



## **THIRD QUARTER 2004: MEMSCAP KEEPS UP ITS GROWTH AND IMPROVES AGAIN ITS OPERATIONAL RESULTS**

### *Results that reward the Group strategy*

**Grenoble, France and Durham, North Carolina, October 20, 2004** – MEMSCAP (Euronext: MEN), MEMSCAP (Euronext: MEN), the leading provider of innovative solutions based on MEMS (micro-electro-mechanical systems) technology, today announces its revenue and operational results for the third quarter 2004, closed on September 30, 2004.

Third quarter consolidated revenue amounted to 2.3 million euros (2.8 million US dollars), representing a 28 % growth in euros compared to third quarter 2003. The first three quarters of 2004 total to nearly the amount of the yearly revenue realized by the company for the whole fiscal year 2003.

In parallel, consolidated operational result for third quarter 2004 is (0.9) million euros. This figure, compared to the third quarter 2003 operational losses, represents an improvement by a ratio of 6, and of more than 25% compared to second quarter 2004. In addition, the gross margin for this third quarter keeps being positive and amounts to 35% of the revenue.

While third quarter traditionally is the most difficult in MEMSCAP business sectors, the trend initiated since the beginning of the year in order to target operational profitability before the end of fiscal year 2004 still holds.

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

<b>Consolidated Revenue :</b>	<b>2.3</b>
Standard Products	0.8
Custom Products	1.5
COGS	(1.5)
<b>Gross Margin</b>	<b>0.8</b>
<i>% of revenue</i>	<i>35%</i>
Operational Expenses	( 1.7)
<b>Operational Profit/(Loss)</b>	<b>(0.9)</b>

During this third quarter, the Group has executed several steps of its strategy, including the development of its product offering and client portfolio, the increase of the production volume for clients such as Knowles Electronics, and the migration of its North Carolina manufacturing plant equipment to 6 inch, while ensuring continuity of client supply during the upgrade process. Furthermore, the Company announced today the signature of an acquisition agreement of French company Optogone (*cf. press release this day October 20, 2004*).

« MEMSCAP is progressing according to the strategy and the milestones it has fixed », declares Jean Michel Karam, Chief Executive Officer at MEMSCAP. « We are progressing in this path thanks to the intensive work done by our research, manufacturing and sales teams, and we still focus on trying to reach operational profitability during this second semester 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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