

23 November 2004

CML MICROSYSTEMS Plc
INTERIM RESULTS
Results slightly ahead of market expectations

CML Microsystems Plc ("CML"), which designs, manufactures and markets a broad range of semiconductor products, primarily for the global communications market, announces its Interim Results for the six months ending 30 September 2004.

CML's semiconductor solutions serve customers in the wire-line telecom, wireless data, two-way radio, memory card controller and programmable platform markets. CML is listed on the London Stock Exchange and is traded OTC as an ADR in the US. The Group has eight operating subsidiaries in the UK, Germany, the US and Singapore, with branches in China and Taiwan.

Commenting on the results, George Gurry, Chairman said:

"The trading results for the opening half are somewhat ahead of the level of improvement expected by your board, and represent a positive indication for the progress that the Group is achieving under its plans aimed towards material future growth."

Financial Highlights

- Turnover up 40% to £11.559m (H2 '03: £8.275m)
- First full contribution by Hyperstone to a reporting period, acquired July 2003
- Pre-tax profit (before exceptional goodwill write off) of £1.127m (H2 '03: £117k loss)
- Pre-tax profit (after exceptional goodwill write off) of £346k (H2 '03: £525k loss)
- Group Balance Sheet improved and cash reserves remain at a satisfactory level

Business Review

- Increased sales of Memory Controller products
- Higher shipments of Telecom devices for mainland China
- Increased sales for Radio and Wireless Data applications – design wins expected from new products
- Significant new product introductions expected in H2 and early next year
- Forward order visibility remains short-term – H1 gains from China not expected to be sustained in H2

Regarding prospects, George Gurry, Chairman said:

"I am confident that the Group is on a right course towards an increasingly successful future, and am hopeful that full year trading should fall in line with expectations."

Enquiries:

CML Microsystems Plc

Nigel Clark, Financial Director
Chris Gurry, Business Development Director

www.cmlmicroplc.com
020 7786 9600 (today)
01621 875500 (thereafter)

Binns & Co PR

Peter Binns
Paul McManus

020 7153 1485
07980 541 893

Chairman's Statement

I am pleased to say that the trading results for the opening half are somewhat ahead of the level of improvement expected by your board, and represent a positive indication for the progress that the Group is achieving under its plans aimed towards material future growth.

These results include the first full contribution by Hyperstone, acquired in July 2003, to any reporting period for the group.

The results show that group sales for the six months period ending 30 September 2004 rose to £11.559m, an increase of approximately 40% on the figure reported for the corresponding period the year previously (2003: £8.275m), which is a satisfying margin over the improvement budgeted for the opening half.

If the exceptional goodwill written-off in connection with the acquisition of Hyperstone is excluded, pre-tax profit for the period shows a healthy improvement to £1.127m (2003: £177k loss), while inclusion of the exceptional item translates to the reported pre-tax profit of £346k (2003: £525k loss).

The Group Balance Sheet shows a slightly improved position, and cash reserves remained at a satisfactory level throughout the period.

The increase in turnover was led by firmly increasing sales of Memory Controller products, and similarly by rising shipments of the Group's Telecom devices for applications within the markets of Mainland China.

Gains were also achieved in sales of products aimed at Radio and Wireless Data applications. Apart from the sales recorded, significant design wins are expected to result from new versions of radio communications products that were introduced into the market during the period.

The development of semiconductor products is a continuous activity within the Group, and will result in the market introduction of a significant number of important new devices during this second half and the early months of next year. R & D expenditure in the second half is planned to rise to a higher level to support the increased level of product launch activities.

The Group's sales are now denominated largely in US dollar terms, while operating costs are principally incurred in £ sterling and Euro currencies, and any material further weakening in the US dollar exchange rate will not be helpful going forward. I should also note that whilst the Group's performance in the opening half has shown a satisfactorily continuing improvement, forward order visibility remains short-term and, in particular, the gains achieved in the first-half within China will not be sustained during the final two quarters.

I am, nevertheless, confident that the Group is on a right course towards an increasingly successful future, and am hopeful that full year trading should fall in line with expectations.

G.W.Gurry
Chairman

23rd November 2004

CML Microsystems Plc Group Profit and Loss Account

	Notes	Unaudited 6 Months Ended 30/09/04 £'000	Unaudited 6 Months Ended 30/09/03 £'000	Audited 12 Months Ended 31/03/04 £'000
Turnover		11,559	8,275	16,322
Cost of sales		<u>(4,500)</u>	<u>(3,291)</u>	<u>(5,999)</u>
Gross Profit		7,059	4,984	10,323
Distribution costs and administration expenses		(6,139)	(5,329)	(10,390)
Exceptional goodwill written off	3	(781)	(348)	(1,171)
		<u>139</u>	<u>(693)</u>	<u>(1,238)</u>
Other operating income		278	128	254
Operating Profit/(Loss)		<u>417</u>	<u>(565)</u>	<u>(984)</u>
Interest receivable		47	70	126
Interest payable		(118)	(30)	(121)
Profit/(Loss) on Ordinary Activities Before Taxation		<u>346</u>	<u>(525)</u>	<u>(979)</u>
Taxation	4	(305)	28	208
Profit/(Loss) on Ordinary Activities After Taxation		41	(497)	(771)
Minority interest		(21)	3	(4)
Profit / (Loss) Attributable To Shareholders		<u>20</u>	<u>(494)</u>	<u>(775)</u>
Basic Earnings / (Loss) Per Share	5	<u>0.14p</u>	<u>(3.38p)</u>	<u>(5.28p)</u>
Diluted Earnings / (Loss) Per Share	5	<u>0.13p</u>	<u>(3.38p)</u>	<u>(5.28p)</u>
Statement of Total Recognised Gains and Losses				
Profit/(Loss) for the financial period		20	(494)	(775)
Currency translation differences on foreign currency net investments		48	(345)	(1,017)
Total gains/(losses) recognised since last Report and Accounts		<u>68</u>	<u>(839)</u>	<u>(1,792)</u>

CML Microsystems Plc Group Balance Sheet

	Unaudited As at 30/09/04 £'000	Unaudited As at 30/09/03 £'000	Audited As at 31/03/04 £'000
Fixed Assets			
Tangible assets	9,978	10,392	9,672
Intangible assets	2,732	3,828	3,512
	12,710	14,220	13,184
Current assets			
Stocks	1,991	1,473	1,784
Debtors	3,837	3,184	3,387
Investments	5,316	7,343	6,934
Cash at Bank and in Hand	3,156	2,076	1,480
	14,300	14,076	13,585
Creditors: Amounts falling due within one year	(9,583)	(8,749)	(9,485)
Net Current Assets	4,717	5,327	4,100
Total Assets less Current Liabilities	17,427	19,547	17,284
Provision for liabilities and charges	(597)	(564)	(585)
Net Assets	16,830	18,983	16,699
Capital and Reserves			
Called up Share Capital	741	736	740
Convertible Warrants	240	237	240
Share Premium Account	3,630	3,380	3,589
Capital Redemption Reserve	255	255	255
Revaluation Reserve	986	986	986
Profit and Loss Account	10,950	13,389	10,882
Shareholders' Funds	16,802	18,983	16,692
Minority Interests	28	-	7
	16,830	18,983	16,699

CML Microsystems Plc Group Cash Flow Statement

	Unaudited 6 Months Ended 30/09/04 £'000	Unaudited 6 Months Ended 30/09/03 £'000	Audited 12 Months Ended 31/03/04 £'000
Net cash inflow/(outflow) from operating activities	1,872	157	(596)
Returns on investments and servicing of finance	(71)	40	4
Taxation	281	253	329
Capital expenditure and financial investment	(540)	(88)	(166)
Acquisition of Hyperstone AG	-	(3,233)	(3,228)
Equity dividends paid	(1,554)	(1,535)	(1,535)
Net cash outflow before financing	(12)	(4,406)	(5,192)
Financing	41	4,521	4,735
Increase/(Decrease) in cash	29	115	(457)
Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities			
Operating profit/(loss)	417	(565)	(984)
Depreciation	289	352	575
Amortisation of goodwill	781	348	1,171
(Profit)/Loss on sale of fixed assets	(38)	7	4
(Increase)/decrease in stock	(207)	173	(138)
(Increase)/decrease in debtors	(857)	1,552	1,266
Increase/(decrease) in creditors	1,487	(1,710)	(2,490)
	1,872	157	(596)
Reconciliation of movement of funds			
Funds at start of period	3,868	9,599	9,599
Translation difference	198	(295)	(897)
Increase/(decrease) in cash	29	115	(457)
Cash inflow from increase in loans	-	(4,377)	(4,377)
Funds at close of period	4,095	5,042	3,868
Analysis of Funds			
Cash at bank and in hand	3,156	2,076	1,480
Current asset investments	5,316	7,343	6,934
	8,472	9,419	8,414
Bank loans and overdrafts	(4,377)	(4,377)	(4,546)
Total funds at close of period	4,095	5,042	3,868

CML Microsystems Plc

Notes to the Interim Statement

1. Presentation of results

This Interim Statement was approved by the directors on 22nd November 2004.

The results for both the current and comparative period have been prepared using accounting policies and practices consistent with those adopted in the 2004 Report and Accounts but have not been audited.

The audited results for the year ended 31st March 2004 are an abridged version of the company's Report and Accounts which have been filed with the Registrar of Companies and on which the auditors gave an unqualified audit opinion.

The financial information contained in this Interim Statement does not constitute statutory accounts as defined by Section 240 of the Companies Act 1985.

All shareholders will receive a copy of this Interim Statement which can also be obtained from the company's registered office at Oval Park, Maldon, Essex CM9 6WG, England.

2. Dividends

The directors do not recommend the payment of an interim dividend.

3. Exceptional goodwill written off

Goodwill arising from the acquisition of Hyperstone AG is being amortised over a period of 36 months from 2nd July 2003.

4. Taxation

The directors consider that tax will be payable at varying rates according to the country of incorporation of a subsidiary and have provided on that basis. The tax charge is affected by the non-deductibility of goodwill in arriving at profits chargeable to tax.

5. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to shareholders for the period and on the following weighted average number of shares in issue:

	No of Ordinary 5p shares
6 months ended 30th September 2004	14,810,378
6 months ended 30th September 2003	14,636,785
12 months ended 31st March 2004	14,672,977

The calculation of diluted earnings per share takes into consideration 794,025 of shares under option at 30th September 2004.