

Microsaic Systems plc
(“Microsaic”, “Microsaic Systems” or the “Company”)

Interim Results

24 September 2012

Microsaic Systems plc (AIM: MSYS), the developer of chip-based scientific instruments, announces its interim results for the six months ended 30 June 2012 and an update on trading since the period end.

Highlights

- Signing of OEM agreement with Biotage AB for application of MiD in flash purification
- Continuing progress with potential OEM partners in other application areas
- Commencement of regular production and shipments of systems to customers and potential OEM partners
- Placing of 3,867,248 ordinary shares raising £1.55m
- R&D 100 award for Microsaic's 3500 MiD
- Development of the 4000 MiD and of future products, including working prototype of next generation system to address new market areas

Post-period update

- Completion of enhanced product, the 4000 MiD
- First shipment of the 4000 MiD to Biotage and order for further systems
- Unveiling of the Biotage-Microsaic combined system
- Added capability in production, applications development and software
- Appointment of Colin Jump as Chief Executive Officer (see separate announcement today)

Financial Summary (unaudited)

- Revenues of £269,992 for first half 2012 (£120,326 for same period in 2011)
- Cash and cash equivalents of £2,190,077 at 30 June 2012 compared to £1,818,319 at 31 December 2011
- Loss for period of £789,832 (£852,264 in first half 2011)

Eric Yeatman, Acting Chief Executive of Microsaic Systems plc, commented:

“Microsaic Systems has made significant progress during this period. We are particularly pleased with our new partnership with Biotage AB, and the rapid advances we are making together in addressing the very exciting market opportunity in flash purification. We have also continued to move forward on other potential OEM partnerships, on development and demonstration of additional applications for our products, and on our production capability.

“In addition, the Board is very pleased to welcome Colin Jump as CEO and is confident that his commercial and operational experience in the analytical instrumentation sector will help drive the business forward towards the further realisation of our corporate goals.”

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About Microsaic Systems

Microsaic Systems develops and sells chip-based scientific instruments for the chemical identification of substances. The Company's products are based on the 'gold-standard' scientific technique of mass spectrometry.

Microsaic Systems has developed a miniaturised mass spectrometer 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 mass spectrometer systems.

Mass spectrometry is used across many industry sectors, including government, energy, utilities, pharmaceutical, diagnostics and healthcare, environmental, food and drink, security and defence, and industrial chemicals – a combined market of \$3 billion in 2011.

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.

www.microsaic.com

Chairman's and Chief Executive's statement

Microsaic Systems made significant progress during the six months to 30 June 2012. Following the launch of our breakthrough product, the 3500 MiD, and delivery of the first units in 2011, we began regular manufacture of the MiD in early 2012, and have been steadily shipping these systems to a variety of customers and partners throughout the period. We continue to develop our production resources and capability, with increased use of outsourcing, in line with our corporate plans in preparation for the ramp-up of production volumes in the remainder of this year and through 2013.

Microsaic's products take the recognised gold standard technique for chemical analysis – mass spectrometry – and by miniaturising it to desk-top size make it practical for a much wider range of users and applications. In the pharmaceutical and biotechnology markets, our first target market, our systems are ideal for deployment alongside standard chemical separation and purification equipment of various types. A major strand of our strategy for building volume sales is the development of OEM (original equipment manufacturer) relationships with leading suppliers of such chemical equipment.

We achieved a key milestone in May 2012 with the signing of a significant OEM deal, with Biotage AB. Biotage is listed on NASDAQ OMX Stockholm and is an established supplier in the areas of analytical and medicinal chemistry. It has an excellent customer base including the world's top pharmaceutical and biotechnology companies, as well as leading academic institutes. In particular, it is a world leader in the supply of flash purification equipment, and the combination of its flash systems with our compact mass spectrometers results in a unique product offering which allows chemists to significantly improve their work flow. The integrated system was presented publicly for the first time at the Japanese trade fair JASIS earlier this month, and customer reaction has been very positive.

As part of our collaboration with Biotage, and for future customers/partners, we will be supplying a new version of the MiD, the 4000 MiD. Development of this system, which offers a reduced footprint, was completed recently; all performance tests were successful, and the first shipment has recently been made. We have received the first order under the Biotage agreement for the initial systems to support the launch of the combined flash purification system, and following shipment of these we look forward to commencing regular shipments to support Biotage's customer demand. Development of the 4000 MiD has also allowed us to make design improvements to enhance manufacturability. In addition, we have increased our manufacturing capacity during the period for the chip-based, user replaceable components.

The enhancements incorporated in the 4000 MiD followed the very positive feedback we have received on the 3500 MiD, which we launched in 2011 and have presented at several international trade shows since, including the major European trade fair Analytica in March. Decision makers and end users are particularly impressed by the self-contained nature of the system – no other mass spectrometer for liquid analysis has eliminated external pumps and computers, and this gives the MiD a revolutionary advantage in deployability, ease of use and cost of ownership. These advantages were further recognised in June when the 3500 MiD won a prestigious R&D 100 award, given to the most technologically significant products to enter the marketplace globally.

Microsaic continues to make progress with other potential OEM partners. During the reporting period we shipped systems to a number of leading international suppliers of chemical separation equipment for evaluation. Discussions continue with these organisations on possible partnerships. For one of these partners, we successfully adapted the MiD to provide additional functionality required for their application. Detailed technical evaluation is now underway at their site, and we are progressing discussions on commercial aspects. Another vendor is conducting an in-depth evaluation of the MiD at our premises, in parallel with active commercial discussions. In an additional case we are continuing development work on a more technically challenging application, and have recently passed a further technical milestone in this work, but we have also opened discussions with this vendor on an additional market opportunity, which we have successfully demonstrated in collaboration with one of our direct customers.

We have also continued to develop our direct sales channel, and have been working closely with lead customers to develop and demonstrate a range of applications for the MiD. One such application is continuous flow reaction monitoring, in which the MiD provides on-line analysis of a chemical process. This allows the process to be continuously optimised, enhancing efficiency, productivity and safety. The compact, self-contained nature of the MiD is key to making this application practical. During the period we published results in a leading peer-reviewed journal (Browne, D.L. *et al.*, *Rapid Communications in Mass Spectrometry* 26, pp 1999-2010, 2012) on continuous reaction monitoring in collaboration with a prestigious laboratory at Cambridge University. We have also been developing applications in collaboration with key customers in the pharmaceutical industry, including Merck & Co., with whom we have previously published applications in high performance liquid chromatography.

Our R&D programme continues to enhance our technology and commercial opportunities. We have grown the patent portfolio, with 7 additional patent grants during the reporting period. Our product pipeline includes more complex mass spectrometry systems which will allow us to address new market areas, such as food and drink, and environmental safety. Like the MiD, these systems are based on our core Ionchip technology. During the period we achieved the first working prototype of one of these systems, and we anticipate announcing more on this technology in 2013.

Appointment of new Chief Executive Officer

We are delighted to announce today the appointment of Colin Jump as CEO. Colin has nearly 30 years of commercial and operational experience in the analytical instrumentation sector. He joins Microsaic from Shimadzu UK Ltd, where he spent the past 11 years as Managing Director. Colin will take up his role in November 2012, at which point Eric Yeatman and Colin Nicholl will resume their roles as Chairman and Deputy Chairman, respectively. The Board would like to acknowledge the roles both Eric and Colin have played over the past year in establishing the strong position for growth that the Company is in and look forward to their continued contributions in their Board capacities.

Financial Review

Revenues have risen for the first half year to £269,992, having benefited from sales of the 3500 MiD on top of grant income streams funding future product development. We are looking forward to product sales growth as the OEM contract with Biotage gains momentum and market interest in our product increases.

Investment in product development continues on both enhancements to our existing product and on future products. Development expenditure in the six month period amounted to £645,533.

The Company's manufacturing, sales and after-sales capabilities are being steadily built up. Operating expenses reported for the period show a fall to £378,067 for the period, although this is attributable to a one-off write back of £172,467 of prior year share based payment charges, following the expiry of unexercised share options.

In June the Company placed 3,867,248 ordinary shares with existing and new shareholders. This represented a 10% increase in the Company's issued share capital and we gratefully acknowledge the on-going support shown by our investors. The gross proceeds raised from the issue amounted to £1.55m and gave the Company £2.2m of cash in hand at 30 June. These funds have enabled us to enhance our capability in several areas, particularly software development, manufacturing capacity, and applications development. We have made hires in each of these areas since the end of the period, and these new staff are already adding to our capacity to address market requirements and opportunities.

Outlook

Looking forward to the remainder of 2012 and into 2013, the Board believes that the Company has established a strong platform from which to deliver its corporate objectives aimed at creating further value for shareholders.

We are particularly pleased with our new partnership with Biotage AB, and the rapid advances we are making together in addressing the very exciting market opportunity in flash purification. We look forward to the formal launch of the combined Biotage-Microsaic system at a major trade show, and are well positioned to meet anticipated production demand.

We are focused on concluding commercial negotiations with other potential OEM partnerships, and look forward to finalising at least one additional agreement in the coming months. In addition, we will continue increasing direct sales and developing new commercial channels for the MiD.

Finally, the appointment of Colin Jump as CEO signals our clear intent to drive the commercialisation of our revolutionary chip-based technology and we are excited about the opportunities that this presents.

Colin Nicholl - Chairman

Eric Yeatman - Chief Executive

24 September 2012

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six months ended 30 June 2012

	Notes	6 months to 30 June 2012 Unaudited £	6 months to 30 June 2011 Unaudited £
Revenue		269,992	120,326
Cost of sales		(735,796)	(596,126)
Gross loss		(465,804)	(475,800)
Operating expenses		(378,067)	(466,798)
Loss from operations		(843,871)	(942,598)
Finance income		9,039	10,622
Loss before tax		(834,832)	(931,976)
Taxation	4	45,000	79,712
Total comprehensive loss for the period		(789,832)	(852,264)
Loss per share attributable to the equity holders of the Company			
Basic and diluted loss per ordinary share	5	(2.00)p	(2.71)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 2012

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
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
At 1 January 2012	96,681	3,214,253	647,690	(1,712,505)	2,246,119
Shares issued	9,668	1,537,231	-	-	1,546,899
Share issue expenses	-	(100,074)	-	-	(100,074)
Total comprehensive loss for the period	-	-	-	(789,832)	(789,832)
Share based payments – share options	-	-	(172,467)	-	(172,467)
At 30 June 2012	106,349	4,651,410	475,223	(2,502,337)	2,730,645

STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2012

	Notes	30 June 2012 Unaudited £	30 June 2011 Unaudited £
ASSETS			
Non-current assets			
Intangible assets		147,301	153,432
Property, plant and equipment		67,750	88,610
Total non-current assets		215,051	242,042
Current assets			
Inventories		62,797	45,456
Trade and other receivables		363,227	292,416
Corporation tax receivable		235,000	60,000
Cash and cash equivalents		2,190,077	3,077,529
Total current assets		2,851,101	3,475,401
Total assets		3,066,152	3,717,443
EQUITY AND LIABILITIES			
Equity			
Share capital	6	106,349	93,789
Share premium		4,651,410	3,215,195
Share option reserve		475,223	838,261
Retained earnings		(2,502,337)	(867,637)
Total equity		2,730,645	3,279,608
Current liabilities			
Trade and other payables		335,507	437,835
Total equity and liabilities		3,066,152	3,717,443

STATEMENT OF CASH FLOWS (UNAUDITED)
For the six months ended 30 June 2012

	Notes	6 months to 30 June 2012 Unaudited £	6 months to 30 June 2011 Unaudited £
Loss from operations		(843,871)	(942,598)
Amortisation of intangible assets		27,475	25,087
Depreciation of property, plant and equipment		28,351	28,322
Share based payments		(172,467)	10,108
Decrease/(Increase) in inventories		86,328	(38,149)
(Increase) in trade and other receivables		(51,786)	(108,180)
(Decrease) in trade and other payables		(112,125)	(6,238)
Cash used in operations		(1,038,095)	(1,031,648)
Taxation received		-	239,840
Net cash used in operating activities		(1,038,095)	(791,808)
Cash flows from investing activities			
Purchases of intangible assets		(8,607)	(48,577)
Purchases of property, plant and equipment		(37,404)	(13,365)
Interest received		9,039	10,622
Net cash used in investing activities		(36,972)	(51,320)
Cash flows from financing activities			
Proceeds from share issues	6	1,546,899	4,000,000
Share issue costs		(100,074)	(753,555)
Net cash from financing activities		1,446,825	3,246,445
Net increase in cash and cash equivalents		371,758	2,403,317
Cash and cash equivalents at beginning of period		1,818,319	674,212
Cash and cash equivalents at the end of the period		2,190,077	3,077,529

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 2011 has been prepared using extracts from the financial statements prepared for the year ended 31 December 2011. Those financial statements have been filed with the Registrar of Companies. The auditor's reports on those financial statements was unqualified with an emphasis of matter reference regarding going concern and did not contain statements under section 498(2) or section 498(3) of the Companies Act 2006.

The financial figures included in this interim report have been computed in accordance with IFRS as adopted by the European Union ("Adopted IFRS") and on a basis which is consistent with that applied in the preparation of the 2011 annual financial statements. While the financial information included in this interim report has been computed with Adopted IFRS and includes information required to be disclosed by the AIM rules, this interim report is not required to be prepared in accordance with IAS 34: Interim financial reporting.

2. 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.

3. Segmental reporting

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

4. Tax

The Company has recognised estimated taxation receivable in relation to R&D tax credits expected to be claimed for the period.

5. Loss per share

	6 months to 30 June 2012 Unaudited	6 months to 30 June 2011 Unaudited
Loss after tax attributable to equity shareholders	£(789,832)	£(852,264)
Weighted average number of Ordinary 0.25p shares for the purpose of basic and diluted loss per share	39,515,085	31,439,981
Basic and diluted loss per share	(2.00)p	(2.71)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.

6. Share capital

	Unaudited Number	Unaudited £
Allotted, called up and fully paid		
Ordinary shares of 0.25p each as at 1 January 2012	38,672,500	96,681
Shares issued	3,867,248	9,668
Ordinary shares of 0.25p each as at 30 June 2012	42,539,748	106,349

In June 2012 the Company placed 3,867,248 ordinary shares of 0.25p each at a price of 40p per share.

Following adoption of new articles of association in April 2011, the Company does not have a stated authorised share capital.

7. 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 2012 Unaudited £	6 months to 30 June 2011 Unaudited £
Share based payments (credit)/charge for the period	(172,467)	10,108

In the 6 months to 30 June 2012 there was a net share based payments credit due to the lapsing of share options during the period.

8. Subsequent events

There were no significant events after the balance sheet date.