



MEMSCAP : 5th CONSECUTIVE SEMESTRIAL GROWTH

A global progression validating the return to operational profitability strategy

Grenoble, France and Durham, North Carolina, August 25, 2004– MEMSCAP (Euronext: MEN), the leading provider of innovative solutions based on MEMS (micro-electro-mechanical systems) technology, today announces its earnings for the first half of 2004.

The half-year earnings show an improvement of all the Group financial indicators, thus validating the return to operational profitability strategy during the second half. This global progression is milestone by several achievements including:

- The 5th consecutive semester of growth for the consolidated revenue
- The gross margin becoming positive and representing 35% of the first half revenue,
- The reduction of the operational loss by 4 times compared to the same period in 2003,
- The reduction of financial liabilities by 3 millions euros compared to December 31, 2003,
- The important decrease of the cash burn resulting from operations, that now only amounts to 158.000 euros, excluding lay-off costs,
- The consolidation of the back-log and the diversification of the clients portfolio
- The increase of Group level productivity with the concentration of human resources on the three sites of North Carolina, France and Norway
- The finalization of an agreement with its financial partners in order to optimize the Bernin Site assets and enabling the Group to save 3.7 millions euros in cash for fiscal year 2004
- 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 pressure module transducer for high-end aeronautics applications
- The launch of the North Carolina manufacturing facility upgrade program to enable higher volume production with 6 inch wafers processing capabilities

First half 2004 consolidated revenue amounted to 4.7 million euros (5.8 million US dollars) compared to 3.8 million euros for the first half 2003 (4.2 million US dollars), while the consolidated operational result ended at (3.1) million euros against (12.1) million euros for the first half 2003. The gross margin became positive and represents 35% of the first half revenue, in parallel to a significant reduction of the operational expenses.

Net result is (4.9) million euros against (13.9) million euros in 2003, leading to a net earning per share of (0.046) euros, which represents a factor of 5 improvement compared to first half 2003.

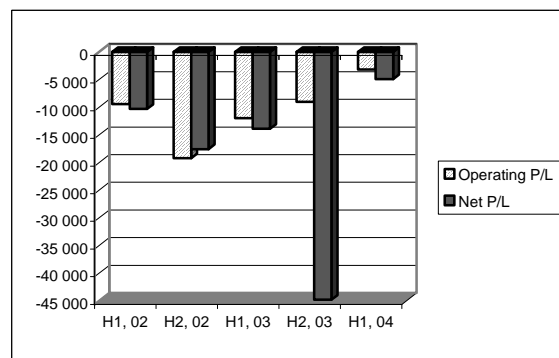
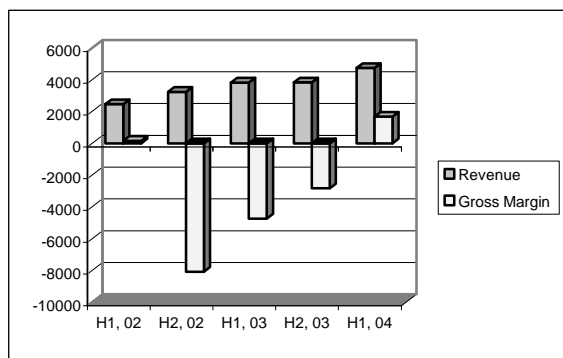
<i>In thousand Euros</i>	<i>First half 2004</i>	<i>Second half 2003</i>	<i>First half 2003</i>	<i>Second half 2002</i>	<i>First half 2002</i>
<i>Revenue</i>	4 746	3 835	3 828	3 240	2473
<i>Gross margin</i>	1 680	(2 826)	(4 733)	(8 071)	168
<i>Operational Profit / (Loss)</i>	(3 148)	(9 009)	(11 957)	(19 203)	(9 424)
<i>Net Profit / (Loss)</i>	(4 905)	(44 761)	(13 873)	(17 555)	(10 285)
<i>Headcount</i>	143 <i>on June 30, 2004</i> 105 <i>on July 1, 2004</i>	195 <i>on Dec. 31, 2003</i>	226 <i>on June 30, 2003</i>	256 <i>on Dec.31, 2002</i>	214 <i>on June 30, 2002</i>

The overall financial situation of the company also improved, the financial liabilities being reduced, on June 30, 2004 by 3 millions euros compared to December 31, 2003 and the cash burn for operations from 10.4 millions in the first half 2003 to 2.3 millions in the first half 2004. Excluding lay-off costs, the company only used 158,000 euros in cash for 6 months operations.

On June 30, 2004, MEMSCAP cash amounts to 3.8 millions euros and 5.1 million of freezed mutual funds (SICAV) linked to the Company lease-back obligations.

These first results are in line with the strategy of return to operational profitability during the second half, a strategy that is being backed up by an early July 4.6 million euros backlog billable over the second half and by pursuing the cost reduction policy with the concentration of human resources on three sites: North Carolina, France and Norway.

«All along this first half 2004, MEMSCAP has been progressing according to the plan targeting a return to operational profitability before the end of 2004. Already we have realized major objectives as evidenced by the progression of all our financial indicators», declares Jean Michel Karam, Chairman and Chief Executive Officer of MEMSCAP. « We shall keep working hard and dedicate the second half to maintaining this growth trend ».



Third Quarter Revenue will be released on October 21, 2004.

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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**CONSOLIDATED BALANCE SHEET
(in thousand euros)**

	30 June 2004	31 December 2003
	K€	K€
Assets		
Fixed Assets		
Goodwill	5 276	5 670
Intangible fixed assets	2 765	3 505
Tangible fixed assets	51 410	56 966
Financial fixed assets	13 865	14 405
	73 316	80 546
Current Assets		
Inventories	1 059	1 203
Accounts receivable and related accounts	5 268	5 446
Other debtors	2 129	4 542
Cash and cash equivalent.....	3 853	6 060
	12 309	17 251
Total Assets	85 625	97 797
Liabilities and Shareholders' Equity		
Shareholders' Equity		
Capital	5 406	5 311
Additional paid-in capital	34 581	114 129
Retained earnings	(14 306)	(89 464)
Cumulative translation adjustment	(848)	(772)
	24 833	29 204
Provisions for risks and badwill	29 507	34 777
Liabilities		
Borrowings and financial liabilities.....	22 496	25 476
Accounts payable.....	6 425	6 475
Other liabilities and associates accounts	2 364	1 865
	31 285	33 816
Total Liabilities and Shareholders' Equity	85 625	97 797

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CONSOLIDATED STATEMENTS OF OPERATIONS (in thousand euros)

	Half Year ended 30 June		Year ended 31 December
	2004	2003	2003
	K€	K€	K€
Revenue	4 746	3 828	7 663
Cost of sales	(3 066)	(3 779)	(8 065)
Cost of the French manufacturing plant	-	(4 782)	(7 157)
Gross Margin	1 680	(4 733)	(7 559)
Operating expenses :			
Research and development expenses	(2 053)	(2 626)	(5 331)
Selling and marketing expenses	(863)	(1 767)	(3 335)
General and administrative expenses	(1 912)	(2 831)	(4 741)
Total operating expenses	(4 828)	(7 224)	(13 407)
Operational result.....	(3 148)	(11 957)	(20 966)
Interest expenses	(1 056)	(869)	(1 733)
Interest income.....	533	116	306
Foreign exchange gain (loss)	30	(222)	(929)
Net income (loss) before tax benefit.....	(3 641)	(12 932)	(23 322)
Exceptional Profit (Loss).....	(870)	(651)	(34 714)
Corporate income tax	-	-	-
Net income (loss) before acquisition goodwill amortization	(4 511)	(13 583)	(58 036)
Goodwill amortization	(394)	(290)	(598)
Net income (loss)	(4 905)	(13 873)	(58 634)
Net earning (loss) per share	(0,05)	(0,21)	(0,75)
Number of shares	107 588 458	65 115 227	77 843 919
Net diluted earning (loss) per share	(0,05)	(0,19)	(0,75)
Number of shares fully diluted.....	107 588 458	53 989 764	77 843 919

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VARIATIONS OF THE CONSOLIDATED SHAREHOLDERS EQUITY

(in thousands euros, except for shares)

	Shares		Addition al paid in capital	Retained Earnings	Cumulative translation adjustment	Total Shareholders' Equity
	Number	Amount				
Balance at 31 December 2001	53 813 511	2 691	93 674	(2 953)	(383)	93 029
Exercice of warrant (BSPCE)...						
New shares	11 196 800	560	5 000			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
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	106 229 061	5 311	114 129	(89 464)	(772)	29 204
Exercice of warrant & options.....				7		7
Exercice of warrant.....				603		603
Émission d'actions.....	1 894 000	95	515	(610)		-
Retained Earnings offset with additional paid in capital			(80 063)	80 063		-
Net Loss.....				(4 905)		(4 905)
Foreign exchange loss					(76)	(76)
Balance at 30 June 2004	108 123 061	5 406	34 581	(14 306)	(848)	24 833

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CONSOLIDATED CASH FLOW STATEMENT

(in thousand euros)

	Semestre arrêté au 30 juin 2004	Exercice clos le 31 décembre 2003
	K€	K€
Cash flows from operating activities:		
Net income (loss)	(4 905)	(58 634)
Non cash items written back:	-	-
Amortization and depreciation	(3 859)	39 846
Capital gain and loss Write off	3 940	1 413
Cash increase (decrease) on:	-	-
Accounts receivable	208	(155)
Inventories	145	334
Other debtors, prepayments and accrued income	2 468	688
Accounts payable	(76)	(2 565)
Accrued expenses and other debts	647	32
Cash flows from operating activities *	(1 432)*	(19 041)
Cash flows from investments activities:		
Tangible fixed assets acquisition	(620)	(1 610)
Intangible fixed assets acquisition	(17)	(669)
Financial fixed assets acquisition	-	(40)
Impact of variation in freeze cash	540	3 172
Sale of fixed assets	1 994	4 794
Impact of consolidation perimeter	-	2 833
Cash flows from investments activities	1 897	8 480
Cash flows from financing activities:		
Lease funding	611	-
Lease reimbursement	(3 669)	(2 742)
Exercise of warrants & stock options	95	1 316
Increase in capital net of fees	515	3 757
Cash flows from financing activities	(2 448)	2 331
Effect of exchange rate on C&C equivalent	(300)	592
Variation of C&C equivalent	(2 283)	(7 638)
C&C equivalent Beginning of period	5 917	13 555
C&C equivalent End of period **	3 634	5 917
* <i>At 30 June 2004, cash flows from operating activities excluding cash used to pay employees termination costs including termination of GalayOr's employees amount to <u>(158) K euros</u></i>		
** C&C equivalent	3 853	6 060
Overdraft	(219)	(143)
C&C equivalent net (1)	3 634	5 917
Freezed mutual funds (SICAV)	5 090	5 630
Total Cash & Cash Equivalent and Freezed Funds	8 724	11 547