



MEMSCAP
The Power of a Small World™

MEMSCAP Q3 2017: SOLID AEROSPACE & MEDICAL ACTIVITIES / LOWER SALES ON OPTICAL COMMUNICATIONS SEGMENT

Sequential sales increase expected over the 4th quarter of 2017

Grenoble, France and Durham, North Carolina, October 25, 2017 - MEMSCAP (NYSE Euronext: MEMS), the leading provider of innovative solutions based on MEMS (micro-electro-mechanical systems) technology, today announced its earnings for the third quarter ending September 30, 2017.

Analysis of the consolidated income statement

Consolidated revenue for the third quarter of 2017 was 2.4 million euros (2.8 million US dollars) compared to 2.8 million euros (3.1 million US dollars) for the third quarter of 2016 and the second quarter of 2017. As in previous quarters, the solid performance of the avionics and medical segments, which rose by more than 15% in the first nine months of the financial year 2017, partially offset a moderate demand in the optical communications market of the Group's US subsidiary.

Consolidated revenue distribution by market segment, over the third quarter of 2017, is as follows:

Market Segments	Revenue (M€)	%
Aerospace	1.3	55%
Optical Communications / Adaptive Optics	0.5	20%
Medical / Biomedical	0.4	16%
Mass Market & Others	0.2	9%
Total	2.4	100%

(Any apparent discrepancies in totals are due to rounding.)

MEMSCAP's consolidated earnings for the third quarter of 2017 are given by the following table:

<i>In million euros – Non audited</i>	Q1 17	Q2 17	Q3 17	Q3 16
Revenue	2.9	2.8	2.4	2.8
- Standard Products*	2.0	1.9	1.6	1.6
- Custom Products	0.9	0.9	0.8	1.2
Cost of revenue	(2.1)	(2.0)	(1.7)	(1.9)
Gross margin	0.8	0.8	0.6	0.8
% of revenue	26%	28%	27%	30%
Operating expenses**	(1.1)	(1.0)	(0.9)	(0.8)
Operating profit / (loss)	(0.3)	(0.3)	0.3	0.0
Financial profit / (loss)	0.0	(0.0)	(0.0)	0.0
Income tax expense	(0.0)	(0.0)	(0.0)	0.0
Net profit / (loss)	(0.3)	(0.3)	(0.3)	0.0

(Any apparent discrepancies in totals are due to rounding.)

* Including the dermo-cosmetic segment.

** Net of research & development grants.

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The Group's gross margin rate for the third quarter of 2017 was 27% of the quarterly consolidated sales versus 28% for the previous quarter and 30% for the third quarter of 2016. This gross margin rate was still affected by the level of activity in the Custom Products division (US subsidiary). The consolidated gross margin amounted to 0.6 million euros for the third quarter of 2017 compared to 0.8 million euros for second quarter of 2017 and the third quarter of 2016.

The amount of the operating expenses during the third quarter of 2017, net of research & development grants, amounted to 0.9 million euros and was fairly similar the previous quarters. Consequently, MEMSCAP reported operating and net losses at 0.3 million euros for the third quarter of 2017, same level than the second quarter of 2017, compared to break-even operating and net earnings for the third quarter of 2016.

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As previously announced, MEMSCAP has initiated in 2017 the transformation of its industrial organization in order to increase significantly the flexibility of the Group's production capacities. This program is progressing according to the Company's plans. In line with its strategy focused on the high-added-value segments of aerospace, medical and optical communications, the Group is continuing its disengagement from low-margin services in favor of the development of its activities backed by its own intellectual property.

Though this evolution impacts the profitability of MEMSCAP over the financial year 2017, it should enable the Group to benefit from a marked increase in its margin levels over the coming years.

Considering its current order backlog, MEMSCAP expects a sequential increase of its sales over the fourth quarter of 2017.

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Q4 2017 revenue and earnings: January 26, 2018

About MEMSCAP

MEMSCAP is the leading provider of innovative micro-electro-mechanical systems (MEMS)-based solutions. MEMSCAP standard and custom products and solutions include components, component designs (IP), manufacturing and related services. MEMSCAP customers include Fortune 500 businesses, major research institutes and universities. The company's shares are traded on the Euronext of NYSE Euronext Paris (ISIN: FR0010298620-MEMS) and belong to the CAC small, CAC Mid & Small, CAC All-Tradable and CAC All-Share indexes. More information on the company's products and services can be obtained at www.memscap.com.

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