Microsaic Systems plc
("Microsaic", "Microsaic Systems" or the "Company")

Interim Results

26 September 2011

Microsaic Systems plc (AIM: MSYS), the developer of chip-based scientific instruments, announces its interim results for the six months ended 30 June 2011 and an update on trading since the period end.

Highlights

- Successful admission to the AIM market of the London Stock Exchange, and institutional placing of £4.0 million (gross) in April to fund the development and commercialisation of miniaturised mass spectrometer products based on the Company's patented chip-based technologies.
    - Mass spectrometry (MS) is widely accepted as the 'gold-standard' technique for identifying chemicals and is used for routine analysis of samples across a range of sectors. The total MS market was an estimated $3.3 billion in 2010.
- Microsaic Systems is the first company to have successfully developed chip-based MS systems, and launched its first product this year.
    - The Microsaic 3500 MiD is smaller, portable, quieter, more energy efficient and cheaper to run than conventional MS systems.
- The product was awarded CE marking during the period.
- The 3500 MiD has generated considerable interest from original equipment manufacturer (OEM) partners and customers.
    - The Company is in commercial discussions with four major companies who have confirmed a strong interest in OEM sales.
    - The Company passed through technical milestones with two of these OEM partners during the second quarter, and with a third partner post-period.
    - Further customisation of our platform for each of these partners' respective applications continues, followed by ongoing on-site evaluation.
    - During the period several product demonstrations were also conducted for other potential OEM partners.
- The product was unveiled at two international trade fairs.
    - The product received the prestigious New Product Award at Lab Automation in the USA in January 2011.
    - More recently the product was displayed at American Society for Mass Spectrometry (ASMS) annual meeting in June, the premier trade event for the MS industry, where it was also very well received.
- The Company continued to strengthen its portfolio of intellectual property protecting its technology assets with a further five patents granted during the period, taking the total number of patents granted to 45.

Post-period update

- As planned, the Company has started to implement its strategy for direct marketing and sales of the 3500 MiD, targeting niche, growth markets. As part of this strategy Samantha Dunnage was appointed as Sales and Marketing Manager in August 2011.
- Multiple demonstrations have been delivered to customers and partners so far since the end of the period, including extended evaluations at a number of customer sites at global pharmaceuticals, biotechnology companies and leading research laboratories.
- In one case, an extended demonstration at a leading independent research group produced previously unknown information about a particular chemical process, thus demonstrating the capability of the 3500 MiD to rapidly provide information that directly enhances the

productivity and effectiveness of chemists. We believe this confirms the Company's belief in the value of the product, and has resulted in the customer placing an order.

- Scope continues to broaden and the Company is now in discussions with a total of five partners regarding potential OEM sales, along with initial discussions with others.
    - The Company has held discussions with a fifth blue chip company regarding OEM sales into the analytical instrumentation market, prior to putting in place legal documentation in advance of shipment of a system for evaluation at their site.
- First order received from an OEM partner, in line with our original agreement.
- Systems have been shipped to customers in both the US and the UK.

Financial Summary (unaudited)

- Revenues of £120,326 for first half 2011 (£185,761 for same period in 2010)
- Cash and cash equivalents of £3,077,529 at 30 June 2011 compared to £674,212 at 31 December 2010
- Operational expenses for first half 2011 of £466,798 (£339,842 for same period 2010)
- Loss for period of £852,264 (£656,619 in first half 2010)

Alan Finlay, Chief Executive of Microsaic Systems plc, commented:

"Microsaic Systems has made significant progress during 2011. The new funds raised on our admission to AIM have provided the Company with a strong balance sheet from which to advance its strategic objective of becoming a key player in the scientific instrumentation market.

"We believe our innovative chip-based mass spectrometer technology is revolutionary and has the potential to address a large and growing market opportunity. As a result, our first product, the 3500 MiD, is a powerful analytical system the size of a desktop PC that is more energy efficient and cheaper to run than conventional systems, which remain several times larger and considerably more expensive to operate and maintain.

"We are pleased with the interest in this product we have received from potential partners and direct customers based on these key attributes, and are progressing commercial discussions as rapidly as possible. We are entering an exciting period for Microsaic Systems and believe we are well placed to realise our vision and deliver value to shareholders."

Contacts

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About Microsaic Systems

Microsaic Systems develops chip-based scientific instruments for the identification of substances in solids, liquids and gases. The Company's products are based on the 'gold-standard' scientific technique of mass spectrometry (MS).

Microsaic Systems has developed a miniaturised mass spectrometer product, based on its patented, chip-based technologies (ionchip®, spraychip® and vac-chip™), that is smaller, lighter, quieter, more energy efficient and cheaper to run than conventional MS systems.

Mass spectrometry (MS) is used across multiple sectors, including government, energy, utilities, pharmaceutical, diagnostics and healthcare, environmental, food and drink, security and defence, and industrial chemicals – a combined market of $3.3 billion in 2010.

Microsaic Systems was established in 2001 by a team including founders from Imperial College London, and was admitted to AIM in April 2011 under the symbol MSYS.

CEO's statement

Throughout the period from 1 January to 30 June 2011 Microsaic Systems has made significant progress. The first quarter began with the unveiling of the Microsaic 3500 MiD in the USA and ended with a successful institutional placing of £4 million of stock, and the listing of the Company on the AIM, a market of the London Stock Exchange.

The 3500 MiD was first displayed at Lab Automation 2011 in Palm Springs, USA, were it received the New Product Award, and in June at the American Society for Mass Spectrometry (ASMS) annual meeting in Denver, Colorado where it was also very well received by customers and the industry. The Microsaic 3500 MiD is designed for MS analysis of liquid samples, and is based on our patented, chip-scale MS technologies spraychip, vac-chip and ionchip. The system may be easily maintained by users through replacement of our patented chips. Key attributes of the 3500 MiD compared to conventional MS systems are that it is smaller, portable, quieter, requires less infrastructure and has lower running costs. The Company received full CE certification for the 3500 MiD during the second quarter.

There are two strands to our commercialisation strategy, original equipment manufacturer (OEM) sales through established channels and direct sales into certain niche, growing markets and applications. Significant progress has been made in both strands. Since the start of the period we have been engaged with blue-chip companies regarding OEM sales, and we passed through technical milestones with two of them during the second quarter, and with a third partner post-period. These milestones required some customisation of our technology for specific, complementary OEM applications. In two cases, evaluation of customised systems is required before full OEM agreements can be implemented. In a third case, an OEM partner conducted an initial evaluation of our product at our site, including interfacing of our product with theirs, prior to an extended evaluation at their site, which is ongoing.

The focus for our product development has been on improvements in robustness, reliability and manufacturability. We are addressing the repeatability of the product as well as enhancements to hardware and software for specific customers.

The Company continued to strengthen its portfolio of intellectual property protecting its core technology assets with a total of five patents granted during the period, including two US patents. This takes the total number of patents granted to 45, with 46 pending.

Post-period end, systems have been shipped to customers and partners in the UK and USA. A first order for a system has been received from an OEM partner. This first order is in line with our original agreement. That system has been shipped for evaluation at the partner's site. The range of interested parties has continued to broaden, taking the total number of OEM partners we are in discussions with to five, along with initial discussions with others. We have held discussions with the fifth blue chip partner regarding potential OEM sales into the analytical instrumentation market, prior to putting in place legal documentation in advance of shipment of a system for evaluation at their site.

As part of our direct sales strategy we have engaged with customers in the pharmaceuticals sector, primarily in the UK. As part of this engagement product demonstrations have been delivered to customers since the beginning of the year, many of which involved evaluations at customer sites. We continue to develop these leads and hope to report progress later in the year. In August, Samantha Dunnage was appointed as Sales and Marketing manager to lead direct sales and in particular to target certain niche, growth applications.

We took up occupation of expansion premises adjacent our Woking office during July. These premises have now been fitted out and provide a cost-effective solution to our requirement for expanded manufacturing capacity. As planned, the next phase of manufacturing outsourcing has commenced with subcontracting of electronic assemblies and other modules. Final system assembly and testing is currently underway in the expanded Woking facility.

Financial Review

The unaudited results reflect the activities undertaken during the period, including the Company's admission to AIM. The loss of the six month period after tax was £852,264 (2010: £656,619) on revenues of £120,326 (2010: £185,761).

Revenue for the period continued to be predominately development funding from contracts with our partners and grant-funded projects. In line with an increasing emphasis on product development and sales, grant-funded project activity has dropped by about a third from the first half of 2010. This is reflected in lower revenue during the first half of the year. Investment in product development was increased, primarily in line with work on our first generation products and software.

Within operating expenses, marketing expenditure has increased as we unveiled the product at several trade fairs, and recruited staff to assist with product applications and sales. Following the Company's listing there has also been a rise in administrative spend to support its status as a public company.

Gross proceeds raised from the IPO were £4.0 million. The board and management were delighted with the response to the offer from new institutional investors, as well as from existing shareholders. Costs of the share issue and floatation amounted to £753,555. The Company is already employing the net proceeds of £3,246,445 in the next phase of its business plan and is intensifying its product development and commercialisation programme. Cash in hand at 30 June 2011 was £3,085,812 (2010: £1,120,205).

Outlook

We are delighted with the level of interest received in Microsaic 3500 MiD and the Board is confident further progress will be made in the second half of the year. In the short term our focus is on securing our first direct sales, and successfully completing the next milestones with our OEM partners, including evaluation and testing in conjunction with customisation of our platform, in preparation for volume sales. In addition, we expect to move forward from initial discussions to technical cooperation with additional partners regarding OEM sales into other application areas.

Finally, we are in discussions with two manufacturing partners regarding system assembly, the next phase of our outsourcing strategy, which we expect to agree by the end of 2011.

Alan Finlay
Chief Executive
26 September 2011

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six months ended 30 June 2011

	Notes	6 months to 30 June 2011 Unaudited £	6 months to 30 June 2010 Restated/Unaudited £
Revenue		120,326	185,761
Cost of sales		(596,126)	(575,050)
Gross loss		(475,800)	(389,289)
Operating expenses		(466,798)	(339,842)
Loss from operations		(942,598)	(729,131)
Finance income		10,622	4,833
Loss before tax		(931,976)	(724,298)
Taxation	5	79,712	67,679
Total comprehensive loss for the period		(852,264)	(656,619)
Loss per share attributable to the equity holders of the Company			
Basic and diluted loss per ordinary share	6	(2.71)p	(3.05)p

All of the revenue and loss above is derived from continuing operations.

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the six months ended 30 June 2011

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
At 1 January 2010	154	3,790,214	-	(2,792,904)	997,464
Adjustment for adoption of IFRS	-	-	817,329	(817,329)	-
At 1 January 2010 restated	154	3,790,214	817,329	(3,610,233)	997,464
Shares issued	62	1,199,968	-	-	1,200,030
Share issue expenses	-	(85,899)	-	-	(85,899)
Total comprehensive loss for the period	-	-	-	(656,619)	(656,619)
Share based payments – share options	-	-	6,878	-	6,878
At 30 June 2010	216	4,904,283	824,207	(4,266,852)	1,461,854
At 1 January 2011	216	4,904,283	828,153	(4,857,333)	875,319
Bonus issue	62,323	(62,323)	-	-	-
Capital reduction	-	(4,841,960)	-	4,841,960	-
Shares issued	31,250	3,968,750	-	-	4,000,000
Share issue expenses	-	(753,555)	-	-	(753,555)
Total comprehensive loss for the period	-	-	-	(852,264)	(852,264)
Share based payments – share options	-	-	10,108	-	10,108
At 30 June 2011	93,789	3,215,195	838,261	(867,637)	3,279,608

STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2011

	Notes	30 June 2011 Unaudited £	30 June 2010 Restated/Unaudited £
ASSETS			
Non-current assets			
Intangible assets		153,432	124,138
Property, plant and equipment		88,610	123,988
Total non-current assets		242,042	248,126
Current assets			
Inventories		45,456	10,213
Trade and other receivables		292,416	186,859
Corporation tax receivable		60,000	67,679
Cash and cash equivalents		3,077,529	1,120,205
Total current assets		3,475,401	1,384,956
Total assets		3,717,443	1,633,082
EQUITY AND LIABILITIES			
Equity			
Share capital	7	93,789	216
Share premium		3,215,195	4,904,283
Share option reserve		838,261	824,207
Retained earnings		(867,637)	(4,266,852)
Total equity		3,279,608	1,461,854
Current liabilities			
Trade and other payables		437,835	171,228
Total equity and liabilities		3,717,443	1,633,082

STATEMENT OF CASH FLOWS (UNAUDITED)
For the six months ended 30 June 2011

	Notes	6 months to 30 June 2011 Unaudited £	6 months to 30 June 2010 Restated/Unaudited £
Loss from operations		(942,598)	(729,131)
Amortisation of intangible assets		25,087	16,954
Depreciation of property, plant and equipment		28,322	49,809
Share based payments		10,108	6,878
(Increase)/Decrease in inventories		(38,149)	6,757
(Increase) in trade and other receivables		(108,180)	(6,036)
(Decrease) in trade and other payables		(6,238)	(27,514)
Cash used in operations		(1,031,648)	(682,283)
Taxation received		239,840	-
Net cash used in operating activities		(791,808)	(682,283)
Cash flows from investing activities			
Purchases of intangible assets		(48,577)	(23,175)
Purchases of property, plant and equipment		(13,365)	(11,643)
Interest received		10,622	4,833
Net cash used in investing activities		(51,320)	(29,985)
Cash flows from financing activities			
Proceeds from share issues	7	4,000,000	1,200,030
Share issue costs		(753,555)	(85,899)
Net cash from financing activities		3,246,445	1,114,131
Net increase in cash and cash equivalents		2,403,317	401,863
Cash and cash equivalents at beginning of period		674,212	718,342
Cash and cash equivalents at the end of the period		3,077,529	1,120,205

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

1. General information

The condensed financial information set out in this report does not constitute statutory accounts as defined by section 434 of the Companies Act 2006 and has not been audited.

The condensed financial information for the six months to 30 June 2010 has been prepared using extracts from the financial statements prepared for the year ended 31 May 2010 and the seven month period ended 31 December 2010. The auditor's reports on those financial statements were unqualified and did not contain statements under section 498(2) or section 498(3) of the Companies Act 2006.

When the 2011 annual financial statements are prepared they will be the first full year financial statements prepared in accordance with IFRS as adopted by the European Union ("Adopted IFRS") and as such, this interim report is also required to be prepared on this basis. The financial information contained within the interim report has been computed on a basis which is consistent with that which will be applied in the preparation of the 2011 annual financial statements. While the financial figures included in this interim report have been computed in accordance with Adopted IFRS this interim report is not required to be prepared in accordance with IAS 34: Interim financial reporting. The change from UK GAAP to IFRS as a basis for preparation resulted in presentational differences arising from the differing requirements of IFRS. The Company made no transitional elections.

2. Restatement

Following the adoption of the IFRS, the comparative financial information for the period ended 30 June 2010 has been restated for the implementation of IFRS 2 - Share Based Payments.

There were no material adjustments which require a reconciliation of total equity, comprehensive income or cash flows as previously reported under UK GAAP.

3. Basis of preparation

The financial information has been prepared on the historical cost basis, except where financial instruments are required to be carried at fair value under IFRS.

The financial information has been prepared on a going concern basis, as the directors consider that the Company has sufficient resources to continue operations for the foreseeable future.

4. Segmental reporting

The Company currently has one business segment, being the commercialisation, research and development of microengineered systems and devices, which is wholly carried out within the United Kingdom. Therefore no segmental analysis of revenue, losses and net assets has been presented.

5. Tax

The Company has recognised taxation receivable in relation to R&D tax credits claimed for the period to 30 June 2010 and expected to be claimed for the period to 30 June 2011.

6. Loss per share

	6 months to 30 June 2011 Unaudited	6 months to 30 June 2010 Restated/Unaudited
Loss after tax attributable to equity shareholders	£(852,264)	£(656,619)
Weighted average number of Ordinary 0.25p shares for the purpose of basic and diluted loss per share	31,439,981	21,545,782
Basic and diluted loss per share	(2.71)p	(3.05)p

Potential ordinary shares are not treated as dilutive as the Company is loss making, therefore the weighted average number of ordinary shares for the purposes of the basic and diluted loss per share are the same.

The weighted average numbers of shares have been adjusted to reflect the bonus issue and share sub-division in April 2011.

7. Share capital

	30 June 2011 Unaudited £	30 June 2010 Unaudited £
Allotted, called up and fully paid		
21,565 Ordinary shares of 1p each	-	216
37,515,400 Ordinary shares of 0.25p each	93,789	-
	93,789	216

In April 2011 the Company made a bonus issue of 289 ordinary shares of 1p each for each 1p ordinary share held. Subsequently, each 1p ordinary share was subdivided into four ordinary shares of 0.25p each. In the same month, the Company placed 12,500,000 ordinary shares of 0.25p each at a price of 32p per share.

Following adoption of new articles of association in April 2011, the Company does not have a stated authorised share capital. Previously the authorised share capital was £100,000 comprising 10,000,000 ordinary shares of 1p each.

8. Share based payments

The Company operates approved and unapproved share option schemes as a means of encouraging ownership and aligning interests of staff and external shareholders.

These share based payments have been measured at their fair value at the date of grant and the fair value expensed to the statement of comprehensive income on a straight line basis over the vesting period. Fair value has been measured using the Black-Scholes model.

	6 months to 30 June 2011 Unaudited £	6 months to 30 June 2010 Restated/Unaudited £
Share based payments charge for the period	10,108	6,878

9. Subsequent events
There were no significant events after the balance sheet date.