



MEMSCAP - EARNINGS FOR THE 2018 FINANCIAL YEAR:

PROFITABILITY OVER FY 2018

EBITDA AT EUR 1.5 MILLION (INCREASING BY EUR 1.1 MILLION)

Annual sales growth of +11% in euro and +16% in US dollar

Operating profit at EUR 0.5 million euros – Net profit at EUR 0.3 million

Consolidated available cash at EUR 3.7 million as of December 31, 2018

Grenoble, France and Durham, North Carolina, March 18, 2019 - MEMSCAP (NYSE Euronext: MEMS), the leading provider of innovative solutions based on MEMS (micro-electro-mechanical systems) technology, today announced its earnings for the 2018 financial year ending December 31, 2018.

Analysis of the consolidated income statement

In line with the previous quarterly press releases, MEMSCAP reported an audited revenue of EUR 13.0 million for FY 2018, up 11% compared to the FY 2017 revenue at EUR 11.7 million. Expressed in US dollar, consolidated sales for FY 2018 increased by +16% and amounted to US\$ 15.3 million against US\$ 13.2 million for FY 2017. It is to be noted that sales made in US dollar represented approximately 78% of the Group's revenue in 2018.

Consolidated revenue distribution by market segment, over FY 2018, is as follows:

Market segments / Revenue (In million euros)	FY 2018	%	FY 2017	%
Aerospace	6.2	48%	6.2	53%
Optical communications / Adaptive optics	4.1	32%	2.6	22%
Medical / Biomedical	2.1	16%	2.0	17%
Others	0.6	4%	0.9	8%
Total	13.0	100%	11.7	100%

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

During FY 2018, consolidated sales benefited from the robustness of the Group's avionics and medical sectors. Representing 48% of consolidated sales, with annual sales of EUR 6.2 million, the avionics business remains the Group's leading market segment. The optical communications / adaptive optics business, up 58% compared to FY 2017, confirmed its significant recovery initiated at the end of FY 2017.

MEMSCAP's consolidated earnings for FY 2018 are given within the following table:

In million euros	FY 2018	FY 2017
Revenue	13.0	11.7
Standard products*	8.3	8.0
Custom products	4.7	3.7
Cost of revenue	(8.5)	(8.3)
Gross margin	4.4	3.4
% of revenue	34%	29%
Operating expenses**	(3.9)	(4.0)
Operating profit / (loss)	0.5	(0.6)
Financial profit / (loss)	0.2	0.0
Income tax expense	(0.3)	(0.2)
Net profit / (loss)	0.3	(0.8)

(Financial data were subject to an audit by the Group's statutory auditors who will issue their reports at a later date. On March 15th, 2019, the MEMSCAP's board of directors authorized the release of the FY 2018 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 positive volume effect, due to the increase in sales in FY 2018, led to a gross margin rate of 34% compared to 29% for the previous year. Consolidated gross margin amounted to EUR 4.4 million compared to EUR 3.4 million in FY 2017.

Operating expenses, net of research and development grants, amounted to EUR 3.9 million in FY 2018, down EUR 0.1 million compared to the previous year. This change mainly resulted from the reduction in administrative and commercial expenses of -EUR 0.3 million over the year. Research and development expenses, net of grants, increased by +EUR 0.2 million, reflecting the intensification of research and development programs in the avionics and medical sectors. For FY 2018, research and development costs, net of grants, thus represented 12% of consolidated sales (FY 2017: 11%). In addition, the total number of full-time equivalent employees in the Group rose from 56 in FY 2017 to 61 in FY 2018, an increase of + 9%.

For FY 2018, the Group posted an operating profit of EUR 0.5 million compared to an operating loss of EUR 0.6 million in FY 2017. The financial profit was EUR 0.2 million in FY 2018 against a consolidated financial income at break-even for FY 2017. This change was mainly due to the evolution of the exchange rates of the US dollar and the Norwegian krone. The tax expense recognized over FY 2018 amounted to EUR 0.3 million (FY 2017: EUR 0.2 million) and corresponded to the change in deferred tax assets related to the Norwegian and US entities of MEMSCAP. This expense had no impact on the Group's cash position.

The Group therefore reported a net profit of EUR 0.3 million for FY 2018 compared to a net loss at EUR 0.8million for FY 2017.

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Evolution of the Group's cash / Consolidated shareholders' equity

For FY 2018, the Group posted a positive EBITDA at EUR 1.5 million compared to EUR 0.4 million for the previous year. Including the EUR 0.9 million increase in the working capital requirement, the positive cash flow from operating activities amounted to EUR 0.6 million against a cash generation of EUR 0,5 million for the FY 2017. The change in the working capital requirement resulted from the ramping up of buffer stocks related to the avionics business, the increase of the grants to be received following the intensification of research and development programs and the reduction of trade payables at the end of FY 2018 in accordance with the material requirements planning over the year.

At December 31, 2018, the Group reported available cash at EUR 3.7 million (December 31, 2017: EUR 3.9 million) including cash investments (Corporate bonds) recorded under non-current financial assets. In addition to this amount, the available unused credit lines amounted to EUR 0.3 million at December 31, 2018.

MEMSCAP shareholders' equity totalled EUR 17.3 million at December 31, 2018 compared to EUR 17.2 million at December 31, 2017.

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Analysis and perspectives

The 2018 financial year marked the return to the Group's operating and net profitability after a 2017 financial year during which MEMSCAP had initiated the transformation of its industrial organization in order to increase significantly the flexibility of the its production capacities.

MEMSCAP pursues its strategy focused on avionics, medical and optical communications segments, backed by its own intellectual property, as well as the development of an increased flexibility of its production capacities.

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Q1 2019 earnings: April 26, 2019

Annual meeting of shareholders: May 24, 2019



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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.

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www.memscap.com.

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

MEMS





CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2018

	<i>31 December 2018</i>	<i>31 December 2017</i>
	€000	€000
Assets		
Non-current assets		
Property, plant and equipment.....	2 869	2 510
Goodwill and intangible assets.....	7 908	8 013
Other non-current financial assets.....	1 309	1 208
Deferred tax asset.....	541	864
	12 627	12 595
Current assets		
Inventories.....	2 807	2 500
Trade and other receivables.....	2 943	2 675
Prepayments.....	280	234
Other current financial assets.....	35	24
Cash and short-term deposits.....	2 380	2 760
	8 445	8 193
Total assets	21 072	20 788
Equity and liabilities		
Equity		
Issued capital.....	1 867	1 812
Share premium.....	18 775	18 770
Treasury shares.....	(130)	(126)
Retained earnings.....	(490)	(570)
Foreign currency translation.....	(2 746)	(2 703)
	17 276	17 183
Non-current liabilities		
Interest-bearing loans and borrowings.....	702	677
Employee benefit liability.....	20	22
	722	699
Current liabilities		
Trade and other payables.....	2 297	2 539
Interest-bearing loans and borrowings.....	699	286
Other current financial liabilities.....	--	3
Provisions.....	78	78
	3 074	2 906
Total liabilities	3 796	3 605
Total equity and liabilities	21 072	20 788



CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2018

	2018	2017
	€000	€000
Continuing operations		
Sales of goods and services	12 961	11 652
Revenue	12 961	11 652
Cost of sales.....	(8 549)	(8 285)
Gross profit	4 412	3 367
Other income.....	527	449
Research and development expenses	(2 055)	(1 728)
Selling and distribution costs.....	(730)	(849)
Administrative expenses.....	(1 684)	(1 868)
Operating profit / (loss)	470	(629)
Finance costs	(51)	(95)
Finance income.....	212	108
Profit / (loss) for the year from continuing operations before tax	631	(616)
Income tax expense.....	(330)	(208)
Profit / (loss) for the year from continuing operations	301	(824)
Profit / (loss) for the year	301	(824)
Earnings per share:		
- Basic, for profit / (loss) for the year attributable to ordinary equity holders of the parent (in euros).....	€ 0.04	€ (0.12)
- Diluted, for profit / (loss) for the year attributable to ordinary equity holders of the parent (in euros)	€ 0.04	€ (0.11)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	€000	€000
Profit / (loss) for the year	301	(824)
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains / (losses)	(30)	(128)
Income tax on items that will not be reclassified to profit or loss.....	--	--
Total items that will not be reclassified to profit or loss	(30)	(128)
Items that may be reclassified subsequently to profit or loss		
Net gain / (loss) on available-for-sale financial assets.....	(171)	26
Hedging instruments	--	184
Exchange differences on translation of foreign operations.....	(43)	(1 054)
Income tax on items that may be reclassified to profit or loss.....	--	--
Total items that may be reclassified to profit or loss	(214)	(844)
Other comprehensive income for the year, net of tax	(244)	(972)
Total comprehensive income for the year, net of tax	57	(1 796)



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

<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>
		€000	€000	€000	€000	€000	€000
At 1 January 2017	7 128 686	1 782	18 624	(121)	(29)	(1 649)	18 607
Loss for the year	--	--	--	--	(824)	--	(824)
Other comprehensive income for the period, net of tax	--	--	--	--	82	(1 054)	(972)
Total comprehensive income	--	--	--	--	(742)	(1 054)	(1 796)
Capital increase	117 504	30	146	--	--	--	176
Treasury shares	--	--	--	(5)	--	--	(5)
Share-based payment	--	--	--	--	201	--	201
At 31 December 2017	7 246 190	1 812	18 770	(126)	(570)	(2 703)	17 183
At 1 January 2018	7 246 190	1 812	18 770	(126)	(570)	(2 703)	17 183
Profit for the year	--	--	--	--	301	--	301
Other comprehensive income for the period, net of tax	--	--	--	--	(201)	(43)	(244)
Total comprehensive income	--	--	--	--	100	(43)	57
Capital increase	222 150	55	5	--	(54)	--	6
Treasury shares	--	--	--	(4)	--	--	(4)
Share-based payment	--	--	--	--	34	--	34
At 31 December 2018	7 468 340	1 867	18 775	(130)	(490)	(2 746)	17 276



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CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

	2018	2017
	€000	€000
Cash flows from operating activities:		
Net profit / (loss) for the year	301	(824)
Non-cash items written back:		
Amortization and depreciation	837	959
Loss / (capital gain) on disposal of fixed assets	(16)	(35)
Other non-financial activities	344	333
Accounts receivable	(90)	(524)
Inventories	(312)	157
Other debtors	(176)	(12)
Accounts payable	(326)	413
Other liabilities	21	82
Total net cash flows from operating activities	583	549
Cash flows from investing activities:		
Purchase of fixed assets	(644)	(468)
Proceeds from sale / (purchase) of financial assets	(276)	228
Total net cash flows from investing activities	(920)	(240)
Cash flows from financing activities:		
Repayment of borrowings	(106)	(262)
Payment of finance lease liabilities	(256)	(178)
Sale / (purchase) of treasury shares	(4)	(4)
Proceeds from issue of shares	6	176
Total net cash flows from financing activities	(360)	(268)
Net foreign exchange difference	(1)	(123)
Increase / (decrease) in net cash and cash equivalents	(698)	(82)
Opening cash and cash equivalents balance	2 742	2 824
Closing cash and cash equivalents balance	2 044	2 742