



## MEMSCAP : 3<sup>rd</sup> CONSECUTIVE YEAR GROWTH

### *A progression of all the Group operational indicators*

**Grenoble, France and Durham, North Carolina, March 30, 2005**– 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, 2004.

Consolidated Group results show an improvement of the Group main financial indicators, thus validating the strategy established early 2002 in reaction to the optical communications market collapse. This significant global progression is milestone by several achievements including:

- The 3<sup>rd</sup> consecutive year of growth for the consolidated revenue
- The gross margin becoming positive and representing 39% of the yearly consolidated revenue,
- The reduction of the operational loss by over 80% times compared to the same period in 2003,
- The reduction of financial liabilities by 4.2 million euros compared to December 31, 2003,
- The acquisition of French company Optogone reinforcing the corporate R&D and the Group cash,
- The conclusion of several commercial deals with important clients including Knowles Acoustics, Glimmerglass Networks, Aerosonic and Sedat,
- The certification from the Civil Aviation Authority of the TP 3100 pressure module transducer for high-end aeronautics applications,
- The expansion of the North Carolina manufacturing facility upgrade program enabling higher volume production with 6 inch wafers processing capabilities, that was finalized end of February 2005.

Year 2004 consolidated revenue amounted to 8.8 million euros (10.9 million US dollars) compared to 7.7 million euros for fiscal year 2003 (8.8 million US dollars), while the consolidated operational result ended at (3.9) million euros against (21) million euros in 2003. The Company was thus affected by the exchange rate, 82% of the Group 2004 revenue being in American dollars.

The gross margin became positive, at 3.4 million euros, representing over 39% of the consolidated revenue, in parallel to a reduction by 45% of the operational expenses. The exceptional result at (3.9) million euros is a major improvement compared to (34.7) million euros in 2003.

Net result is (9.9) million euros against (58.6) million euros in 2003, leading to a net earning per share of (0.09) euros which represents an 88% improvement of the 2003 result.

<i>In thousand Euros</i>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<i>Revenue</i>	8843	7 663	5 713
<i>Gross margin</i>	3 444	(7 559)	(7 903)
<i>Operational Profit / (Loss)</i>	(3 945)	(20 966)	(28 627)
<i>Net Profit / (Loss)</i>	(9 913)	(58 634)	(27 840)
<i>Headcount on December 31</i>	100*	203	256

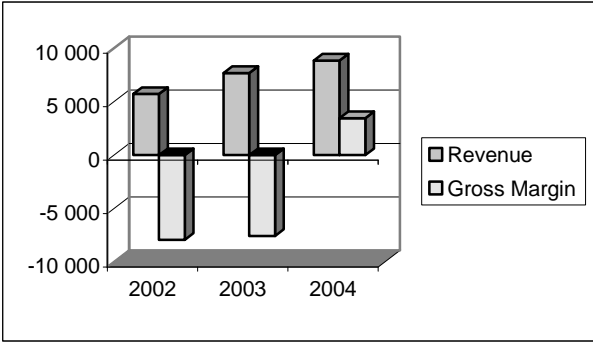
\*except the employees of Optogone acquired by MEMSCAP on December 21, 2004.

The financial situation of the Company also improved during this fiscal year, the Group showing on December 31, 2004 a reduction of the financial liabilities by 4.2 million euros compared to those on December 31, 2003. Over the same period, the Company has considerably reduced its cash burn for operations from 19 millions in 2003 to 4.5 millions in 2004.

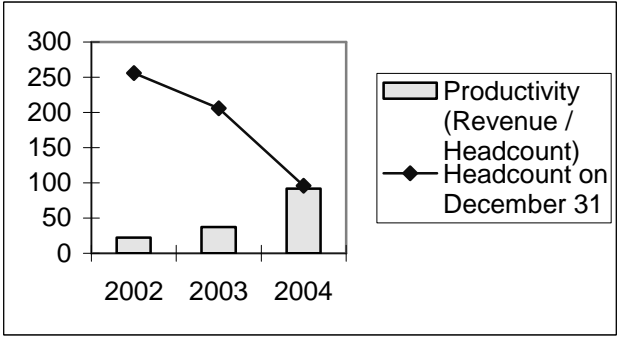
On December 31, 2004, MEMSCAP cash amounts to 2.6 million euros and 5 millions of freezed mutual funds (SICAV) linked to the Company lease-back obligations. Furthermore, the Company has finalised in March 2005 (cf. March 28, 2005 press release), a capital increase by issuance of warrants (BSA) generating a cash increase of 6.1 million euros.

Finally, the exercise of the warrants B (BSA B) resulting from the acquisition of GalayOr, as mentioned by the Company in the last update of the February 25, 2005 reference document and via press release, will happen up to 10 891 664 warrants out of a 11 594 000 total, upon publication of MEMSCAP auditors report certifying the annual results.

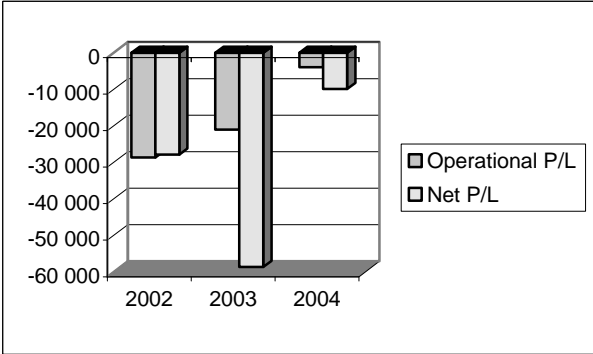
« 2004 was dedicated to the improvement of our fundamentals, as evidenced by the progression of our operational indicators » declares Jean Michel Karam, Chairman and Chief Executive Officer of MEMSCAP. « 2005 will be the year of the new impetus, and starting from Q2, we will start the intensification of the Group growth ».



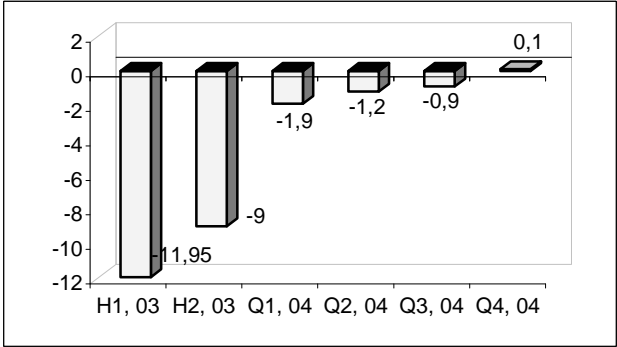
(a) Evolution of the revenue and gross margin (in euros)



(b) Evolution of productivity and headcount



(c) Evolution of the operating result and net result (in euros)



(d) Detailed evolution of the operating result (in euros)

**Impact of IFRS accounting standards**

Restatement under the IFRS standards will enable MEMSCAP to increase its consolidated shareholder’s equity on December 31, 2004 from 25.6 million euros under French Gaap to 29.1 million euros under IFRS. This increase is mainly due to the fact there is no amortisation of goodwill under IFRS and that badwill is fully comprised in the shareholder’s equity.

Changing for IFRS did not have any significant impact on MEMSCAP FY 2004 consolidated net result, since the goodwill and badwill restatements above mentioned offset each other.

MEMSCAP will dedicate a complete section of its 2004 reference document 2004 to IFRS, including an opening balance sheet on January 1st 2004, a closing balance sheet on December 31, 2004 and a P&L for 2004 established under IFRS norms.

### **About MEMSCAP**

MEMSCAP is the leading provider of innovative micro-electro-mechanical systems (MEMS)-based solutions. MEMSCAP 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 Euronext Eurolist (FR0004155455-MEN), where MEMSCAP belongs to the Next Economy segment. 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

(in thousands of euros)

	31 December 2004	31 December 2003 Pro forma	31 December 2003
<b>Assets</b>			
<b>Fixed Assets</b>			
Goodwill.....	5 022	5 670	5 670
Intangible fixed assets .....	2 837	3 505	3 505
Tangible fixed assets .....	34 524	39 266	56 966
Financial fixed assets.....	5 094	5 709	14 405
	<u>47 477</u>	<u>54 150</u>	<u>80 546</u>
<b>Current Assets</b>			
Inventories.....	1 791	1 203	1 203
Accounts receivable and related accounts .....	2 525	5 446	5 446
Other debtors .....	2 066	4 542	4 542
Cash and cash equivalents .....	2 806	6 060	6 060
	<u>9 188</u>	<u>17 251</u>	<u>17 251</u>
<b>Total Assets</b>	<u>56 665</u>	<u>71 401</u>	<u>97 797</u>
<b>Liabilities and Shareholders' Equity</b>			
<b>Shareholders' Equity</b>			
Capital	6 396	5 311	5 311
Additional paid-in capital.....	39 325	114 129	114 129
Retained earnings .....	(19 314)	(89 464)	(89 464)
Cumulative translation adjustment .....	(773)	(772)	(772)
	<u>25 634</u>	<u>29 204</u>	<u>29 204</u>
<b>Provisions for risks and badwill</b>	4 105	8 381	34 777
<b>Liabilities</b>			
Borrowings and financial liabilities .....	21 274	25 476	25 476
Accounts payable .....	3 959	6 475	6 475
Other liabilities .....	1 693	1 865	1 865
	<u>26 926</u>	<u>33 816</u>	<u>33 816</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>56 665</u>	<u>71 401</u>	<u>97 797</u>

# MEMSCAP, S.A.

## CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	2004	2003
<b>Revenue</b> .....	<b>8 843</b>	<b>7 663</b>
Cost of sales .....	(5 399)	(8 065)
Cost of the French manufacturing plant .....	-	(7 157)
<b>Gross Margin</b> .....	<b>3 444</b>	<b>(7 559)</b>
Operating expenses :		
Research and development expenses .....	(2 935)	(5 331)
Selling and marketing expenses .....	(1 439)	(3 335)
General and administrative expenses .....	(3 015)	(4 741)
Total operating expenses .....	(7 389)	(13 407)
<b>Operational result</b> .....	<b>(3 945)</b>	<b>(20 966)</b>
Interest expenses .....	(1 405)	(1 733)
Interest income .....	234	306
Foreign exchange gain (loss) .....	(208)	(929)
<b>Net income (loss) before tax benefit</b> .....	<b>(5 324)</b>	<b>(23 322)</b>
Exceptional profit (Loss) .....	(3 889)	(34 714)
Corporate tax .....	89	-
Net income (loss) before acquisition goodwill amortization .....	(9 124)	(58 036)
Goodwill amortization.....	(789)	(598)
<b>Net income (loss)</b> .....	<b>(9 913)</b>	<b>(58 634)</b>
Net earning (loss) per share .....	(0,09)	(0,75)
Number of weighted average shares used in the net loss per share .....	108 367 124	77 843 919

## MEMSCAP, S.A.

### STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

(In Thousands of euros, except number of shares)	Number of shares	Share capital amount K€	Additional paid in capital K€	Retained earnings K€	Cumulative translation adjustment K€	Total shareholders equity K€
Balance at 31 December 2001	53 813 511	2 691	93 674	(2 953)	(383)	93 029
Exercise 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	65 010 311	3 251	98 674	(30 828)	(683)	70 414
Exercise of warrant (BSPCE).....				101		101
Exercise 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)
<b>Balance at 31 December 2003</b>	<b>106 229 061</b>	<b>5 311</b>	<b>114 129</b>	<b>(89 464)</b>	<b>(772)</b>	<b>29 204</b>
Exercise of warrant (BSPCE).....				7		7
Exercise of warrants ( BSA).....				613		613
New shares .....	21 699 774	1 085	5 259	(620)		5 724
Retained earnings reduced against paid in capital .....			(80 063)	80 063		-
Net loss .....				(9 913)		(9 913)
Foreign exchange loss .....					(1)	(1)
<b>Balance at 31 December 2004</b>	<b>127 928 835</b>	<b>6 396</b>	<b>39 325</b>	<b>(19 314)</b>	<b>(773)</b>	<b>25 634</b>

# MEMSCAP, S.A.

## CASH FLOW STATEMENT

(in thousands of euros)

	<u>2004</u>	<u>2003</u>
<b>Cash flows from operating activities:</b>		
Net income (loss) .....	(9 913)	(58 634)
Non cash items written back:		
Amortization and depreciation.....	(528)	39 846
Loss on sale of fixed assets.....	4 764	1 413
Other non cash items.....	(1 095)	-
Cash increase (decrease) on:		
Accounts receivable.....	514	(155)
Inventories.....	(513)	334
Other accounts receivable, prepayments and accrued income .....	2 573	688
Accounts payable.....	(663)	(2 565)
Accrued expenses and other debts.....	386	32
Cash flows from operating activities	<u>(4 475)</u>	<u>(19 041)</u>
<b>Cash flows from investments activities:</b>		
Tangible fixed assets acquisition .....	(1 002)	(1 610)
Intangible fixed assets acquisition .....	(168)	(669)
Financial fixed assets acquisition.....	(1)	(40)
Impact of variation of freezed cash.....	722	3 172
Sale of fixed assets.....	2 139	4 794
Impact of change in consolidation perimeter .....	2 883	2 833
Cash flows from investments activities	<u>4 573</u>	<u>8 480</u>
<b>Cash flows from financing activities:</b>		
Loan funding.....	979	-
Loan reimbursement .....	(170)	-
Lease reimbursement .....	(4 679)	(2 742)
Exercise of warrants & stock options .....	98	1 316
Increase in capital, net of fees.....	522	3 757
Cash flows from financing activities.....	<u>(3 250)</u>	<u>2 331</u>
Exchange rate effect on cash and cash equivalents.....	(173)	592
<b>Variation of cash and cash equivalents</b>	<u>(3 325)</u>	<u>(7 638)</u>
<b>Cash and cash equivalents Beginning of period .....</b>	<u>5 917</u>	<u>13 555</u>
<b>Cash and cash equivalents End of period (1) (2).....</b>	<u>2 592</u>	<u>5 917</u>
(1) Excluding 5.008 K€ in 2004 and 5.630 in 2003 freezed mutual funds (SICAV) presented as financial fixed assets		
(2) Cash and cash equivalents end of period includes :		
Cash and cash equivalents. ....	2 806	6 060
Overdrafts .....	(214)	(143)
Cash and cash equivalents .end of period .....	<u>2 592</u>	<u>5 917</u>