 188
Deferred tax asset.....	419	--
	18 870	36 314
Current assets		
Inventories.....	2 284	1 587
Trade and other receivables.....	6 250	5 947
Prepayments.....	211	493
Current financial assets.....	412	--
Cash and short-term deposits.....	9 409	5 811
	18 566	13 838
Non-current assets classified as held for sale.....	--	3 422
	18 566	17 260
	37 436	53 574
TOTAL ASSETS		
Equity and Liabilities		
Equity		
Issued capital.....	9 108	9 103
Share premium.....	39 912	40 778
Treasury shares.....	(112)	(22)
Retained earnings.....	(17 474)	(12 675)
Foreign currency translation.....	(1 227)	(432)
	30 207	36 752
Non-current liabilities		
Interest-bearing loans and borrowings.....	1 061	8 751
Provisions.....	188	136
Other non-current liabilities.....	192	275
	1 441	9 162
Current liabilities		
Trade and other payables.....	4 271	4 283
Interest-bearing loans and borrowings.....	1 382	2 155
Provisions.....	52	452
Other current liabilities.....	83	30
	5 788	6 920
Liabilities directly associated with non-current assets classified as held for sale...	--	740
	5 788	7 660
TOTAL LIABILITIES	7 229	16 822
TOTAL EQUITY AND LIABILITIES	37 436	53 574

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	2006	2005
	<u>€000</u>	<u>€000</u>
Sales of goods and services.....	14 606	10 012
Revenue from continuing operations	14 606	10 012
Cost of sales.....	(7 876)	(6 758)
Gross profit	6 730	3 254
Research and development expenses	(2 776)	(2 910)
Selling and distribution costs	(1 370)	(1 053)
Administrative expenses	(4 074)	(2 843)
Other expenses.....	(4 545)	(210)
Profit / (Loss) from continuing operations before tax and finance costs....	(6 035)	(3 762)
Finance costs.....	(533)	(1 201)
Finance income.....	320	326
Profit / (Loss) before tax	(6 248)	(4 637)
Income tax profit.....	427	423
Profit / (Loss) for the year	(5 821)	(4 214)
Earnings per share (*):		
- Basic, for profit for the year attributable to ordinary equity holders of the parent (in euros).....	(1,28)	(1,11)
- Diluted, for profit for the year attributable to ordinary equity holders of the parent (in euros).....	(1,24)	(1,10)

(*) After reverse stock split

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

<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
At 1 January 2005	127 928 835	6 396	39 325	--	(15 948)	(773)	29 000
Foreign currency translation.....	--	--	--	--	--	341	341
<i>Total income and expense for the year recognised directly in equity..</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>341</i>	<i>341</i>
Loss for the year.....	--	--	--	--	(4 214)	--	(4 214)
<i>Total income and expense for the year</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>(4 214)</i>	<i>341</i>	<i>(3 873)</i>
Exercise of warrants (BSPCE and options).....	--	--	--	--	146	--	146
Exercise of warrants (BSA).....	--	--	--	--	6 511	--	6 511
Issued of share capital	54 125 022	2 707	8 855	--	(6 657)	--	4 905
Retained earnings offset with share premium	--	--	(7 402)	--	7 402	--	--
Treasury shares.....	--	--	--	(22)	--	--	(22)
Share-based payment.....	--	--	--	--	85	--	85
At 31 December 2005	182 053 857	9 103	40 778	(22)	(12 675)	(432)	36 752
At 1 January 2005	182 053 857	9 103	40 778	(22)	(12 675)	(432)	36 752
Foreign currency translation.....	--	--	--	--	--	(795)	(795)
<i>Total income and expense for the year recognised directly in equity..</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>(795)</i>	<i>(795)</i>
Loss for the year.....	--	--	--	--	(5 821)	--	(5 821)
<i>Total income and expense for the year</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>(5 821)</i>	<i>(795)</i>	<i>(6 616)</i>
Reverse stock split initiated at 20 march 2006.....	(177 502 511)	--	--	--	--	--	--
Exercise of warrants (BSA).....	2 890	5	1	--	4	--	10
Retained earnings offset with share premium	--	--	(867)	--	867	--	--
Treasury shares.....	--	--	--	(90)	--	--	(90)
Share-based payment.....	--	--	--	--	151	--	151
At 31 December 2006	4 554 236	9 108	39 912	(112)	(17 474)	(1 227)	30 207

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

	<u>2006</u>	<u>2005</u>
	<u>€000</u>	<u>€000</u>
Cash flows from operating activities:		
Net income/(loss)	(5 821)	(4 214)
Non cash items written back:		
Amortization and depreciation	875	259
Capital gain or loss on disposal of fixed assets	4 376	36
Other non financial activities	(442)	(466)
Accounts receivable	(939)	(1 375)
Inventories	(774)	279
Other debtors	835	(72)
Accounts payable	253	(1 405)
Other liabilities	(57)	196
Total net cash flows from operating activities	<u>(1 694)</u>	<u>(6 762)</u>
Cash flows from investing activities:		
Proceeds from sale of property, plant, equipment and intangible assets	4 893	7 574
Purchase of fixed assets	(1 866)	(556)
Purchase of financial assets	950	--
Impact of variation of frozen cash	434	4 485
Impact of variation of cash deposits related to Bernin plant	3 577	(3 571)
Total net cash flows from investing activities	<u>6 088</u>	<u>7 932</u>
Cash flows from financing activities:		
Proceeds from borrowings	1 027	165
Repayment of borrowings	(631)	(413)
Payment of finance lease liabilities	(1 627)	(9 363)
Purchase of treasury shares	(90)	--
Proceeds from issue of share	10	11 561
Total net cash flows from financing activities	<u>(1 311)</u>	<u>1 950</u>
Net foreign exchange difference	(54)	(226)
Increase/(decrease) in net cash and cash equivalents	<u>(3 137)</u>	<u>(2 894)</u>
Opening cash and cash equivalents balance	<u>5 486</u>	<u>2 592</u>
Closing cash and cash equivalents balance	<u>8 623</u>	<u>5 486</u>