



## **MEMSIC Announces Second Quarter 2009 Financial Results**

### **Revenue and net income exceed expectations**

ANDOVER, Mass., Aug 06, 2009 (BUSINESS WIRE) -- [MEMSIC, Inc.](#) (NasdaqGM: MEMS), a leading MEMS solution provider, combining proprietary MEMS technology with advanced mixed signal processing and system solutions, today announced financial results for the second quarter ended June 30, 2009.

### **Financial Results**

Revenue for the second quarter of 2009 was \$9.1 million, compared with \$3.6 million in the second quarter of 2008. Revenue in the second quarter of 2008 was affected by a \$2.0 million revenue reversal resulting from a contract cancellation. Net income in the second quarter of 2009 was \$691,000 on a GAAP basis, or \$0.03 per diluted share, compared to a net loss of (\$1.4) million or (\$0.06) per diluted share in the second quarter of 2008. On a non-GAAP basis, which excludes stock-based compensation charges of \$0.4 million, the Company's net income was \$1.1 million, or \$0.05 per diluted share. The Company's non-GAAP net loss for the second quarter of 2008 was (\$1.1) million, or (\$0.05) per diluted share, which excludes stock-based compensation charges of \$0.3 million.

Dr. Yang Zhao, Chief Executive Officer of MEMSIC said, "In the second quarter, we again saw business in the mobile market improve beyond our expectations, driving higher than anticipated revenue and earnings. While order volumes increased materially, we saw an increasingly competitive pricing environment - particularly in the handset market - which put significant pressure on our gross margins."

Zhao continued, "Looking ahead we remain optimistic as order volume remains healthy, though pricing pressure is likely to impact our top-line results as well as our gross margins. We believe the handset market in China will continue to grow over the next several years and we are positioning MEMSIC to capture significant market share as decreasing handset prices drive further adoption. We are in the process of implementing a series of engineering projects that we expect to complete by the end of the year that will enable us to reduce manufacturing costs in order to help us sustain competitiveness and maintain or increase our market share. As a result, the third quarter will be a period of transition as we complete these and other initiatives. We expect our recently introduced magnetic sensors to generate traction toward the end of the year. At the same time, we continue to develop value-added solution-level products intended to drive higher average selling prices, which combined with manufacturing cost reductions, are expected to have a positive impact on our top- and bottom-line results in the longer-term. We are confident that these strategies will optimize positioning and help drive our long-term market leadership and financial success."

### **Outlook**

For the third quarter of 2009, MEMSIC anticipates revenue in the range of \$7.0 to \$7.5 million. GAAP net loss for the third quarter of 2009 is anticipated to be in the range of (\$0.02) to breakeven per diluted share. Non-GAAP net income, which excludes approximately \$0.4 million in stock-based compensation expenses, is anticipated to be in the range of (\$0.01) to \$0.01 per diluted share. Average diluted share count for the third quarter is estimated to be 24.0 million.

### **Use of Non-GAAP Financial Measures**

A "non-GAAP financial measure" is a numerical measure of a company's historical or future financial performance that excludes amounts that are included in the most directly comparable measure calculated and presented in the GAAP statement of operations. MEMSIC is providing the non-GAAP historical and forward-looking financial measures presented above as the company believes that these figures are helpful in allowing individuals to better assess the ongoing nature of MEMSIC's core operations.

Net income (non-GAAP) and net income per share (non-GAAP), as we present them in the financial data included in this press release, exclude non-cash stock-based compensation expense. The company uses these non-GAAP financial measures internally to focus management on period-to-period changes in the company's core business. Therefore, the company believes that this information is meaningful in addition to the information contained in the GAAP presentation of financial information. The presentation of this additional non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.

### **Conference Call**

Management will hold a conference call and webcast to review and discuss the Company's results and outlook.

What: MEMSIC second quarter 2009 financial results conference call and webcast  
When: Thursday, August 6, 2009  
Time: 5:00 p.m. ET  
Live Call: (877) 397-0235, domestic  
(719) 325-4846, international  
Replay: (888) 203-1112, pass code 7334421, domestic  
(719) 457-0820, pass code 7334421, international  
Webcast: <http://investor.memsic.com> (live and replay)

## About MEMSIC

Headquartered in Andover, Massachusetts, MEMSIC, Inc. provides advanced semiconductor sensor and system solutions based on integrated micro electromechanical systems, or MEMS, technology and mixed signal circuit design. Its accelerometer products are used to measure tilt, shock, vibration and acceleration, and have a wide range of applications such as mobile phones, automotive safety systems and video projectors. MEMSIC combines proprietary thermal-based MEMS technology and advanced analog mixed signal processing circuitry design into a single chip using a standard complementary metal-oxide semiconductor, or CMOS, process.

For further information, please visit [www.memsic.com](http://www.memsic.com).

## Safe Harbor Statement

Statements included in this press release which are not historical in nature, including statements about MEMSIC's expected financial results for 2009, are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements are based upon the current beliefs and expectations of the company's management and are subject to significant risks and uncertainties. Actual results may differ materially from those set forth in the forward-looking statements. When used in this press release the terms "anticipate," "believe," "estimate," "expect," "may," "objective," "plan," "possible," "potential," "project," "will" and similar expressions identify forward-looking statements. Important factors that could cause actual results to differ include those identified under the heading "Risk Factors" in the company's annual report on Form 10-K for the year ended December 31, 2008, as well as the following: the current global recession and related disruption in credit markets may adversely affect demand for our products and make it more difficult to accurately forecast our results; our limited operating history makes it difficult to evaluate our business and prospects; our operating results may fluctuate and are difficult to predict and if we do not meet financial expectations of securities analysts or investors, the price of our common stock will likely decline; we do not have long-term purchase commitments from our customers, and our ability to accurately forecast demand for and sales of our products is limited, which may result in excess or insufficient inventory and uncertainty and volatility with respect to our revenue from period to period; we depend on a limited number of customers for a high percentage of our revenues, and the loss of, or a significant reduction in orders from, any of these customers would significantly reduce our revenues; our products are complex and defects in our products could result in a loss of customers, damage to our reputation, decreased revenue, unexpected expenses, loss of market share and warranty and product liability claims; we may not be able to manage our business growth effectively, and failure to do so could strain our management, operating and other resources, which could materially and adversely affect our business and growth potential; and the average selling prices of products in our markets have historically decreased rapidly and will likely do so in the future, which could harm our gross margins and results.

The forward-looking statements contained in this press release are made as of the date hereof, and we do not undertake any obligation to update any forward-looking statements, whether as a result of future events, new information or otherwise.

**MEMSIC, Inc.**  
**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$67,806,880	\$ 64,365,607
Short-term investments	-	1,485,023
Accounts receivable, net of allowance for doubtful accounts of \$6,441 as of June 30, 2009 and December 31, 2008	2,036,956	1,884,194

Inventories	5,120,714	6,267,911
Deferred taxes	110,795	78,204
Other assets	1,442,501	969,892
Total current assets	<u>76,517,846</u>	<u>75,050,831</u>
Property and equipment, net	14,072,191	13,351,721
Long-term investments	5,353,000	5,553,000
Intangible assets, net	952,622	978,256
Deferred taxes	48,169	36,439
Other assets	86,530	51,529
Total assets	<u>\$97,030,358</u>	<u>\$ 95,021,776</u>

#### LIABILITIES AND STOCKHOLDERS' EQUITY

##### Current liabilities:

Accounts payable	\$ 1,800,077	\$ 1,360,274
Accrued expenses	1,355,992	1,380,071
Total current liabilities	<u>3,156,069</u>	<u>2,740,345</u>

##### Stockholders' equity:

Common stock, \$0.00001 par value; authorized, 100,000,000 shares; 23,754,925 and 23,694,425 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively

	238	237
Additional paid-in capital	97,407,211	96,538,040
Accumulated other comprehensive income	2,203,223	2,227,901
Accumulated deficit	(5,736,383)	(6,484,747)
Total stockholders' equity	<u>93,874,289</u>	<u>92,281,431</u>

Total liabilities and stockholders' equity	<u>\$97,030,358</u>	<u>\$ 95,021,776</u>
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**MEMSIC, Inc.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net sales	\$ 9,117,444	\$ 3,603,810	\$15,692,110	\$ 9,862,038
Cost of goods sold	4,916,605	2,474,293	8,358,247	5,195,330
Gross profit	4,200,839	1,129,517	7,333,863	4,666,708
Operating expenses:				
Research and development	1,708,561	976,619	2,878,726	1,757,220
Sales and marketing	543,282	717,512	1,120,061	1,429,609
General and administrative	1,422,405	1,467,935	2,845,102	2,761,461
Total operating expenses	<u>3,674,248</u>	<u>3,162,066</u>	<u>6,843,889</u>	<u>5,948,290</u>
Operating income (loss)	526,591	(2,032,549)	489,974	(1,281,582)
Other income (expense):				
Interest and dividend income	201,984	507,708	459,849	1,220,227
Interest expense	-	(8,719)	-	(24,333)
Other, net	35,174	60,518	38,635	164,438
Total other income (expense)	<u>237,158</u>	<u>559,507</u>	<u>498,484</u>	<u>1,360,332</u>
Earnings (loss) before income taxes	763,749	(1,473,042)	988,458	78,750
Provision (benefit) for income taxes	72,556	(39,765)	240,094	(25,143)
Net income (loss)	<u>\$ 691,193</u>	<u>\$ (1,433,277)</u>	<u>\$ 748,364</u>	<u>\$ 103,893</u>
Net income (loss) per common share:				
Basic	\$ 0.03	\$ (0.06)	\$ 0.03	\$ 0.00
Diluted	\$ 0.03	\$ (0.06)	\$ 0.03	\$ 0.00
Weighted average shares outstanding used in calculating net income (loss) per common share:				
Basic	23,710,172	23,669,765	23,704,406	23,580,877
Diluted	<u>23,998,572</u>	<u>23,669,765</u>	<u>23,920,548</u>	<u>23,886,185</u>

SOURCE: MEMSIC, Inc.

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