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

Interim Results for the six months ended 30 June 2015

30 September 2015

Microsaic Systems plc (AIM: MSYS), the developer of chip-based scientific instruments, announces its interim results for the six months ended 30 June 2015 and an update on trading since the period end.

Key points

- Revenues lower at £291,139 (2014: £610,985), reflecting softer sales from one distribution channel as referenced in the 2014 Annual Report
- Sales of the 4000 MiD® lower at £165,015 (2014: £543,294)
- Consumable sales lower at £56,574 (2014: £67,691), due to a change in the way the application is used by one customer
- Cash balances of £2.7m at 30 June 2015 compared to £4.5m at 31 December 2014
- Loss before share-based payments, interest and tax of £1,718,984 (2014: £1,431,194)
- Signing of a further OEM agreement with GE Healthcare in early 2015
- Good progress in developing the triple quadrupole technology

Developments since 30 June 2015

- Signing of a Heads of Terms agreement with Quantum Analytics for the distribution of the Microsaic-branded 4000 MiD® in North America

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

"First half revenues reflect the soft start to the year with one important distribution channel. In our Annual Report we referred to this and stated that we had identified the causes and were addressing them. We can now report on the actions that have been taken. We have sought to agree new terms to move forward on an exclusive basis with our existing OEM customer for the Flash Chromatography market, but have been unable to agree on a shared strategic direction. Consequently we have exercised an option in the contract to move forward on a non-exclusive basis and are pleased to report that our partner is continuing to place orders. In parallel, we have established multiple distribution channels to the low and medium pressure flash chromatography market and are in the final stages of signing a heads of terms agreement with a new OEM partner for the development of products for the separate high pressure purification market. We will continue to segment the market opportunities and increase our distribution options.

"This will impact revenues for 2015. In the medium and long term we believe that this segmented approach to the market will prove beneficial for the Company. As a result, these lower revenues will lead to higher than planned cash outflow for the Company and your Company will hold an EGM in October to issue further capital. Several major shareholders have already indicated they will support this issue, as to be separately announced this morning.

"Your Board believes all other aspects of the Company's strategic development continue to move forward as planned. During the first half, we have made good progress with our three key business objectives:

"First, the OEM agreement for the development of our next generation triple quadrupole technology is going to plan with milestones reached. Launch remains on schedule.

"Second, in developing further our OEM and distribution partnerships with synergistic companies where we have identified opportunities for our miniaturised mass spectrometer unit. Your Company now has OEM agreements in place with four companies, plus a distribution agreement with one, and Heads of Terms agreements signed with a further two companies. The plan to establish a series of OEMs in segmented markets and distribution networks with major operators in Europe, India, USA and Japan continues to move forward.

"Third, in maintaining leadership in the field of miniaturised mass spectrometry. Here, our R&D programmes continue to deliver innovative ideas and developments, which are designed to enable Microsaic to bring important extensions to its product range over the next two years and hence increase our distribution channels' ability to successfully penetrate their specific, chosen markets.

"In addition, work continues with our manufacturing partner to ensure anticipated unit sales growth can be met by all parties concerned. Units already shipped have met our reliability expectations.

"It remains the Board's belief that Microsaic is well-positioned to capitalise on its leadership in its field and to grow the business over the coming years."

Contacts

Microsaic Systems Colin Jump, CEO Andrew Darby, FD	Via Citigate Dewe Rogerson
Numis Securities Limited Stuart Skinner (Nominated Adviser) James Serjeant (Broker)	+44 (0)20 7260 1000
Citigate Dewe Rogerson Mark Swallow, Malcolm Robertson	+44 (0)20 7282 2948/2867

About Microsaic Systems

Microsaic Systems plc is a high technology company developing and marketing next generation mass spectrometry (MS) instruments for the analysis of gaseous, liquid and solid samples. Microsaic has successfully miniaturised mass spectrometry into a desktop instrument by integrating the key MS components onto patented chip technologies (called ionchip®, spraychip® and vac-chip™). Microsaic's MS products retain the functionality of larger, conventional MS systems but are substantially smaller, lighter, consume less energy and have lower running costs. The Microsaic 4000 MiD® is the world's smallest MS system.

Mass spectrometry is a 'gold-standard' analytical technique used across many industry sectors, including pharmaceutical, diagnostics and healthcare, government, energy, utilities, environmental, food and drink, security and defence, and industrial chemicals - a combined market estimated to grow to $2.5 billion by 2017. Microsaic aims to introduce compact, deployable MS products, based on its core technology, into a series of these target markets.

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 & CHIEF EXECUTIVE'S STATEMENT

We present our report on developments within Microsaic Systems during the six months to 30 June 2015, and since that date.

SALES OF THE 4000 MID®

We referenced in the 2014 Annual Report that one distribution channel had delivered softer than expected product sales in early 2015. We also noted that we had identified the causes and were taking steps to address them. We can now report on the actions that have been taken. We have sought to agree new terms to move forward on an exclusive basis with our existing OEM customer for the Flash Chromatography market, but have been unable to agree on a shared strategic direction. Consequently we have exercised an option in the contract to move forward on a non-exclusive basis and are pleased to report that our partner is continuing to place orders. In parallel, we have established multiple distribution channels to the low and medium pressure flash chromatography market and are in the final stages of signing a heads of terms agreement with a new OEM partner for the development of products for the separate high pressure purification market. We will continue to segment the market opportunities and increase our distribution options. This will impact revenues for 2015. In the medium and long term we believe that this segmented approach to the market will prove beneficial for the Company.

Following the signing of an OEM agreement with Gilson Inc. in 2014 for our 4000 MiD® to be combined with Gilson's high performance liquid chromatography instruments, we can now report that the product is compatible and integrated, initial sales have commenced and ramp-up is expected in Q4 2015 as both companies move rapidly to accelerate sales.

Likewise, units have been shipped to Kinesis, our distributor for Microsaic-branded instruments in the UK, Europe and India. The relationship has started well and we are encouraged by the outlook.

Finally we have also shipped an initial unit to GE Healthcare, following the signing of the OEM agreement in March 2015.

CONSUMABLE SALES

The plug and play nature of the 4000 MiD® is a key competitive differentiator in the market place, offering enhanced usability, speed of setup and cost-efficiency. The lower consumable sales in the first half compared to the previous year are due to a change in the way the application is used by one customer and, we believe, will not be indicative of the anticipated revenue steam from this line of business going forwards.

OEM (Original Equipment Manufacturer) PARTNERS

On 16 March 2015 we announced that we had signed an OEM supply agreement with GE Healthcare, for the sale of our 4000 MiD® unit in combination with GE Healthcare's instruments. The agreement is centred on the development of an innovative new analytical instrument for use in research and healthcare applications. The two companies are working towards the commercial launch of the integrated product.

We are making good progress with the development phase of bringing our triple quadrupole technology to market with milestones on track. Once launched, sales will operate on a royalty-based model with manufacturing of the non-chip based components carried out external to Microsaic.

We continue to advance discussions with additional potential partner companies covering a range of application areas for our 4000 MiD® technology.

DISTRIBUTION PARTNERS

In September 2015, we signed a heads of terms agreement with Quantum Analytics for the distribution of the Microsaic-branded 4000 MiD® in the USA. Quantum Analytics is a value-added distributor and an authorised service provider for Agilent, a global leader in life sciences, diagnostics and applied chemical markets. In addition we signed a heads of terms agreement with a distributor in Japan.

MANUFACTURING

During the period, the manufacture of the non-chip based components of the 4000 MiD® was performed by Plexus. While there has been an increase in finished goods (as explained in the Financial Review below), due to the slow start to the year in one sales distribution channel, Plexus has demonstrated its capacity to manufacture in volume with reliability and at reduced cost. This has, therefore, confirmed our decision to outsource this area of manufacturing to offer us the required manufacturing flexibility moving forwards. We are pleased to confirm that we have recently also moved the manufacture of the MiDas unit to Plexus.

RESEARCH & DEVELOPMENT

Our research & development is aimed at ensuring Microsaic maintains its leadership in the field of miniaturised mass spectrometry. In addition to advancing the development of new products in our existing OEM partnerships, we are focused on creating next-generation products to expand our range of applications as well as provide important extensions to our existing product range designed to increase our distribution channels' ability to successfully penetrate their specific, chosen markets.

FINANCIAL REVIEW

In the six-month period to 30 June 2015 revenues of £291,139 were 52% lower than the previous year (2014: £610,985), reflecting softer than expected sales from one distribution channel. Consequently, sales of the 4000 MiD® were 70% lower at £165,015 (2014: £543,294). Consumable sales were 16% lower at £56,574 (2014: £67,691). Other income was £69,550 (2014: £NIL), being income received for the development of the triple quadrupole technology. Gross margins were 53% (2014: 41%) and, accordingly, gross profit was £153,089 (2013: £248,714).

Operating expenses (excluding share-based payments) were £1,987,248 (2014: £1,759,446). The increase in operating expenses was due to the Company's investment in the bringing to market of previously signed OEM partnerships, particularly the triple quadrupole technology.

Therefore, the loss for the period, before share-based payments, tax and interest, was £1,718,984 (2014: £1,431,194).

During the period, as previously announced, the manufacture of the non-chip based components of the 4000 MiD® were performed by Plexus and their scheduling was based on forecasts submitted at the end of 2014 to allow them time to establish their manufacturing runs. With the soft start to the year from one distribution channel, while forecasts have been pared back, there has been a build-up in finished goods as a result. This is reflected in the increase in inventories in the statement of financial position with inventories increasing by 78% to £578,242 (£2014: 324,324). Likewise in the statement of cash flows, cash used in operations of £1,977,601 is higher than the comprehensive loss for the period of £1,663,616.

The cash balances at 30 June 2015 totalled £2.7m (31 December 2014: £4.5m).

OUTLOOK
Despite the disappointing results of the first half, it remains the Board's belief that Microsaic is well-positioned to capitalise on its leadership in its field and to grow the business over the coming years.

Colin Nicholl
Chairman

Colin Jump
Chief Executive

29 September 2015

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six months ended 30 June 2015

	Notes	6 months to 30 June 2015 Unaudited £	6 months to 30 June 2014 Unaudited £
Revenue	4	291,139	610,985
Cost of sales		(138,050)	(362,271)
Gross profit		153,089	248,714
Other operating income		115,175	79,538
Operating expenses		(1,987,248)	(1,759,446)
Loss from operations before share based payments		(1,718,984)	(1,431,194)
Share based payments	8	(44,147)	(25,931)
Loss from operations after share based payments		(1,763,131)	(1,457,125)
Finance income		7,468	3,094
Loss before tax		(1,755,663)	(1,454,031)
Tax on loss on ordinary activities	5	92,047	54,414
Total comprehensive loss for the period		(1,663,616)	(1,399,617)
Loss per share attributable to the equity holders of the Company			
Basic and diluted loss per ordinary share	6	(2.62)p	(2.67)p

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the six months ended 30 June 2015

	Notes	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
At 1 January 2014		131,271	8,629,494	382,812	(5,574,419)	3,569,158
Shares issued		145	14,854	-	-	14,999
Total comprehensive loss for the period		-	-	-	(1,399,617)	(1,399,617)
Share based payments-share options		-	-	25,931	-	25,931
At 30 June 2014		131,416	8,644,348	408,743	(6,974,036)	2,210,471
At 1 January 2015		158,133	12,790,887	438,662	(8,578,539)	4,809,143
Shares issued		330	33,805	-	-	34,135
Total comprehensive loss for the year		-	-	-	(1,663,616)	(1,663,616)
Share based payments-share options		-	-	44,147	-	44,147
At 30 June 2015		158,463	12,824,692	482,809	(10,242,155)	3,223,809

STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2015

	Notes	30 June 2015 Unaudited £	30 June 2014 Unaudited £
ASSETS			
Non-current assets			
Intangible assets		104,350	118,164
Property, plant and equipment		204,647	164,419
Total non-current assets		308,997	282,583
Current assets			
Inventories		578,242	324,324
Trade and other receivables		400,330	371,410
Corporation tax receivable		-	-
Cash and cash equivalents		2,654,744	1,811,659
Total current assets		3,633,316	2,507,393
TOTAL ASSETS		3,942,313	2,789,976
EQUITY AND LIABILITIES			
Equity			
Share capital	7	158,463	131,416
Share premium		12,824,692	8,644,348
Share option reserve		482,809	408,743
Retained earnings		(10,242,155)	(6,974,036)
Total Equity		3,223,809	2,210,471
Current liabilities			
Trade and other payables		626,837	579,505
Non-Current liabilities			
Provisions		91,667	-
Total liabilities		718,504	579,505
TOTAL EQUITY AND LIABILITIES		3,942,313	2,789,976

STATEMENT OF CASH FLOWS (UNAUDITED)
For the six months ended 30 June 2015

	Notes	6 months to 30 June 2015 Unaudited £	6 months to 30 June 2014 Unaudited £
Total comprehensive loss for the period		(1,663,616)	(1,399,617)
Amortisation of intangible assets		25,469	24,521
Depreciation of property, plant and equipment		60,221	68,250
Loss on disposal of property, plant and equipment		-	7,976
Share based payments		44,147	25,931
Tax on loss on ordinary activities		(92,047)	(54,414)
Interest received		(7,468)	(3,094)
Increase in inventories		(337,067)	(119,483)
Decrease in trade and other receivables		115,066	43,810
Decrease in trade and other payables		(122,306)	(133,058)
Cash used in operations		(1,977,601)	(1,539,178)
Taxation received		192,047	134,414
Net cash used in operating activities		(1,785,554)	(1,404,764)
Cash flows from investing activities			
Purchases of intangible assets		(13,254)	(10,854)
Purchases of property, plant and equipment		(136,596)	(30,099)
Interest received		7,468	3,094
Net cash used in investing activities		(142,382)	(37,859)
Cash flows from financing activities			
Proceeds from share issues		34,135	14,999
Net cash from financing activities		34,135	14,999
Net decrease in cash and cash equivalents		(1,893,801)	(1,427,624)
Cash and cash equivalents at beginning of the period		4,548,545	3,239,283
Cash and cash equivalents at the end of the period		2,654,744	1,811,659

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 2014 has been prepared using extracts from the financial statements prepared for the year ended 31 December 2014. Those financial statements have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified.

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 2014 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. Going concern

The financial statements have been prepared on a going concern basis, which assumes that sufficient funds will be available for the Company to continue in operational existence for at least 12 months from the date of signing.

The Directors have prepared trading and cash flow projections that extend beyond 12 months from the date of this report. These include increasing revenue levels which the Directors believe will be derived from the sale of its products and are supported by market feedback that has been received. There is no certainty that the expected level of sales will be achieved and if there were a significant shortfall it may be necessary for the Company to secure alternative sources of funding to enable it to remain a going concern. Whilst the Company has been successful securing funding in the past, this is no guarantee that it will be possible in the future. However, the Directors have a reasonable expectation that the Company will have access to sufficient funding to continue operations for at least twelve months from the signing of this report and therefore they continue to adopt the going concern basis for the preparation of the financial statements.

4. Segmental reporting

Throughout the period the Company operated in one business segment, that of research, development and commercialisation of scientific instruments. All of the Company's assets are held in the UK and all of its capital expenditure arises in the UK. The geographical analysis of revenue was as follows:

	6 months to 30 June 2015 Unaudited	6 months to 30 June 2014 Unaudited

	£	£
UK	**28,494**	105,780
Non-UK	**262,645**	505,205
	291,139	610,985

Further attribution of the non-UK revenue is not possible due to the nature of the sales via OEM agreements which are then distributed globally.

One customer represented 47% of total revenue (2014: 78%).

5. Tax

The Company has recognised R&D tax credits received during the period.

6. Loss per share

	6 months to 30 June 2015 Unaudited	6 months to 30 June 2014 Unaudited
Loss after tax attributable to equity shareholders	(1,663,616)	(1,399,617)
Weighted average number of 0.25p ordinary shares for the purpose of basic and diluted loss per share	63,382,459	52,516,387
Basic and diluted loss per share	(2.62)p	(2.67)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.

7. Share capital

	Unaudited Number	Unaudited £
Allotted, called up and fully paid		
Ordinary shares of 0.25p each as at 1 January 2015	63,253,376	158,133
Share options exercised-January 2015	132,000	330
Ordinary shares of 0.25p each as at 30 June 2015	63,385,376	158,463

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

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 2015 Unaudited	6 months to 30 June 2014 Unaudited
	£	£
Share based payments charge for the period	44,147	25,931

9. Subsequent events

There were no significant events after the balance sheet date, other than those contained in this statement.