

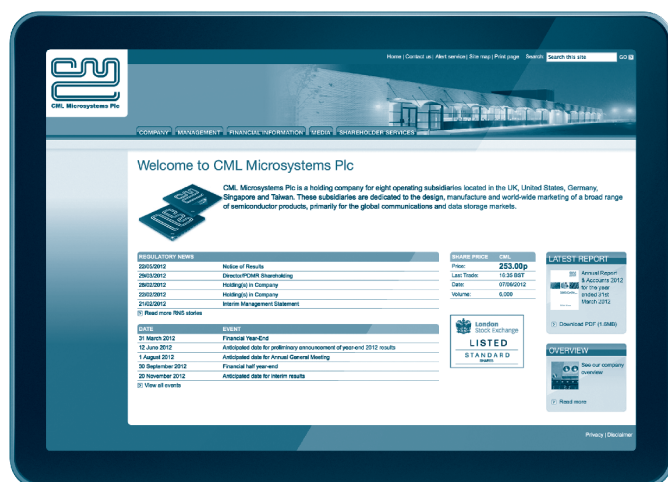
delivering innovative semiconductor solutions

CML Microsystems Plc
Half Yearly Financial Report 2012

Introduction

CML Microsystems Plc designs, manufactures and markets a range of semiconductors for global industrial, professional and consumer applications within the wireless communications, storage and wireline communications market areas. Founded in 1968, CML now operates internationally with subsidiaries across the UK, the USA, Germany, Singapore and Taiwan.

We develop innovative semiconductor solutions for our customers, enabling them to produce world-class products. By focusing on sub-markets where applications have significant expertise barriers to entry alongside offering superior levels of technical support, we are uniquely well placed for the future.



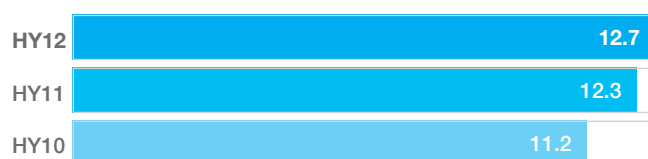
Find out more online
www.cmlmicroplc.com

Business highlights

Our results

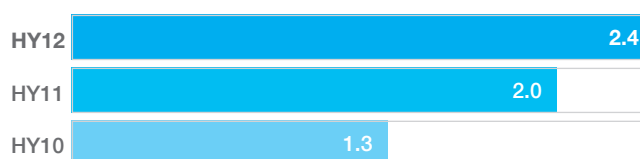
Revenue (£m)

£12.7m +3.3%



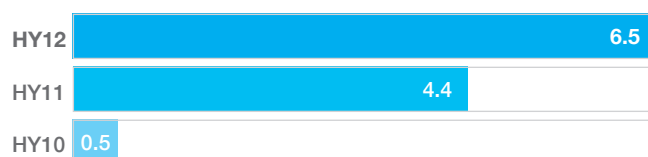
Pre-tax profit (£m)

£2.4m +19.5%



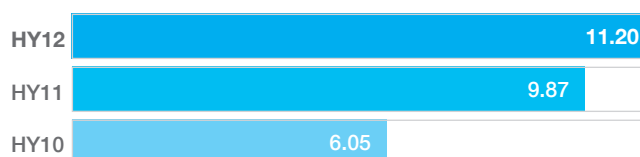
Net cash (£m)

£6.5m +49.0%



Basic earnings per share (p)

11.20p +13.5%



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Chairman's statement

Continued progress

I am pleased to report that your Company has posted increased sales and profitability for the six-months opening trading period ended 30 September 2012. Although market conditions remained difficult in some areas, the results reported align generally with management expectations.

I am pleased to report that your Company has posted increased sales and profitability for the six-months opening trading period ended 30 September 2012. Although market conditions remained difficult in some areas, the results reported align generally with management expectations.

Sales revenues for the period showed an increase to £12.70m (2011: £12.29m) while pre-tax profit rose to £2.41m (2011: £2.02m).

A further reduction in the figure for bank loans and overdrafts to £1.35m (2011: £3.01m) was achieved. The growing balance sheet strength assisted the removal of all bank lien and charges over Group owned properties.

In general, trading is proceeding pretty much as expected and I see little comment that I might usefully add relating to the first half trading results. When taken with the anticipated second half-year performance, I feel confident that results for the full year to 31 March 2013 will meet market expectations.

Speaking on behalf of the Board, I once again express our thanks and appreciation to our global employees for their efforts and commitment towards the Group's success.

G. W. Gurry

Chairman

20 November 2012

Operating and financial review

Increased profitability

Top level trading performance through the first half year was ahead of the comparable period and once again reflected the Group's focus on delivering sustainable growth.

The six-month trading period to 30 September 2012 saw Group revenues increase by just over 3% to £12.70m (2011: £12.29m) representing steady progress amidst the backdrop of generally challenging economic times. Geographically, the Group experienced double digit percentage growth within the Americas along with a modest increase into the Far East region. Trading with Europe continued to be challenging and experienced a marginal decline against the comparable six-months.

The period under review showed continued growth from the sale of semiconductor flash memory controller products into industrial solid state storage applications. Revenues moved firmly ahead against the prior year interim figure with most of the top storage customers increasing their purchase levels.

The sale of Group products into industrial wireless voice and data application areas was somewhat lower against the prior half-year period although order intake for delivery during the second half leaves full year expectations for further advances in wireless shipments unchanged.

Revenues from the sale of Group semiconductors into telecom applications were broadly flat.

The Group's equipment division, RDT, saw revenues drop to £308k (2011: £415k) as trading in its dominant UK security markets remained weak.

Gross margin remained stable at 69% leading to a reported gross profit of £8.73m (2011: £8.51m). Distribution and administration costs fell slightly to £6.42m (2011: £6.52m) and this helped to deliver an operational profit (before other income, share-based payments and finance costs) of £2.32m against a comparable period figure of £1.99m.

Other operating income, principally rental proceeds from Group owned industrial properties, rose slightly to £124k (2011: £89k).

Focused management of Group cash resources led to a net finance income being recorded of £5k against a prior year first half cost of £37k.

Profit before tax amounted to £2.41m representing a 19% increase on the comparable half-year period (2011: £2.02m).

A combination of increased revenues, static gross margin and reduced operating costs generated positive cash flow of £1.27m. This increase was posted after payment of a £631k cash dividend. At the period end the Group had cash reserves of £7.86m (2011: £7.38m) and bank borrowings of £1.35m (2011: £3.01m).

Summary and outlook

Top level trading performance through the first half year was ahead of the comparable period and once again reflected the Group's focus on delivering sustainable growth.

Firm progress was made in the solid state storage market and expansion of the controller product range to include the SATA interface standard is now fully supported by production released solutions. The industrial SATA controller market is a key growth area for the Group and customer design-in activity is on track to begin generating meaningful revenues during the year ahead.

Within wireless, despite the potential for sporadic contracts to cause comparable period inconsistencies, the underlying trend is one of positive growth. The ongoing customer adoption of the Group's more recent RF, baseband and data modem portfolio validates medium-term growth objectives along with the continuing R&D investment strategy.

Global economic conditions continue to affect customer sentiment in some areas, and whilst the possibility exists for customer buying patterns to be impacted, trading since 1 October serves to underpin Board expectations for a firm full year advance in both revenues and profitability.

C. A. Gurry

Managing Director
20 November 2012

Condensed consolidated income statement

for the six months ended 30 September 2012

	Unaudited Six months end 30/09/12 £'000	Unaudited Six months end 30/09/11 £'000	Audited Year end 31/03/12 £'000
Continuing operations			
Revenue	12,698	12,293	23,409
Cost of sales	(3,965)	(3,785)	(7,197)
Gross profit	8,733	8,508	16,212
Distribution and administration costs	(6,416)	(6,521)	(13,050)
	2,317	1,987	3,162
Other operating income	124	89	459
Profit before share-based payments	2,441	2,076	3,621
Share-based payments	(38)	(24)	(63)
Profit after share-based payments	2,403	2,052	3,558
Revaluation of investment properties	—	—	328
Finance costs	—	(41)	(39)
Finance income	5	4	102
Profit before taxation	2,408	2,015	3,949
Income tax expense	(638)	(489)	(633)
Profit for period attributable to equity owners of the parent	1,770	1,526	3,316
Earnings per share			
Basic	11.20p	9.87p	21.06p
Diluted	11.13p	9.78p	20.94p

Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2012

	Unaudited Six months end 30/09/12 £'000	Unaudited Six months end 30/09/11 £'000	Audited Year end 31/03/12 £'000
Profit for the period	1,770	1,526	3,316
Other comprehensive income:			
Foreign exchange differences	(65)	56	6
Actuarial loss on retirement benefit obligations	—	—	(1,962)
Income tax on actuarial loss	—	—	458
Other comprehensive income for the period net of tax	(65)	56	(1,498)
Total comprehensive income for the period net of tax attributable to equity owners of the business	1,705	1,582	1,818

Condensed consolidated statement of financial position

as at 30 September 2012

	Unaudited 30/09/12 £'000	Unaudited 30/09/11 £'000	Audited 31/03/12 £'000
Assets			
Non-current assets			
Property, plant and equipment	5,132	5,165	5,156
Investment properties	3,450	3,450	3,450
Development costs	4,372	4,385	4,154
Goodwill	3,512	3,512	3,512
Deferred tax asset	2,398	2,608	2,731
	18,864	19,120	19,003
Current assets			
Inventories	2,017	1,686	1,781
Trade receivables and prepayments	2,693	1,104	1,566
Current tax assets	—	—	135
Cash and cash equivalents	7,864	7,383	7,742
	12,574	10,173	11,224
Non-current assets classified as held for sale – properties	103	430	105
Total assets	31,541	29,723	30,332
Liabilities			
Current liabilities			
Bank loans and overdrafts	1,354	3,014	2,501
Trade and other payables	3,604	3,375	2,604
Current tax liabilities	255	276	102
	5,213	6,665	5,207
Non-current liabilities			
Deferred tax liabilities	1,671	1,816	1,672
Retirement benefit obligation	4,542	2,607	4,542
	6,213	4,423	6,214
Total liabilities	11,426	11,088	11,421
Net assets	20,115	18,635	18,911
Capital and reserves attributable to equity owners of the parent			
Share capital	793	788	788
Share premium	4,959	4,872	4,872
Share-based payments reserve	146	69	108
Foreign exchange reserve	268	382	333
Accumulated profits	13,949	12,524	12,810
Shareholders' equity	20,115	18,635	18,911

Condensed consolidated cash flow statements

for the six months ended 30 September 2012

	Unaudited Six months end 30/09/12 £'000	Unaudited Six months end 30/09/11 £'000	Audited Year end 31/03/12 £'000
Operating activities			
Profit for the period before income taxes	2,408	2,015	3,950
Adjustments for:			
Depreciation	109	94	213
Amortisation of development costs	1,146	1,460	2,944
Revaluation of investment properties	—	—	69
Movement in pensions deficit	—	—	66
Share-based payments	38	24	63
Interest expense	—	41	39
Interest income	(5)	(4)	(7)
Decrease in working capital	(362)	1,239	(492)
Cash flows from operating activities	3,334	4,869	6,845
Income tax refunded/(paid)	19	(118)	(398)
Net cash flows from operating activities	3,353	4,751	6,447
Investing activities			
Purchase of property, plant and equipment	(88)	(33)	(145)
Investment in development costs	(1,460)	(2,247)	(3,518)
Disposals of property, plant and equipment	—	2	9
Disposal of assets held for sale	—	—	669
Interest income	5	4	7
Net cash flows from investing activities	(1,543)	(2,274)	(2,978)
Financing activities			
Issue of ordinary shares	92	55	55
Decrease in bank loans and short-term borrowings	(1,146)	(905)	(1,419)
Dividend paid to Group shareholders	(631)	(550)	(550)
Finance cost	—	(41)	(39)
Net cash flows from financing activities	(1,685)	(1,441)	(1,953)
Increase in cash and cash equivalents	125	1,036	1,516
Movement in cash and cash equivalents:			
At start of period/year	7,742	6,246	6,246
Increase in cash and cash equivalents	125	1,036	1,516
Effects of exchange rate changes	(3)	101	(19)
At end of period/year	7,864	7,383	7,742

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2012

Unaudited	Share capital £'000	Share premium £'000	Share-based payments £'000	Foreign exchange reserve £'000	Accumulated profits £'000	Total £'000
At 1 April 2011	785	4,820	298	326	11,295	17,524
Profit for period					1,526	1,526
Other comprehensive income:						
Foreign exchange differences				56		56
Total comprehensive income for the period	—	—	—	56	1,526	1,582
Transactions with owners in their capacity as owners:						
Dividend paid					(550)	(550)
Issue of ordinary shares	3	52				55
Total of transactions with owners in their capacity as owners:	3	52	—	—	(550)	(495)
Share-based payments transferred on cancellation			(253)		253	—
Share-based payments			24			24
At 30 September 2011	788	4,872	69	382	12,524	18,635
Profit for period					1,790	1,790
Other comprehensive income:						
Foreign exchange differences				(49)		(49)
Net actuarial profits recognised directly to equity					(1,962)	(1,962)
Deferred tax on actuarial losses					458	458
Total comprehensive income for the period	—	—	—	(49)	286	237
Share-based payments			39			39
At 31 March 2012	788	4,872	108	333	12,810	18,911
Profit for period					1,770	1,770
Other comprehensive income:						
Foreign exchange differences				(65)		(65)
Total comprehensive income for the period	—	—	—	(65)	1,770	1,705
Transactions with owners in their capacity as owners:						
Dividend paid					(631)	(631)
Issue of ordinary shares	5	87				92
Total of transactions with owners in their capacity as owners:	5	87	—	—	(631)	(539)
Share-based payments			38			38
At 30 September 2012	793	4,959	146	268	13,949	20,115

Notes to the condensed consolidated financial statements

1 Segmental analysis

Business segments

	Unaudited Six months end 30/09/12			Unaudited Six months end 30/09/11			Audited Year end 31/03/12		
	Equipment £'000	Semi-conductor components £'000	Group £'000	Equipment £'000	Semi-conductor components £'000	Group £'000	Equipment £'000	Semi-conductor components £'000	Group £'000
Revenue									
By origination	308	20,824	21,132	415	21,444	21,859	759	38,245	39,004
Inter-segmental revenue	—	(8,434)	(8,434)	—	(9,566)	(9,566)	—	(15,595)	(15,595)
Segmental revenue	308	12,390	12,698	415	11,878	12,293	759	22,650	23,409
Profit/(loss)									
Segmental result	(68)	2,471	2,403	4	2,048	2,052	(55)	3,613	3,558
Revaluation of investment properties			—			—			328
Net financial income			5			(37)			63
Income tax			(638)			(489)			(633)
Profit after taxation			1,770			1,526			3,316
Assets and liabilities									
Segmental assets	659	24,931	25,590	606	22,629	23,235	611	23,300	23,911
Unallocated corporate assets									
Investment property (including held for sale)			3,553			3,880			3,555
Deferred taxation			2,398			2,608			2,731
Current tax receivable			—			—			135
Consolidated total assets			31,541			29,723			30,332
Segmental liabilities	298	3,306	3,604	91	3,284	3,375	183	2,421	2,604
Unallocated corporate assets									
Deferred taxation			1,671			1,816			1,672
Current tax liability			255			276			102
Bank loans and overdrafts			1,354			3,014			2,501
Retirement benefit obligation			4,542			2,607			4,542
Consolidated total liabilities			11,426			11,088			11,421
Other segmental information									
Property, plant and equipment additions	—	88	88	1	32	33	4	141	145
Development cost additions	35	1,425	1,460	41	2,206	2,247	78	3,440	3,518
Depreciation	1	108	109	4	90	94	6	207	213
Amortisation	32	1,114	1,146	33	1,427	1,460	74	2,870	2,944
Other significant non-cash income	—	—	—	—	—	—	—	(42)	(42)

Geographical segments

	UK £'000	Germany £'000	Americas £'000	Far East £'000	Total £'000
Unaudited					
Six months ended 30 September 2012					
Revenue by origination	6,121	6,407	3,106	5,498	21,132
Inter-segmental revenue	(3,134)	(5,300)	—	—	(8,434)
Revenue to third parties	2,987	1,107	3,106	5,498	12,698
Property, plant and equipment	4,926	58	134	14	5,132
Investment properties including held for sale	3,450	—	103	—	3,553
Goodwill	—	3,512	—	—	3,512
Development cost	2,029	2,343	—	—	4,372
Total assets	22,176	5,894	1,562	1,909	31,541
Unaudited					
Six months ended 30 September 2011					
Revenue by origination	7,182	6,275	2,887	5,515	21,859
Inter-segmental revenue	(4,244)	(5,295)	—	(27)	(9,566)
Revenue to third parties	2,938	980	2,887	5,488	12,293
Property, plant and equipment	5,062	67	16	20	5,165
Investment properties including held for sale	3,450	—	430	—	3,880
Goodwill	—	3,512	—	—	3,512
Development cost	2,321	2,064	—	—	4,385
Total assets	21,495	4,920	1,770	1,538	29,723
Audited					
Year ended 31 March 2012					
Revenue by origination	12,362	10,529	6,279	9,835	39,005
Inter-segmental revenue	(6,706)	(8,859)	—	(31)	(15,596)
Revenue to third parties	5,656	1,670	6,279	9,804	23,409
Property, plant and equipment	4,968	56	116	16	5,156
Investment properties including held for sale	3,450	—	105	—	3,555
Goodwill	—	3,512	—	—	3,512
Development cost	1,908	2,246	—	—	4,154
Total assets	22,883	5,059	1,185	1,205	30,332

Reported segments and their results in accordance with IFRS 8, is based on internal management reporting information that is regularly reviewed by the chief operating decision maker. The measurement policies the Group uses for segmental reporting under IFRS 8 are the same as those used in its financial statements.

2 Dividend paid and proposed

A dividend of 4p per 5p ordinary share in respect of the year ended 31 March 2012 was paid on 3 August 2012 (2011: 3.5p per ordinary share of 5p in respect of the year ended 31 March 2011). No dividend is proposed in respect of the six months period ended 30 September 2012 (2011: £Nil per ordinary share of 5p in respect of the period ended 30 September 2011).

Notes to the condensed consolidated financial statements continued

3 Income tax

The Directors consider that tax will be payable at varying rates according to the country of incorporation of its subsidiary undertakings and have provided on that basis.

	Unaudited Six months end 30/09/12 £'000	Unaudited Six months end 30/09/11 £'000	Audited Year end 31/03/12 £'000
UK income tax charge/(credit)	—	170	(134)
Overseas income tax charge	326	175	447
Total current tax charge	326	345	313
Deferred tax charge	312	144	320
Reported income tax charge	638	489	633

4 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

	Ordinary 5p shares	
	Weighted average number	Diluted number
Six months ended 30 September 2012	15,809,707	15,903,421
Six months ended 30 September 2011	15,467,789	15,600,977
Year end 31 March 2012	15,743,946	15,835,323

5 Investment properties

Investment properties are revalued at each discrete period end by the Directors and every third year by independent Chartered Surveyors on an open market basis. No depreciation is provided on freehold investment properties or on leasehold investment properties. In accordance with IAS 40, gains and losses arising on revaluation of investment properties are shown in the income statement. At 31 March 2012 the investment properties were professionally valued by Everett Newlyn, Chartered Surveyors and Commercial Property Consultants on an open market basis.

6 Analysis of cash flow movement in net debt

	Net cash at 01/04/11 £'000	Six months end 30/09/11 Cash flow £'000	Net cash at 30/09/11 £'000	Six months end 31/03/12 Cash flow £'000	Net cash at 31/03/12 £'000	Six months end 30/09/12 Cash flow £'000	Net cash at 30/09/12 £'000
Cash and cash equivalents	6,246	1,137	7,383	359	7,742	122	7,864
Bank loans and overdrafts	(3,919)	905	(3,014)	513	(2,501)	1,147	(1,354)
	2,327	2,042	4,369	872	5,241	1,269	6,510

The cash flow above is a combination of the actual cash flow and the exchange movement.

During the period the security held by the Company's bankers over land and buildings was extinguished.

7 Retirement benefit obligations

The Directors have not obtained an actuarial report in respect of the defined benefit pension scheme for the purpose of this Half Yearly Report.

8 Principal risks and uncertainties

Key risks of a financial nature

The principal risks and uncertainties facing the Group are with foreign currencies and customer dependency. With the majority of the Group's earnings being linked to the US Dollar, a decline in this currency would have a direct effect on revenue, although since the majority of the cost of sales are also linked to the US Dollar, this risk is reduced at the gross profit line. Additionally, though the Group has a very diverse customer base in certain market segments, key customers can represent a significant amount of revenue. Key customer relationships are closely monitored, however changes in buying patterns of a key customer could have an adverse effect on the Group's performance.

Key risks of a non-financial nature

The Group is a small player operating in a highly-competitive global market, which is undergoing continual geographical change. The Group's ability to respond to many competitive factors including, but not limited to pricing, technological innovations, product quality, customer service, manufacturing capabilities and employment of qualified personnel will be key in the achievement of its objectives, but its ultimate success will depend on the demand for its customers' products since the Group is a component supplier.

A substantial proportion of the Group's revenue and earnings are derived from outside the UK and so the Group's ability to achieve its financial objectives could be impacted by risks and uncertainties associated with local legal requirements, the enforceability of laws and contracts, changes in the tax laws, terrorist activities, natural disasters or health epidemics.

9 Directors' statement pursuant to the Disclosure and Transparency Rules

The Directors confirm that, to the best of their knowledge:

- a) the condensed financial statements, prepared in accordance with IFRS as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and
- b) the condensed set of financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting"; and
- c) the Chairman's statement and operating and financial review include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

The Directors are also responsible for the maintenance and integrity of the CML Microsystems Plc website. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

10 Basis of preparation

The basis of preparation and accounting policies used in preparation of the Half Yearly Financial Report are the same accounting policies set out in the year ended 31 March 2012 financial statements.

Notes to the condensed consolidated financial statements continued

11 General

Other than already stated within the Chairman's statement and the operating and financial review there have been no important events during the first six months of the financial year that have impacted this Half Yearly Financial Report.

There have been no related party transactions or changes in related party transactions described in the latest Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the financial year.

The principal risks and uncertainties within the business are contained within this report in note 8 above.

In the segmental analysis (note 1) inter-segmental transfers or transactions are entered into under commercial terms and conditions appropriate to the location of the entity whilst considering that the parties are related.

This Half Yearly Financial Report includes a fair review of the information required by DTR 4.2.7/8 (indication of important events and their impact, and description of principal risks and uncertainties for the remaining six months of the financial year).

This Half Yearly Financial Report does not include all the information and disclosures required in the Annual Report, and should be read in conjunction with the consolidated Annual Report for the year ended 31 March 2012.

The financial information contained in this Half Yearly Financial Report has been prepared using International Financial Reporting Standards as adopted by the European Union. This Half Yearly Financial Report does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006. The financial information for the year ended 31 March 2012 is based on the statutory accounts for the financial year ended 31 March 2012 that have been filed with the Registrar of Companies and on which the Auditor gave an unqualified audit opinion.

The Auditor's report on those accounts did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. This Half Yearly Financial Report has not been audited or reviewed by the Group Auditor.

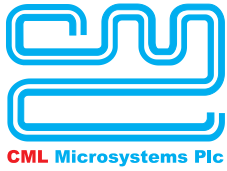
A copy of this Half Yearly Financial Report can be viewed on the Company website www.cmlmicroplc.com.

12 Approval

The Directors approved this Half Yearly Report on 20 November 2012.

Glossary

RF	radio frequency
R&D	research and development
SATA	serial ATA interface



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