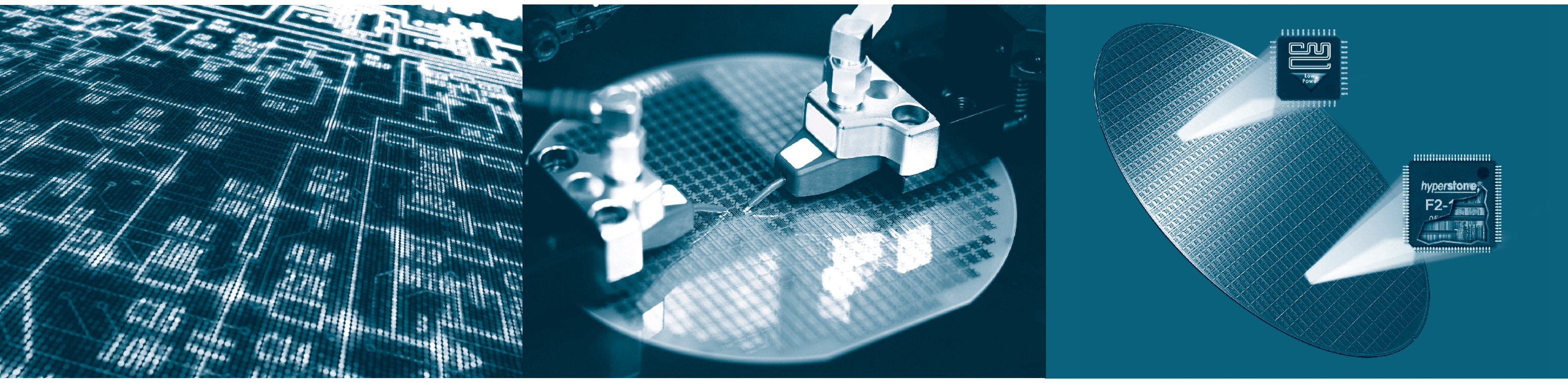


delivering innovative semiconductor solutions to our customers

CML Microsystems Plc

Half Yearly Financial Report

for the six months ended 30 September 2011

Introduction

CML 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 US, 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.

Contents

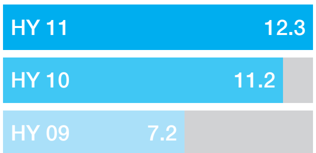
Our results

Financial highlights

Revenue (£m)

£12.3m

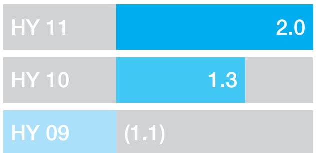
HY 2010: £11.2m



Pre-tax profit/(loss) (£m)

£2.0m

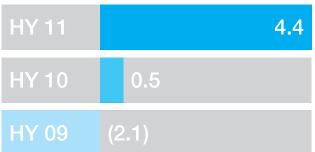
HY 2010: £1.3m



Net cash/(debt) (£m)

£4.4m

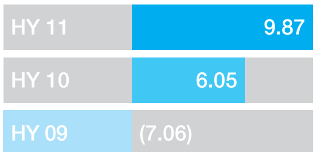
HY 2010: £0.5m



Basic earnings/(loss) per share (p)

9.87p

HY 2010: 6.05p



Operational highlights

- Strong revenue growth globally (9%)
- Stable cost base and margins within targets
- Solid cash flow, improved net cash position
- Maintained investment levels for key new product development programs

Chairman's statement

Increased sales

I am pleased to report that your Company continued to improve its performance through the opening six-month period of the present trading year, with increased sales revenue, pre-tax profit and earnings per share the outcome for that period.

Group sales rose to £12.29m (2010: £11.21m), with gains posted for each of the principal product market areas, while a gross profit of £8.51m (2010: £7.83m) reflects a materially unchanged gross profit margin.

Profit before tax grew to £2.02m (2010: £1.27m), while diluted EPS show an increase to 9.78p per share on the enlarged share capital (2010: 5.99p).

The Company has continued with steps to re-balance its debt/asset cash position, resulting in net cash of £4.37m (2010: £553k) at the end of the period and a reduction in the outstanding bank loan to £3m (2010: £4.5m).

In the period post 30 September the Company sold one of the USA-based properties held for sale for approximately $1m. The proceeds will be subject to appropriate taxes.

The uncertainties and negative factors that presently affect many business areas are not helpful to near-term growth, but I nevertheless believe that subject to unforeseen circumstances, your Company's results for the current full trading year will meet present market expectations.

On behalf of your Directors I once again express our appreciation and thanks to the Group's employees for their efforts and commitment towards its success.

G. W. Gurry
Chairman
21 November 2011

Sustainable growth

Group revenues for the six months to 30 September 2011 rose to £12.29m representing a 9% increase over the comparable half year period (2010: £11.21m). Semiconductor shipments increased in each of the three major geographical regions, with the Americas showing the highest percentage growth, the Far East maintaining its position as the single largest region and Europe contributing solid growth.

Group products for use within wireless and storage applications contributed approximately 83% of overall Group revenues whilst products sold into wireline telecom markets accounted for close to 12%.

Within the target wireless markets, dominant end applications continued to include voice and/or data transmission within two-way radio products, control and data acquisition systems, regional transport and infrastructure systems, and marine safety systems.

Flash memory controller chips for use within removable and embedded solid state storage media dominated revenues from the storage sector. The Group benefited from the combined effects of increased shipment volumes to established customers along with a higher contribution from more recent customer design wins.

Group semiconductor products for telecom applications experienced high single-digit percentage sales growth across a range of end applications including point-of-payment terminals, security alarm panels and medical monitoring devices.

Sales at the Group's equipment division, RDT, increased 17% to £415k (2010: £354k) largely as a result of higher export sales of telemetry and control products for transport applications. Entry into the M2M market was initiated with the launch of a GPRS modem and router for industrial users.

The gross margin was maintained at 69% delivering a reported gross profit of £8.51m (2010: £7.83m). Distribution and administration costs of £6.52m were very slightly down (2010: 6.64m) and this helped to deliver an operational profit (before other income, share-based payments and finance costs) of £1.99m against a comparable period figure of £1.19m.

Income from other operating activities, principally rental proceeds from Group-owned industrial properties fell from £169k to £89k due to a lower occupancy rate through the period.

Net finance costs amounted to £37k (2009: £68k) and a profit before tax of £2.02m was recorded (2010: £1.27m).

A combination of improved revenue levels, static gross margin and tight cost control resulted in positive cash flow of £2.04m through the six months under review. At the period end the Group had cash reserves of £7.38m and reduced bank borrowings of £3.01m.

Summary and outlook

Trading performance through the first half year was encouraging and reflected the Group's established multi-year strategy for sustainable growth.

Within our three major market areas of wireless, storage and wireline telecom, we continue to see growth opportunities within existing customer product portfolios in addition to general expansion of the overall customer base.

Important new engineering development activities and partnership programs, some of which were announced in the prior financial year, will be sampled through the remainder of the current trading year. These products are expected to commence meaningful revenue contributions starting next financial year.

Following the period end, overall order book levels have remained healthy although it is possible that the general economic climate in some regions may affect customer buying patterns or investment decisions. Despite this, the Board currently anticipates positive trading conditions to prevail through what is traditionally a slightly weaker second half.

C. A. Gurry
Managing Director
21 November 2011

Condensed consolidated income statement

for the six months ended 30 September 2011

	Unaudited Six months end 30/09/11 £'000	Unaudited Six months end 30/09/10 £'000	Audited Year end 31/03/11 £'000
Continuing operations			
Revenue	**12,293**	11,209	22,122
Cost of sales	**(3,785)**	(3,380)	(6,754)
Gross profit	**8,508**	7,829	15,368
Distribution and administration costs	**(6,521)**	(6,641)	(12,729)
	1,987	1,188	2,639
Other operating income	**89**	169	389
Profit before share-based payments	**2,076**	1,357	3,028
Share-based payments	**(24)**	(22)	(43)
Profit after share-based payments	**2,052**	1,335	2,985
Revaluation of investment properties	**—**	—	(400)
Finance costs	**(41)**	(74)	(271)
Finance income	**4**	6	11
Profit before taxation	**2,015**	1,267	2,325
Income tax (expense)/credit	**(489)**	(363)	360
Profit for period attributable to equity owners of the parent	**1,526**	904	2,685
Earnings per share			
Basic	**9.87p**	6.05p	17.87p
Diluted	**9.78p**	5.99p	17.64p

Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2011

	Unaudited Six months end 30/09/11 £'000	Unaudited Six months end 30/09/10 £'000	Audited Year end 31/03/11 £'000
Profit for the period	**1,526**	904	2,685
Other comprehensive income:			
Foreign exchange differences	**56**	(11)	(48)
Actuarial gain on retirement benefit obligations	**—**	—	2,811
Income tax on actuarial loss	**—**	—	(800)
Other comprehensive income for the period net of tax	**56**	(11)	1,963
Total comprehensive income for the period net of tax attributable to equity owners of the business	**1,582**	893	4,648

Condensed consolidated statement of financial position

as at 30 September 2011

	Unaudited Six months end 30/09/11 £'000	Unaudited Six months end 30/09/10 £'000	Audited Year end 31/03/11 £'000
Assets			
Non-current assets			
Property, plant and equipment	**5,165**	5,266	5,231
Investment properties	**3,450**	3,850	3,450
Development costs	**4,385**	3,820	3,624
Goodwill	**3,512**	3,512	3,512
Deferred tax asset	**2,608**	2,920	2,534
	19,120	19,368	18,351
Current assets			
Inventories	**1,686**	1,689	1,666
Trade receivables and prepayments	**1,104**	2,833	1,513
Current tax assets	**—**	5	5
Cash and cash equivalents	**7,383**	5,101	6,246
	10,173	9,628	9,430
Non-current assets classified as held for sale – properties	**430**	426	420
Total assets	**29,723**	29,422	28,201
Liabilities			
Current liabilities			
Bank loans and overdrafts	**3,014**	4,548	3,919
Trade and other payables	**3,375**	3,799	2,525
Current tax liabilities	**276**	149	49
	6,665	8,496	6,493
Non-current liabilities			
Deferred tax liabilities	**1,816**	2,160	1,577
Retirement benefit obligation	**2,607**	5,728	2,607
	4,423	7,888	4,184
Total liabilities	**11,088**	16,384	10,677
Net assets	**18,635**	13,038	17,524
Capital and reserves attributable to equity owners of the parent			
Share capital	**788**	747	785
Share premium	**4,872**	4,148	4,820
Share-based payments reserve	**69**	277	298
Foreign exchange reserve	**382**	363	326
Accumulated profits	**12,524**	7,503	11,295
Shareholders' equity	**18,635**	**13,038**	**17,524**

Condensed consolidated cash flow statement

for the six months ended 30 September 2011

	Unaudited Six months end 30/09/11 £'000	Unaudited Six months end 30/09/10 £'000	Audited Year end 31/03/11 £'000
Operating activities			
Profit for the period before income taxes	**2,015**	1,267	2,325
Adjustments for:			
Depreciation	**94**	101	321
Amortisation of development costs	**1,460**	1,557	3,276
Revaluation of investment properties	**—**	—	400
Movement in pensions deficit	**—**	—	(437)
Share-based payments	**24**	22	43
Interest expense	**41**	74	144
Interest income	**(4)**	(6)	(11)
Decrease in working capital	**1,239**	1,049	926
Cash flows from operating activities	**4,869**	**4,064**	**6,987**
Income tax (paid)/refunded	**(118)**	43	(328)
Net cash flows from operating activities	**4,751**	4,107	6,659
Investing activities			
Purchase of property, plant and equipment	**(33)**	(69)	(253)
Investment in development costs	**(2,247)**	(1,253)	(2,786)
Disposals of property, plant and equipment	**2**	30	32
Interest income	**4**	6	11
Net cash flows from investing activities	**(2,274)**	(1,286)	(2,996)
Financing activities			
Issue of ordinary shares	**55**	—	710
Decrease in bank loans and short-term borrowings	**(905)**	(1,273)	(2,049)
Dividend paid to Group shareholders	**(550)**	—	—
Finance cost	**(41)**	(74)	(144)
Net cash flows from financing activities	**(1,441)**	(1,347)	(1,483)
Increase in cash and cash equivalents	**1,036**	1,474	2,180
Movement in cash and cash equivalents:			
At start of year	**6,246**	3,883	3,883
Increase in cash and cash equivalents	**1,036**	1,474	2,180
Effects of exchange rate changes	**101**	(256)	183
At end of year	**7,383**	5,101	6,246

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2011

Unaudited	Share capital £'000	Share premium £'000	Share-based payments £'000	Foreign exchange reserve £'000	Accumulated profits £'000	Total £'000
At 1 April 2010	747	4,148	255	374	6,599	12,123
Profit for period					904	904
Other comprehensive income:						
Foreign exchange differences				(11)		(11)
Total comprehensive income for the period	—	—	—	(11)	904	893
Transactions with owners in their capacity as owners:						
Share-based payments			22			22
At 30 September 2010	747	4,148	277	363	7,503	13,038
Profit for period					1,781	1,781
Other comprehensive income:						
Foreign exchange differences				(37)		(37)
Net actuarial profits recognised directly to equity					2,811	2,811
Deferred tax on actuarial losses					(800)	(800)
Total comprehensive income for the period	—	—	—	(37)	3,792	3,755
Transactions with owners in their capacity as owners:						
Issue of ordinary shares	38	672				710
Share-based payments			21			21
At 31 March 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**
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**

Notes to the condensed consolidated financial statements

1. Segmental analysis

Business segments

	Unaudited Six months end 30/09/11			Unaudited Six months end 30/09/10			Audited Year end 31/03/11		
	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	**415**	**21,444**	**21,859**	354	18,141	18,495	769	34,998	35,767
Inter-segmental revenue	**—**	**(9,566)**	**(9,566)**	—	(7,286)	(7,286)	—	(13,645)	(13,645)
Segmental revenue	**415**	**11,878**	**12,293**	354	10,855	11,209	769	21,353	22,122
Profit/(loss)									
Segmental result	**4**	**2,048**	**2,052**	(12)	1,347	1,335	7	2,978	2,985
Revaluation of investment properties			**—**			—			(400)
Net financial income			**(37)**			(68)			(260)
Income tax			**(489)**			(363)			360
Profit after taxation			**1,526**			904			2,685
Assets and liabilities									
Segmental assets	**22,629**	**606**	**23,235**	626	21,595	22,221	687	21,105	21,792
Unallocated corporate assets									
Investment property (including held for sale)			**3,880**			4,276			3,870
Deferred taxation			**2,608**			2,920			2,534
Current tax receivable			**—**			5			5
Consolidated total assets			**29,723**			29,422			28,201
Segmental liabilities	**3,284**	**91**	**3,375**	39	3,760	3,799	113	2,412	2,525
Unallocated corporate assets									
Deferred taxation			**1,816**			2,160			1,577
Current tax liability			**276**			149			49
Bank loans and overdrafts			**3,014**			4,548			3,919
Retirement benefit obligation			**2,607**			5,728			2,607
Consolidated total liabilities			**11,088**			16,384			10,677
Other segmental information									
Property, plant and equipment additions	**32**	**1**	**33**	—	69	69	—	253	253
Development cost additions	**2,206**	**41**	**2,247**	33	1,220	1,253	71	2,715	2,786
Depreciation	**90**	**4**	**94**	4	97	101	8	313	321
Amortisation	**1,427**	**33**	**1,460**	32	1,525	1,557	72	3,204	3,276
Other significant non-cash (income)/expenses	**—**	**—**	**—**	—	—	—	—	(37)	(37)

Geographical segments

	UK £'000	Germany £'000	Americas £'000	Far East £'000	Total £'000
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**
Unaudited					
Six months ended 30 September 2010					
Revenue by origination	6,878	4,514	2,657	4,446	18,495
Inter-segmental revenue	(3,271)	(4,014)	—	(1)	(7,286)
Revenue to third parties	3,607	500	2,657	4,445	11,209
Property, plant and equipment	5,103	84	52	27	5,266
Investment properties including held for sale	3,850	—	426	—	4,276
Goodwill	—	3,512	—	—	3,512
Development cost	2,390	1,430	—	—	3,820
Total assets	20,764	4,950	1,835	1,873	29,422
Audited					
Year ended 31 March 2011					
Revenue by origination	13,089	8,481	5,089	9,108	35,767
Inter-segmental revenue	(6,263)	(7,374)	—	(8)	(13,645)
Revenue to third parties	6,826	1,107	5,089	9,100	22,122
Property, plant and equipment	5,110	81	21	19	5,231
Investment properties including held for sale	3,450	—	420	—	3,870
Goodwill	—	3,512	—	—	3,512
Development cost	2,029	1,595	—	—	3,624
Total assets	21,027	4,364	1,573	1,237	28,201

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.

Notes to the condensed consolidated financial statements continued

2. Dividend paid and proposed

A dividend of 3.5p per 5p ordinary share in respect of the year end 31 March 2011 was paid on 5 August 2011 (2010: £Nil per ordinary share of 5p in respect of the year ended 31 March 2010). No dividend is proposed in respect of the six months period ended 30 September 2011(2010: £Nil per ordinary share of 5p in respect of the period end 30 September 2010).

3. Income tax

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

	Unaudited Six months end 30/09/11 £'000	Unaudited Six months end 30/09/10 £'000	Audited Year end 31/03/11 £'000
UK income tax charge	**170**	83	294
Overseas income tax charge	**175**	140	186
Total current tax charge	**345**	223	480
Deferred tax charge/(credit)	**144**	140	(840)
Reported income tax charge/(credit)	**489**	363	(360)

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 2011	**15,467,789**	**15,600,977**
Six months ended 30 September 2010	14,947,626	15,091,370
Year end 31 March 2011	15,023,279	15,217,456

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 2009 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 debt at 01/04/10 £'000	Six months end 30/09/10 Cash flow £'000	Net cash at 30/09/10 £'000	Six months end 31/03/11 Cash flow £'000	Net cash at 31/03/11 £'000	**Six months end 30/09/11 Cash flow £'000**	**Net cash at 30/09/11 £'000**
Cash and cash equivalents	3,883	1,218	5,101	1,145	6,246	**1,137**	**7,383**
Bank loans and overdrafts	(5,968)	1,420	(4,548)	629	(3,919)	**905**	**(3,014)**
	(2,085)	2,638	553	1,774	2,327	**2,042**	**4,369**

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

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 and 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 Company 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 2011 financial statements.

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 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 interim management report includes a fair review of the information required by DTR 4.2.7 (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 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 2011.

The financial information contained in this Half Yearly Report has been prepared using International Financial Reporting Standards as adopted by the European Union. This Half Yearly 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 2011 is based on the statutory accounts for the financial year ended 31 March 2011 that have been filed with the Registrar of Companies and on which the auditors gave an unqualified audit opinion. The auditors' report on those accounts did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. This Half Yearly Report has not been audited or reviewed by the Group Auditors.

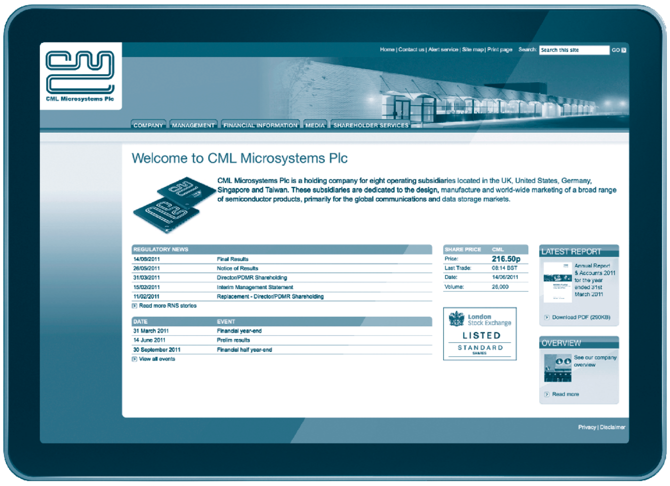
A copy of this Half Yearly Report can be viewed on the Company website www.cmlmicroplc.com.

12. Approval

The Directors approved this Half Yearly Report on 21 November 2011.

Glossary

GPRS	general packet radio service
M2M	machine to machine



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