



## MEMSCAP - EARNINGS FOR THE 2017 FINANCIAL YEAR:

### CONTINUOUS GROWTH OF THE NET CASH POSITION

*Net cash position at EUR 3 million as of December 31, 2017*

*Positive operating cash flow at EUR 0.5 million over the 2017 financial year*

**Grenoble, France and Durham, North Carolina, March 22, 2018** - MEMSCAP (NYSE Euronext: MEMS), the leading provider of innovative solutions based on MEMS (micro-electro-mechanical systems) technology, today announced its earnings for the 2017 financial year ending December 31, 2017.

#### Analysis of the consolidated income statement

In line with the previous quarterly press releases, MEMSCAP reported an audited revenue of EUR 11.7 million for FY 2017, a similar amount to FY 2016. Expressed in US dollar, consolidated sales for FY 2017 amounted to US\$ 13.2 million against US\$ 12.9 million for FY 2016. It is to be noted that sales made in US dollar represented approximately 84% of the Group's revenue in 2017 and 2016.

Consolidated revenue distribution by market segment, over FY 2017, is as follows:

<i>Market segments / Revenue (In million euros)</i>	<b>FY 2017</b>	<b>%</b>	<b>FY 2016</b>	<b>%</b>
Aerospace	6.2	53%	5.6	48%
Optical communications / Adaptive optics	2.6	22%	3.9	33%
Medical / Biomedical	2.0	17%	1.4	12%
Others	0.9	8%	0.8	7%
<b>Total</b>	<b>11.7</b>	<b>100%</b>	<b>11.7</b>	<b>100%</b>

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

MEMSCAP's consolidated earnings for FY 2017 are given by the following table:

<i>In million euros</i>	<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2016</b>
Revenue	11.7	11.7
<i>Standard products*</i>	8.0	7.0
<i>Custom products</i>	3.7	4.7
Cost of revenue	(8.3)	(7.9)
Gross margin	3.4	3.8
<i>% of revenue</i>	29%	32%
Operating expenses**	(4.0)	(3.8)
Operating profit / (loss)	(0.6)	0.0
Financial profit / (loss)	0.0	0.1
Income tax expense	(0.2)	0.0
Net profit / (loss)	(0.8)	0.1

*(Financial data were subject to an audit by the Group's statutory auditors who will issue their reports at a later date. On March 21<sup>st</sup>, 2018, the MEMSCAP's board of directors authorized the release of the FY 2017 consolidated financial statements. Any apparent discrepancies in totals are due to rounding.)*

*\* Including the royalties from the dermo-cosmetics segment.*

*\*\* Net of research & development grants.*

\* \* \*



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The sales of the Standard Products division (+14% vs. FY 2016) benefited from the continued dynamism of the avionics business (+EUR 0.6 million vs. FY 2016) as well as from the recovery observed in the medical segment. Representing 53% of the consolidated sales (FY 2016: 48%) with an annual revenue of EUR 6.2 million, the avionics business remains the Group's leading market segment.

The sales of the Custom Products division were down by 22% compared to FY 2016 due to the temporary slowdown in demand on the optical communications / adaptive optics segment during the first three quarters of FY 2017. However, the last quarter of 2017 marked the return to similar levels of sales for this business compared to 2016.

The transformation of the Group's industrial organization, initiated during FY 2017 and in line with the previously announced strategy, impacted the consolidated margin rate at 29% of the consolidated sales compared to 32% for FY 2016. The consolidated gross margin amounted to EUR 3.4 million compared to EUR 3.8 million for FY 2016.

The consolidated operating expenses, net of research and development grants, amounted to EUR 4.0 million for FY 2017, an increase of EUR 0.2 million compared to the previous year. This trend is mainly due to the intensification of the Group's research and development programs in the avionics sector. For FY 2017, research and development expenses, net of grants, represented 11% of the consolidated sales (FY 2016: 9%). The total number of full-time equivalent employees in the Group went from 58 in 2016 to 56 in 2017, a decrease of 3%.

In 2017, the Group reported an operating loss of EUR 0.6 million compared to break-even operating earnings for FY 2016. The consolidated financial income for FY 2017, including foreign exchange losses of EUR 0.1 million, was at the break-even level. In 2016, the financial profit was EUR 0.1 million including foreign exchange gains of EUR 0.1 million. The tax expense recognized over FY 2017 amounted to EUR 0.2 million and corresponded to the change in deferred tax assets related to the Norwegian entity, without any impact on the Group's cash position.

The Group therefore reported a net loss of EUR 0.8 million for FY 2017 compared to a net profit at EUR 0.1 million for FY 2016.

#### **Increase of the net cash position**

The positive operating cash flow amounted to EUR 0.5 million for FY 2017 compared to EUR 1.2 million for FY 2016. At December 31, 2017, consolidated available cash was EUR 3.9 million including cash and short-term deposits as well as cash investments (Corporate bonds) recorded under financial assets available for sale. In addition to this amount, the available unused credit lines amounted to EUR 0.4 million at December 31, 2017.

At December 31, 2017, net cash was EUR 3.0 million increasing by EUR 0.2 million compared to the net cash position at December 31, 2016.

MEMSCAP shareholder's equity totalled EUR 17.2 million at December 31, 2017.

#### **Analysis and perspectives**

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 favour of the development of its activities backed by its own intellectual property.

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

\* \* \*



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**Q1 2018 earnings: April 24, 2018**

**Annual meeting of shareholders: May 24, 2018**

#### About MEMSCAP

MEMSCAP is the leading provider of innovative micro-electro-mechanical systems (MEMS)-based solutions. MEMSCAP's products and solutions include components, component designs (IP), manufacturing and related services.

#### Contacts

Yann Cousinet  
Chief Financial Officer  
Ph.: +33 (0) 4 76 92 85 00  
[yann.cousinet@memscap.com](mailto:yann.cousinet@memscap.com)

For more information, visit our website at:  
[www.memscap.com](http://www.memscap.com).

**MEMSCAP** is listed on Euronext Paris™ - Segment C - ISIN: **FR0010298620** - **MEMS**.





## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>€000</b>	<b>€000</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment.....	2 510	2 856
Goodwill and intangible assets.....	8 013	8 485
Available-for-sale financial assets.....	1 174	1 332
Other non-current financial assets.....	34	46
Employee benefit net asset.....	--	72
Deferred tax asset.....	864	1 162
	<b>12 595</b>	<b>13 953</b>
<b>Current assets</b>		
Inventories.....	2 500	2 926
Trade and other receivables.....	2 675	2 456
Prepayments.....	234	276
Other current financial assets.....	24	12
Cash and short-term deposits.....	2 760	2 824
	<b>8 193</b>	<b>8 494</b>
<b>Total assets</b>	<b>20 788</b>	<b>22 447</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Issued capital.....	1 812	1 782
Share premium.....	18 770	18 624
Treasury shares.....	(126)	(121)
Retained earnings.....	(570)	(29)
Foreign currency translation.....	(2 703)	(1 649)
	<b>17 183</b>	<b>18 607</b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings.....	677	732
Employee benefit liability.....	22	4
	<b>699</b>	<b>736</b>
<b>Current liabilities</b>		
Trade and other payables.....	2 539	2 384
Interest-bearing loans and borrowings.....	286	412
Other current financial liabilities.....	3	230
Provisions.....	78	78
	<b>2 906</b>	<b>3 104</b>
<b>Total liabilities</b>	<b>3 605</b>	<b>3 840</b>
<b>Total equity and liabilities</b>	<b>20 788</b>	<b>22 447</b>



## CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2017

	<b>2017</b>	<b>2016</b>
	<b>€000</b>	<b>€000</b>
<b>Continuing operations</b>		
Sales of goods and services .....	11 652	11 714
<b>Revenue</b> .....	<b>11 652</b>	<b>11 714</b>
Cost of sales.....	(8 285)	(7 938)
<b>Gross profit</b> .....	<b>3 367</b>	<b>3 776</b>
Other income.....	449	315
Research and development expenses .....	(1 728)	(1 387)
Selling and distribution costs.....	(849)	(808)
Administrative expenses.....	(1 868)	(1 882)
<b>Operating profit / (loss)</b> .....	<b>(629)</b>	<b>14</b>
Finance costs .....	(95)	(62)
Finance income.....	108	156
<b>Profit / (loss) for the year from continuing operations before tax</b> .....	<b>(616)</b>	<b>108</b>
Income tax expense.....	(208)	--
<b>Profit / (loss) for the year from continuing operations</b> .....	<b>(824)</b>	<b>108</b>
<b>Profit / (loss) for the year</b> .....	<b>(824)</b>	<b>108</b>
Earnings per share:		
- Basic, for profit / (loss) for the year attributable to ordinary equity holders of the parent (in euros).....	€ (0.12)	€ 0.02
- Diluted, for profit / (loss) for the year attributable to ordinary equity holders of the parent (in euros) .....	€ (0.11)	€ 0.01

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	<b>2017</b>	<b>2016</b>
	<b>€000</b>	<b>€000</b>
<b>Profit / (loss) for the year</b> .....	<b>(824)</b>	<b>108</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Actuarial gains / (losses).....	(128)	115
Income tax on items that will not be reclassified to profit or loss.....	--	--
<b>Total items that will not be reclassified to profit or loss</b> .....	<b>(128)</b>	<b>115</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Net gain / (loss) on available-for-sale financial assets.....	26	33
Hedging instruments .....	184	(124)
Exchange differences on translation of foreign operations.....	(1 054)	519
Income tax on items that may be reclassified to profit or loss.....	--	--
<b>Total items that may be reclassified to profit or loss</b> .....	<b>(844)</b>	<b>428</b>
<b>Other comprehensive income for the year, net of tax</b> .....	<b>(972)</b>	<b>543</b>
<b>Total comprehensive income for the year, net of tax</b> .....	<b>(1 796)</b>	<b>651</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

<i>(In thousands of euros, except for number of shares)</i>	<i>Number of shares</i>	<i>Issued capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Retained earnings</i>	<i>Foreign currency translation</i>	<i>Total shareholders' equity</i>
		<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
<b>At 1 January 2016</b> .....	<b>7 128 686</b>	<b>1 782</b>	<b>18 675</b>	<b>(133)</b>	<b>(394)</b>	<b>(2 168)</b>	<b>17 762</b>
Profit for the year .....	--	--	--	--	108	--	108
Other comprehensive income for the period, net of tax .....	--	--	--	--	24	519	543
<b>Total comprehensive income</b> .....	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>132</b>	<b>519</b>	<b>651</b>
Transfer to the reserves not available for distribution .....	--	--	(51)	--	52	--	1
Treasury shares .....	--	--	--	12	--	--	12
Share-based payment .....	--	--	--	--	181	--	181
<b>At 31 December 2016</b> .....	<b>7 128 686</b>	<b>1 782</b>	<b>18 624</b>	<b>(121)</b>	<b>(29)</b>	<b>(1 649)</b>	<b>18 607</b>
<b>At 1 January 2017</b> .....	<b>7 128 686</b>	<b>1 782</b>	<b>18 624</b>	<b>(121)</b>	<b>(29)</b>	<b>(1 649)</b>	<b>18 607</b>
Loss for the year .....	--	--	--	--	(824)	--	(824)
Other comprehensive income for the period, net of tax .....	--	--	--	--	82	(1 054)	(972)
<b>Total comprehensive income</b> .....	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(742)</b>	<b>(1 054)</b>	<b>(1 796)</b>
Capital increase .....	117 504	30	146	--	--	--	176
Treasury shares .....	--	--	--	(5)	--	--	(5)
Share-based payment .....	--	--	--	--	201	--	201
<b>At 31 December 2017</b> .....	<b>7 246 190</b>	<b>1 812</b>	<b>18 770</b>	<b>(126)</b>	<b>(570)</b>	<b>(2 703)</b>	<b>17 183</b>



## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

	<b>2017</b>	<b>2016</b>
	<b>€000</b>	<b>€000</b>
<b>Cash flows from operating activities:</b>		
Net profit / (loss) for the year .....	(824)	108
Non-cash items written back:		
Amortization and depreciation .....	959	935
Loss / (capital gain) on disposal of fixed assets .....	(35)	23
Other non-financial activities .....	333	162
Accounts receivable .....	(524)	(217)
Inventories .....	157	11
Other debtors .....	(12)	(46)
Accounts payable .....	413	123
Other liabilities .....	82	114
<b>Total net cash flows from operating activities .....</b>	<b>549</b>	<b>1 213</b>
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets .....	(468)	(416)
Proceeds from sale / (purchase) of financial assets .....	228	(46)
<b>Total net cash flows from investing activities .....</b>	<b>(240)</b>	<b>(462)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings .....	--	290
Repayment of borrowings .....	(262)	(622)
Payment of finance lease liabilities .....	(178)	(146)
Sale / (purchase) of treasury shares .....	(4)	11
Proceeds from issue of shares .....	176	--
Change in restricted cash .....	--	(58)
<b>Total net cash flows from financing activities .....</b>	<b>(268)</b>	<b>(525)</b>
Net foreign exchange difference .....	(123)	(38)
<b>Increase / (decrease) in net cash and cash equivalents .....</b>	<b>(82)</b>	<b>188</b>
<b>Opening cash and cash equivalents balance .....</b>	<b>2 824</b>	<b>2 636</b>
<b>Closing cash and cash equivalents balance .....</b>	<b>2 742</b>	<b>2 824</b>