



MEMSCAP

The Power of a Small World™

MEMSCAP FIRST SEMESTER 2006: 77% OF COMPARED REVENUE GROWTH

Group Net Cash position exceeds 10 million euros

Grenoble, France and Durham, North Carolina, September 1, 2006 – MEMSCAP (Euronext: MEMS), the leading provider of innovative solutions based on MEMS (micro-electro-mechanical systems) technology, today announces its earnings for the first semester 2006, the strongest in the Group history.

1. Strongest semester growth for the Group

Consolidated Group revenue for this first semester 2006 amounts to 6.9 million euros (8.2 million US dollars) compared to 3.9 million euros for the first semester 2005 (4.9 million dollars), thus showing a revenue increase of 77% .

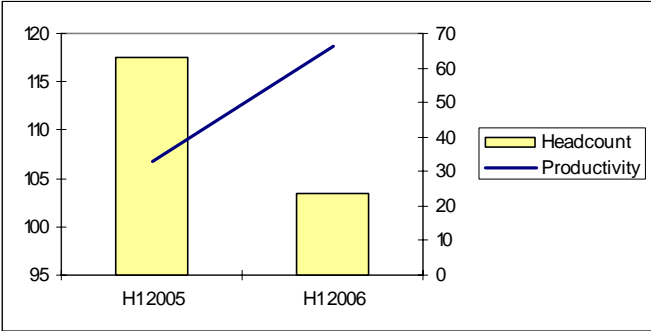
Apart from the exceptional elements mainly linked to the sale of the Bernin industrial site, the consolidated operating result amounts to (1.2) million euros compared to (2.7) million euros for the same period in 2005. With these exceptional elements, the operating result is (5.8) million euros. These exceptional elements showed as “Other Expenses”, correspond nearly entirely to the provision of depreciation of the Bernin industrial site book value.

Financial result is (0.3) million euros against (0.5) million euros for the first semester 2005. Net result amounts to (5.9) million euros taking into account the exceptional elements mentioned above and to (1.3) million euros without those elements, compared to (3.1) millions euros for the same period in 2005.

Key figures <i>(in thousand euros)</i>	First half 2006	First half 2005
Revenue	6 853	3 874
COGS	(4 046)	(3 004)
Gross Margin	2 807	870
<i>% of revenue</i>	<i>41%</i>	<i>22%</i>
Operating Expenses	(4 034)	(3 527)
Operating Profit/Loss	(1 227)	(2 657)
Other Expenses*	(4 545)	-
Financial Profit / Loss	(250)	(489)
Tax	145	53
Net Profit/Loss	(5 877)	(3 093)
Net Profit / Loss excluding “Other Expenses”	(1 332)	(3 093)
Headcount	107	116

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

Group per head productivity for this semester has been doubled compared to 2005 first semester productivity.

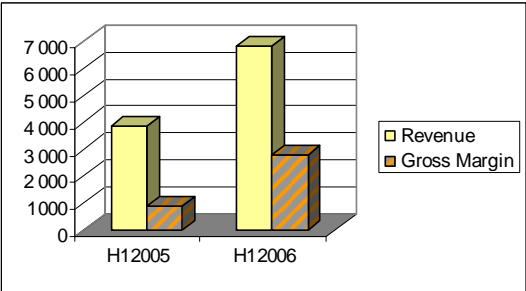


Consolidated Shareholder’s equity reaches 30.5 million euros.

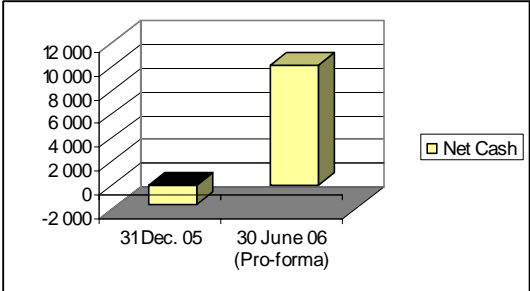
The pro-forma cash is 10.7 million euros where the pro-forma net cash exceeds 10.1 million euros as shown below.

<i>(in thousand euros)</i>	June 30, 2006 Pro forma
Cash	10 692
Financial assets (frozen cash)	1 121
Interest bearing loans & borrowings	(1 093)
Liabilities associated with assets held for sale	(610)
TOTAL NET CASH	10 110

Finally, the « Non-current assets classified as held for sale » represent 1.4 million euros, comprising the value of some unused equipment the Company intends to sell.



In thousand euros



In thousand euros

2- A semester of many achievements

- A sustained activity with all Group divisions actively contributing to the revenue growth;
- The Launching and successful realisation of the reverse stock split and quotation of the new MEMSCAP shares under the ticker symbol MEMS. (cf. March 20, 2006, press releases);
- The First successful flight of the Adam Aircraft A700 embarking 4 MEMSCAP SP82 family sensors (cf. April 4, 2006 press release);
- The signature of several strategic commercial deals with important clients for the Custom Products division, both in France and in the USA;
- The start of production for CardioMEMS of Endosure Wireless AAA Pressure Sensor after FDA clearance (cf. May 2, 2006 press release);

- The deployment of MEMSCAP pressure sensors in all New Piper aircrafts (*cf. May 23, 2006 press release*);
- The successful manufacture by MEMSCAP through its MUMPs® program, of a fleet of the tiniest robots ever (*cf. June 5, 2006 press release*);
- The release of MEMSCAP new graphical chart (*cf. July 25, 2006 press release*).
- The signature of the agreement of sale of the Bernin industrial site to SOITEC for a net amount of 13 million euros (*cf. July 28, 2006 press release*);

« This semester really starts showing the direction towards which we have geared the Company », states Jean Michel Karam, MEMSCAP Chairman and Chief Executive Officer. « Now that our financial fundamentals are strong, we intend to sustain our efforts and even intensify them ».

3rd Quarter revenue will be released on October 23, 2006.

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.

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HALF YEAR CONSOLIDATED BALANCE SHEET at 30 June 2006

	<i>Pro-forma *</i> 30 June 2006	30 June 2006	31 December 2005
	€000	€000	€000
Assets			
Non-current assets			
Property, plant and equipment.....	7 528	7 528	23 466
Intangible assets	8 422	8 422	8 660
Financial assets.....	1 121	3 676	4 188
	17 071	19 626	36 314
Current assets			
Inventories.....	1 679	1 679	1 587
Trade and other receivables.....	6 113	6 113	5 947
Prepayments	609	609	493
Cash and short-term deposits	10 692	3 908	5 811
	19 093	12 309	13 838
Non-current assets classified as held for sale	1 409	14 409	3 422
	20 502	26 718	17 260
	37 573	46 344	53 574
TOTAL ASSETS			
Equity and Liabilities			
Equity			
Issued capital.....	9 108	9 108	9 103
Share premium	39 911	39 911	40 778
Treasury shares.....	(126)	(126)	(22)
Retained earnings.....	(17 643)	(17 611)	(12 675)
Foreign currency translation.....	(766)	(766)	(432)
	30 484	30 516	36 752
Non-current liabilities			
Interest-bearing loans and borrowings	529	529	8 751
Provisions.....	136	136	136
Other non-current liabilities	275	275	275
	940	940	9 162
Current liabilities			
Interest-bearing loans and borrowings	564	564	2 155
Trade and other payables.....	4 875	4 875	4 283
Provisions.....	100	100	452
Other current liabilities.....	--	--	30
	5 539	5 539	6 920
Liabilities directly associated with non-current assets classified as held for sale.....	610	9 349	740
	6 149	14 888	7 660
	7 089	15 828	16 822
TOTAL LIABILITIES			
TOTAL EQUITY AND LIABILITIES			
	37 573	46 344	53 574

* Pro-forma consolidated balance sheet at 30 June 2006 including the impacts related to the finalisation of the sale of the Bernin site at 28 July 2006.

HALF YEAR CONSOLIDATED INCOME STATEMENT

for the six months ending June 30, 2006

	<i>For the six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>
	<i>€000</i>	<i>€000</i>
Sales of goods and services.....	6 853	3 874
Revenue from continuing operations	6 853	3 874
Cost of sales.....	(4 046)	(3 004)
Gross profit	2 807	870
Research and development expenses	(1 427)	(1 674)
Selling and distribution costs	(671)	(589)
Administrative expenses	(1 936)	(1 264)
Other expenses.....	(4 545)	--
Profit / (Loss) from continuing operations before tax and finance costs....	(5 772)	(2 657)
Finance costs.....	(402)	(665)
Finance income.....	152	176
Profit / (Loss) before tax	(6 022)	(3 146)
Income tax profit.....	145	53
Profit / (Loss) for the year	(5 877)	(3 093)

Earnings per share (*):

- Basic, for profit for the year attributable to ordinary equity holders of the parent (in euros).....	(1,29)	(0,88)
- Diluted, for profit for the year attributable to ordinary equity holders of the parent (in euros).....	(1,27)	(0,81)

(*) After reverse stock split

HALF YEAR CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the six months ending June 30, 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.....	--	--	--	--	--	379	379
<i>Total income and expense for the period recognised directly in equity.....</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>379</i>	<i>379</i>
Loss for the period.....	--	--	--	--	(3 093)	--	(3 093)
<i>Total income and expense for the period</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>(3 093)</i>	<i>379</i>	<i>(2 714)</i>
Exercise of warrants (BSPCE and options).....	--	--	--	--	146	--	146
Exercise of warrants (BSA).....	--	--	--	--	5 984	--	5 984
Issued of share capital	25 607 922	1 280	4 850	--	(6 130)	--	--
Retained earnings offset with share premium.....	--	--	(7 402)	--	7 402	--	--
At 30 June 2005.....	153 536 757	7 676	36 773	--	(11 639)	(394)	32 416
At 1 January 2005.....	182 053 857	9 103	40 778	(22)	(12 675)	(432)	36 752
Foreign currency translation.....	--	--	--	--	--	(334)	(334)
<i>Total income and expense for the period recognised directly in equity.....</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>(334)</i>	<i>(334)</i>
Loss for the period.....	--	--	--	--	(5 877)	--	(5 877)
<i>Total income and expense for the period</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>(5 877)</i>	<i>(334)</i>	<i>(6 211)</i>
Reverse stock split initiated at 20 march 2006.....	(177 502 511)	--	--	--	--	--	--
Exercise of warrants (BSA).....	2 789	5	--	--	--	--	5
Retained earnings offset with share premium.....	--	--	(867)	--	867	--	--
Treasury shares.....	--	--	--	(104)	--	--	(104)
Share-based payment.....	--	--	--	--	74	--	74
At 30 June 2006.....	4 554 135	9 108	39 911	(126)	(17 611)	(766)	30 516

HALF YEAR CONSOLIDATED CASH FLOW STATEMENT

for the six months ending June 30, 2006

	<i>For the six months ended 30 June</i>	
	<u>2006</u>	<u>2005</u>
	<u>€000</u>	<u>€000</u>
Cash flows from operating activities:		
Net income/(loss)	(5 877)	(3 093)
Non cash items written back:		
Amortization and depreciation (1)	4 622	(11)
Capital gain or loss on disposal of fixed assets	1	(8)
Other non financial activities	(181)	(160)
Accounts receivable	(690)	(918)
Inventories.....	(92)	211
Other debtors.....	430	(607)
Accounts payable	567	(861)
Other liabilities.....	145	(88)
Total net cash flows from operating activities.....	(1 075)	(5 535)
Cash flows from investing activities:		
Proceeds from sale of property, plant, equipment and intangible assets.....	117	531
Purchase of fixed assets.....	(233)	(217)
Impact of variation of frozen cash.....	173	265
Impact of variation of cash deposits related to Bernin plant.....	339	--
Total net cash flows from investing activities.....	396	579
Cash flows from financing activities:		
Proceeds from borrowings	400	--
Repayment of borrowings	(343)	(128)
Payment of finance lease liabilities	(954)	(1 248)
Proceeds from issue of share	5	6 130
Total net cash flows from financing activities.....	(892)	4 754
Net foreign exchange difference	(21)	(83)
Increase/(decrease) in net cash and cash equivalents	(1 592)	(285)
Opening cash and cash equivalents balance.....	5 486	2 592
Closing cash and cash equivalents balance (2).....	3 894	2 307
(1) Including depreciation for the assets of Bernin manufacturing site:	4 356	--
(2) This balance includes:		
Cash and cash equivalents	3 908	2 717
Overdraft.....	(14)	(410)
Net closing cash and cash equivalents balance	3 894	2 307