



MEMSCAP

The Power of a Small World™

MEMSCAP FIRST HALF 2017 EARNINGS: SUSTAINED SALES GROWTH OF 9% IN THE AEROSPACE SEGMENT REPRESENTING 54% OF THE HY 2017 CONSOLIDATED SALES

HY 2017 sales of € 5.7 million

Grenoble, France and Durham, North Carolina, August 31, 2017 – MEMSCAP (NYSE Euronext: MEMS), the leading provider of innovative solutions based on MEMS (micro-electro-mechanical systems) technology, announced today its earnings for the first half of 2017, ending June 30, 2017.

Revenue and consolidated earnings for the first half of 2017

In accordance with the figures given in the first and second quarter press releases, consolidated revenue for the first half of 2017 amounted to € 5.7 million (US\$ 6.2 million) compared to € 5.6 million (US\$ 6.3 million) for the first half of 2016. During the first half of 2017, the Group has kept on benefiting from a steady sales growth in the aerospace segment, a sales increase of more than 9% compared to the first half of 2016. This segment now accounts for 54% of consolidated sales in the first half of 2017.

Consolidated revenue distribution by market segment over the first half of 2017 is as follows:

Market Segments	Revenue (M€)	%
Aerospace	3.1	54%
Optical Communications / Adaptive Optics	1.1	20%
Medical / Biomedical	1.1	19%
Mass Market / Other Applications	0.4	7%
Total	5.7	100%

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

MEMSCAP consolidated earnings for the first half of 2017 are given by the following table:

(In million euros)	For the 6 months ended 30 June 2017	For the 6 months ended 30 June 2016
Revenue	5.7	5.6
- Standard products*	4.0	3.4
- Custom products	1.7	2.2
Gross Margin	1.5	1.9
Operating Expenses**	(2.1)	(1.9)
Operating Profit / (Loss)	(0.6)	(0.1)
Financial profit / (Loss)	(0.0)	0.1
Income tax expense	(0.1)	--
Net Profit / (Loss)	(0.6)	0.0

(Financial data were subject to a limited review by the Group's statutory auditors. On August 31st, 2017, the MEMSCAP board of directors authorized the release of the HY 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.

* * *

In line with its sales strategy, the Group has focused its development in high-value-added markets, such as aerospace, medical / biomedical and optical communications. During the first half of 2017, strong sales in the aerospace and medical sectors compensated for the temporary weakness in demand in the optical communications segment operated by the Group's US subsidiary.

The reduction of the consolidated gross margin for the first half of 2017 was directly linked to the evolution of the activity of the Custom Products division. Gross margin stood at € 1.5 million, representing 27% of consolidated revenue, compared to € 1.9 million for the first half of 2016, representing 33% of consolidated revenue.

Operating expenses (net of research and development grants) amounted to € 2.1 million for the first half of 2017, compared to € 1.9 million in the first half of 2016, and led to an operating loss of € 0.6 million compared to an operating loss of € 0.1 million for the first half of 2016.

Net financial costs were non-significant for the first half of 2017 versus a net financial gain of € 0.1 million for the first half of 2016. The income tax expense for the first half of 2017 corresponded to the variation of the deferred income tax over the period, with no impact on the Group's cash position.

The Group thus posted a consolidated net loss of € 0.6 million versus consolidated net earnings at break-even point over the first half of 2016.

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

At June 30, 2017, the Group reported available liquidities at € 3.6 million (December 31, 2016: € 4.2 million) including cash investments for € 1.4 million (Corporate bonds) recorded under financial assets available for sale and cash and short-term deposits for € 2.2 million. Consolidated net cash minus financial liabilities stood at € 2.5 million (December 31, 2016: € 2.8 million).

MEMSCAP shareholders' equity totaled € 17.5 million at June 30, 2017 compared to € 18.6 million by end of December 2016.

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

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

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Q3 2017 Earnings: October 25, 2017

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 Eurolist of NYSE Euronext Paris S.A (ISIN: FR0010298620-MEMS). More information on the company's products and services can be obtained at www.memscap.com.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Interim condensed consolidated financial statements at 30 June 2017

	<i>30 June 2017</i>	<i>31 December 2016</i>
	<u>€000</u>	<u>€000</u>
Assets		
Non-current assets		
Property, plant and equipment	2 704	2 856
Goodwill and intangible assets	8 161	8 485
Available-for-sale financial assets	1 362	1 332
Other non-current financial assets	40	46
Employee benefit net asset	89	72
Deferred tax asset.....	1 037	1 162
	<u>13 393</u>	<u>13 953</u>
Current assets		
Inventories.....	2 889	2 926
Trade and other receivables	2 527	2 456
Prepayments.....	358	276
Other current financial assets.....	18	12
Cash and short-term deposits.....	2 232	2 824
	<u>8 024</u>	<u>8 494</u>
Total assets	<u>21 417</u>	<u>22 447</u>
Equity and liabilities		
Equity		
Issued capital	1 782	1 782
Share premium	18 624	18 624
Treasury shares.....	(123)	(121)
Retained earnings	(391)	(29)
Foreign currency translation.....	(2 370)	(1 649)
	<u>17 522</u>	<u>18 607</u>
Non-current liabilities		
Interest-bearing loans and borrowings.....	727	732
Employee benefit liability	4	4
	<u>731</u>	<u>736</u>
Current liabilities		
Trade and other payables	2 682	2 384
Interest-bearing loans and borrowings.....	333	412
Other current financial liabilities	71	230
Provisions.....	78	78
	<u>3 164</u>	<u>3 104</u>
Total liabilities	<u>3 895</u>	<u>3 840</u>
Total equity and liabilities	<u>21 417</u>	<u>22 447</u>

CONSOLIDATED STATEMENT OF INCOME

Interim condensed consolidated financial statements at 30 June 2017

	<i>For the six months ended 30 June</i>	
	2017	2016
	€000	€000
Continuing operations		
Sales of goods and services	5 679	5 645
Revenue	5 679	5 645
Cost of sales.....	(4 135)	(3 771)
Gross profit	1 544	1 874
Other income	163	155
Research and development expenses	(828)	(729)
Selling and distribution costs.....	(406)	(423)
Administrative expenses	(1 030)	(935)
Operating profit / (loss)	(557)	(58)
Finance costs	(72)	(28)
Finance income	47	106
Profit / (loss) for the period from continuing operations before tax	(582)	20
Income tax expense.....	(65)	--
Profit / (loss) for the period from continuing operations	(647)	20
Profit / (loss) for the period	(647)	20
Earnings per share:		
- Basic, for profit / (loss) for the period attributable to ordinary equity holders of the parent (in euros)	(€ 0.091)	€ 0.003
- Diluted, for profit / (loss) for the period attributable to ordinary equity holders of the parent (in euros)	(€ 0.087)	€ 0.003

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Interim condensed consolidated financial statements at 30 June 2017

	<i>For the six months ended 30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>€000</i>	<i>€000</i>
Profit / (loss) for the period	(647)	20
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains / (losses).....	--	--
Income tax on items that will not be reclassified to profit or loss	--	--
Total items that will not be reclassified to profit or loss	--	--
Items that may be reclassified subsequently to profit or loss		
Net gain / (loss) on available-for-sale financial assets	40	(34)
Hedging instruments	145	(2)
Exchange differences on translation of foreign operations	(721)	158
Income tax on items that may be reclassified to profit or loss	--	--
Total items that may be reclassified to profit or loss	(536)	122
Other comprehensive income for the period, net of tax.....	(536)	122
Total comprehensive income for the period, net of tax.....	(1 183)	142

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Interim condensed consolidated financial statements at 30 June 2017

<i>(In thousands 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 2016	7 128 686	1 782	18 675	(133)	(394)	(2 168)	17 762
Profit for the period.....	--	--	--	--	20	--	20
Other comprehensive income for the period, net of tax.....	--	--	--	--	(36)	158	122
Total comprehensive income	--	--	--	--	(16)	158	142
Treasury shares.....	--	--	--	(9)	--	--	(9)
Share-based payment.....	--	--	--	--	96	--	96
At 30 June 2016	7 128 686	1 782	18 675	(142)	(314)	(2 010)	17 991
At 1 January 2017	7 128 686	1 782	18 624	(121)	(29)	(1 649)	18 607
Loss for the period.....	--	--	--	--	(647)	--	(647)
Other comprehensive income for the period, net of tax.....	--	--	--	--	185	(721)	(536)
Total comprehensive income	--	--	--	--	(462)	(721)	(1 183)
Treasury shares.....	--	--	--	(2)	--	--	(2)
Share-based payment.....	--	--	--	--	100	--	100
At 30 June 2017	7 128 686	1 782	18 624	(123)	(391)	(2 370)	17 522

CONSOLIDATED CASH FLOW STATEMENT

Interim condensed consolidated financial statements at 30 June 2017

	<i>For the six months ended 30 June</i>	
	2017	2016
	€000	€000
Cash flows from operating activities:		
Net profit / (loss) for the period	(647)	20
Non-cash items written back:		
Amortization and depreciation	389	550
Capital gain or loss on disposal of fixed assets	(11)	10
Other non-financial activities	140	92
Accounts receivable	(251)	(49)
Inventories	(147)	(71)
Other debtors	(16)	(25)
Accounts payable	412	50
Other liabilities	(105)	40
Total net cash flows from operating activities	(236)	617
Cash flows from investing activities:		
Purchase of fixed assets	(167)	(230)
Proceeds from sale / (purchase) of financial assets	22	19
Total net cash flows from investing activities	(145)	(211)
Cash flows from financing activities:		
Repayment of borrowings	(157)	(178)
Payment of finance lease liabilities	(85)	(72)
Sale / (purchase) of treasury shares	(1)	(9)
Proceeds from issue of shares	90	--
Total net cash flows from financing activities	(153)	(259)
Net foreign exchange difference	(58)	(76)
Increase / (decrease) in net cash and cash equivalents	(592)	71
Opening cash and cash equivalents balance	2 824	2 636
Closing cash and cash equivalents balance	2 232	2 707