

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

Interim Results for the six months ended 30 June 2013

27 September 2013

Microsaic Systems plc (AIM: MSYS), the developer of chip-based scientific instruments, announces its interim results for the six months ended 30 June 2013 and an update on trading since the period end.

Highlights

- Launch of the Microsaic 4000 MiD[®] miniature mass spectrometer at Pittcon international trade fair
- Launch of the Isolera[™] Dalton by Biotage AB, the first OEM product containing 4000 MiD[®]
- Signing of OEM agreement for the sale of the 4000 MiD[®] as a stand-alone instrument

Financial Summary (unaudited)

- Revenues up 100% to £541,529 for first half 2013 (£269,992 for same period in 2012) as product sales grow
- Cash and cash equivalents of £4.8m at 30 June 2013 compared to £1.8m at 31 December 2012
- Loss for period of £1,040,579 (£789,832 in first half 2012). Excluding the distorting effects of accounting for share options, the 2013 first half loss was £1,003,462 compared to £962,299 in 2012.
- Placing of 9,951,443 ordinary shares raising £4.28m before costs

Colin Jump, Chief Executive of Microsaic Systems plc, commented:

"We have continued to make good progress across all areas of our business in the first half of 2013 and have established a solid platform from which to continue to execute our strategy. The launches of the 4000 MiD[®] and of the Isolera[™] Dalton represented important milestones and the market reaction to both has been positive. This growing traction, and the progress we are making in discussions with potential partners and customers, confirm to the Board that there is significant demand for our products across multiple application areas and formats. We are well positioned to meet this demand and create value for our shareholders."

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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 2012.

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

CHIEF EXECUTIVE'S STATEMENT

We are pleased to report Microsaic Systems has made good progress during the six months to 30 June 2013, including two successful product launches, the doubling of our turnover for the half year and the completion of a £4.28 million fund raising.

The Microsaic 4000 MiD[®], our miniature, fully self-contained mass spectrometer, was launched in March and has received favourable market acceptance. Production of the 4000 MiD[®] began in the spring and is being ramped up. In line with our business plan, we shall be outsourcing the production of the units to an accredited third-party supplier in the coming year.

In June our OEM partner, Biotage AB, successfully launched the Isolera[™] Dalton, a fully integrated system for flash chromatography and mass identification incorporating the 4000 MiD[®]. Demand for this unique new product has been immediate and shipments of the 4000 MiD[®] to Biotage are in line with expectations.

Biotage, listed on the NASDAQ OMX Stockholm, is a well-established supplier in the areas of analytical and medicinal chemistry, with a global sales and service capability. Biotage is a leader in the supply of flash chromatography, a widely used separation and purification method in chemical synthesis. Integration of the 4000 MiD[®] with Biotage's flash systems greatly increases the power and effectiveness of flash, allowing, for example, automated mass-directed separation.

Our main route to market for the 4000 MiD[®] is through partnerships with companies that have established sales channels and complementary products which deliver synergistic benefits for the end users. This is a key strategy and in April this year we were pleased to announce the signing of a second agreement, for supply of the 4000 MiD[®] - as an Original Equipment Manufacturer (OEM). This second agreement is for the global, non-exclusive marketing and sale of the 4000 MiD[®] as a stand-alone instrument for use in specified applications. The terms of the agreement include commitments to minimum quantities during an initial period of 42 months.

We have been continuing to develop our relationships with other potential commercial partners in the pharma, biotech and related sectors. Successful trials have been completed and we are engaged in discussions with a number of potential partners aimed at securing commercial agreements.

Our second and complementary sales strategy is for direct selling, focussing on new application areas where we have direct contact with users, which helps to inform our future product development and R&D programmes. A number of key direct sales have already been achieved and a pipeline established for the second half of 2013 and 2014.

In order to support the company's ongoing evolution into a successful commercial business, a number of direct hires have been made through the first half of 2013. We have also undertaken an internal re-organisation to create a new business development team, whose objective is not only to grow direct sales, but also to provide customer support for our OEM partners and open up new sales channels. We plan to enlarge this team further over time.

The marketing plan for 2013 has been directed towards positioning Microsaic as a solution provider for chemical analysis, rather than simply as a mass spectrometer vendor. In support of this approach, and leveraging our expertise in analytical techniques based on mass spectrometry, we are developing a series of seamless chemical and software interface products, which combine with the MiD[®] to provide OEM partners and end users easy-to-implement solutions to their analysis needs.

Our marketing programme included presenting and exhibiting at a number of international trade shows during the first half of 2013. We had a successful launch of the 4000 MiD[®] at Pittcon, Philadelphia USA, where we held a press conference attended by a large number of the leading scientific editors, who all responded very positively to the new product.

In June, we presented the results of our chip-based triple quadrupole mass spectrometer for the first time, at the American Society of Mass Spectrometry (ASMS). We have achieved a working prototype of this advanced MS technology that can analyse more complex materials. This system will give us the capability needed for our next generation of products and further broaden the range of applications that our miniaturised MS instruments can address.

We are pleased to be receiving further favourable publicity and external validation for our technology, confirming our belief that it can transform laboratory practice and insight. The most recent paper was published at the British Mass Spectrometry Society conference earlier this month following a collaborative trial with AstraZeneca UK, where a 4000 MiD[®] was used successfully to monitor a series of chemical reactions in real time. This is a key application that we are targeting and provided further independent affirmation of the capabilities of our product.

Financial Review

Revenues doubled to £541,529 in first six months of 2013 compared to the same period in 2012. OEM sales volumes of the 4000 MiD[®] have been the principal contributor to this rise, with regular monthly shipments being made. Sales of consumables are also rising, and will become more significant over time as the installed base grows.

Research and development revenue streams are becoming a less significant proportion of the total company income, but continue to make a valuable contribution. Spending on R&D amounted to £582,591 and was focussed on product enhancements to open up new application opportunities for the MiD[®].

The loss for the half year was £1,040,579 compared to £789,832 in the same period last year, however the 2012 result included a large share-based payments credit of £172,467 due to the lapsing of certain share options in that period. Excluding the effects of share-based payments accounting, the half year losses for 2013 and 2012 were £1,003,462 and £962,299 respectively. Similarly the operating expenses for the first half of 2013 and 2012 excluding share-based payments were £747,651 and £550,534 – the increase arising from marketing activity and augmentation of our business development and engineering teams.

In May, the Company placed 9,951,443 ordinary shares with existing and new shareholders. This represented a 23% increase in the Company's issued share capital. We wish to thank our investors for supporting this placing which will enable the Company to execute its organic revenue growth plans, as well as to invest in the development and production of its instruments and technologies. The gross proceeds raised from the issue amounted to £4.28m and gave the Company £4.8m of cash in hand at 30 June.

Outlook

The outlook for Microsaic remains encouraging. A solid foundation has been established across all areas of our business on which we are building. We have successfully launched the 4000 MiD[®] as a stand-alone product, and as an OEM product, and it is now gaining greater market exposure through focussed promotion, both in the scientific community and published media.

We remain committed to the three distinct business strategies that underpin our ambitions:

- Developing OEM partnerships with synergistic companies, which can provide Microsaic with access to enhanced sales distribution channels alongside our own direct sales channel.
- Stepping up our marketing communications and the promotion of the core brand values of Microsaic.
- Outsourcing the manufacture of the main product ensuring high quality build, reliability and high volume capacity.

All our activities all aligned to these three priorities. Our 'Plug & Play' usability designs remain unique and the increasing market acceptance of our chip-based technology will provide the platform for further growth and differentiation from competitors. We remain intent on broadening the application base and enhancing user experience of the MiD[®] in order to make it the benchtop analytical tool of choice for chemists.

Colin Jump - Chief Executive

27 September 2013

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six months ended 30 June 2013

	Notes	6 months to 30 June 2013 Unaudited £	6 months to 30 June 2012 Unaudited £
Revenue		541,529	269,992
Cost of sales		(870,028)	(735,796)
Gross loss		(328,499)	(465,804)
Operating expenses		(784,768)	(378,067)
Loss from operations		(1,113,267)	(843,871)
Finance income		2,172	9,039
Loss before tax		(1,111,095)	(834,832)
Taxation	4	70,516	45,000
Total comprehensive loss for the period		(1,040,579)	(789,832)
Loss per share attributable to the equity holders of the Company			
Basic and diluted loss per ordinary share	5	(2.36)p	(2.00)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 2013

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
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
At 1 January 2013	106,349	4,651,410	499,570	(3,480,022)	1,777,307
Shares issued	24,922	4,259,698	-	-	4,284,620
Share issue expenses	-	(286,614)	-	-	(286,614)
Share options lapsed	-	-	(190,761)	190,761	-
Total comprehensive loss for the period	-	-	-	(1,040,579)	(1,040,579)
Share based payments – share options	-	-	37,117	-	37,117
At 30 June 2013	131,271	8,624,494	345,926	(4,329,840)	4,771,851

STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2013

	Notes	30 June 2013 Unaudited £	30 June 2012 Unaudited £
ASSETS			
Non-current assets			
Intangible assets		134,859	147,301
Property, plant and equipment		117,299	67,750
Total non-current assets		252,158	215,051
Current assets			
Inventories		232,967	62,797
Trade and other receivables		328,530	363,227
Corporation tax receivable		30,000	235,000
Cash and cash equivalents		4,793,307	2,190,077
Total current assets		5,384,804	2,851,101
Total assets		5,636,962	3,066,152
EQUITY AND LIABILITIES			
Equity			
Share capital	6	131,271	106,349
Share premium		8,624,494	4,651,410
Share option reserve		345,926	475,223
Retained earnings		(4,329,840)	(2,502,337)
Total equity		4,771,851	2,730,645
Current liabilities			
Trade and other payables		865,111	335,507
Total equity and liabilities		5,636,962	3,066,152

STATEMENT OF CASH FLOWS (UNAUDITED)
For the six months ended 30 June 2013

	Notes	6 months to 30 June 2013 Unaudited £	6 months to 30 June 2012 Unaudited £
Loss from operations		(1,113,267)	(843,871)
Amortisation of intangible assets		26,839	27,475
Depreciation of property, plant and equipment		35,395	28,351
Share based payments		37,117	(172,467)
(Increase)/Decrease in inventories		(42,615)	86,328
(Increase) in trade and other receivables		(147,001)	(51,786)
Increase/(Decrease) in trade and other payables		118,808	(112,125)
Cash used in operations		(1,084,724)	(1,038,095)
Taxation received		190,516	-
Net cash used in operating activities		(894,208)	(1,038,095)
Cash flows from investing activities			
Purchases of intangible assets		(68,429)	(8,607)
Purchases of property, plant and equipment		(32,813)	(37,404)
Interest received		2,172	9,039
Net cash used in investing activities		(99,070)	(36,972)
Cash flows from financing activities			
Proceeds from share issues	6	4,284,620	1,546,899
Share issue costs		(286,614)	(100,074)
Net cash from financing activities		3,998,006	1,446,825
Net increase in cash and cash equivalents		3,004,728	371,758
Cash and cash equivalents at beginning of period		1,788,579	1,818,319
Cash and cash equivalents at the end of the period		4,793,307	2,190,077

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

1. General information

The condensed financial information set out in this statement 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 2012 has been prepared using extracts from the financial statements prepared for the year ended 31 December 2012. Those financial statements have been filed with the Registrar of Companies. The auditor's report 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 statement 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 2012 annual financial statements. While the financial information included in this interim statement has been computed with Adopted IFRS and includes information required to be disclosed by the AIM rules, this interim statement 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 2013 Unaudited	6 months to 30 June 2012 Unaudited
Loss after tax attributable to equity shareholders	£(1,040,579)	£(789,832)
Weighted average number of 0.25p ordinary shares for the purpose of basic and diluted loss per share	44,081,700	39,515,085
Basic and diluted loss per share	(2.36)p	(2.00)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 2013	42,539,748	106,349
Shares issued for cash - May 2013 – Placing	9,951,443	24,879
Shares issued for cash - June 2013 – Share Incentive Plan	17,185	43
Ordinary shares of 0.25p each as at 30 June 2013	52,508,376	131,271

In May 2013 the Company placed 9,951,443 ordinary shares of 0.25p each at a price of 43p 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 2013 Unaudited £	6 months to 30 June 2012 Unaudited £
Share based payments charge/(credit) for the period	37,117	(172,467)

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.