

First quarter 2017 revenue and gross profit

Paris - La Défense, May 3rd 2017

Revenue, gross margin, activity and outlook

In € million - consolidated	Q1 2017	Q1 2016	Change	
Revenue	14.7	19.0	-23%	-4.4
Gross profit	6.2	7.4	-17%	-1.3

For the quarter ended March 31, 2017, Netgem announces a consolidated revenue of € 14.7 million and a gross profit of € 6.2 million (unaudited).

As the Vitis Fiber-to-the-Home and content business is accounted for by the equity method from November 2016, its activity is not included in 2017 figures but included in 2016 figures. For illustrative purposes only, should the Vitis hive-down transaction had taken place before 2016, the Group estimates that its first quarter 2016 revenue and gross margin would have respectively reached € 17.8 million and € 7.2 million¹.

As announced on May 3rd 2017, Netgem signed a software agreement with ZTE² for the delivery of complete TV solutions to the fiber operator Totalplay in Mexico. Both companies will seek to extend this partnership to win new prospective customers, notably in Latin America.

Starting in Q2'2017, ZTE will deliver to Totalplay TV Set Top Boxes embedding Netgem software. Netgem will continue to directly maintain and license its software platform to Totalplay, both on the existing base and for all the new set top boxes that will be delivered by ZTE to Totalplay.

Netgem will receive from ZTE a one-off fee for each new equipment delivered and a recurring

¹ Because of its nature, such pro forma financial information addresses a hypothetical situation and, therefore, does not represent the company's actual financial position or results.

² A major international provider of telecommunications, enterprise and consumer technology solutions for the Mobile Internet.



maintenance fee from Totalplay, based on all installed devices, including ZTE's new set top boxes.

Netgem revenue and gross margin from the resale of hardware to Totalplay have ceased since the beginning of 2017, which notably explain the fall in revenue and gross margin recorded in Q1'2017. The reduction on working capital generated by this agreement will have a positive impact on cash generation.

This agreement is a major step in the strategic transformation of Netgem into a software and services company for the connected home. It is also the first time that Netgem software is ported and licensed on a hardware supplied by a third company.

Calendar of Financial Communication

- Annual shareholders' meeting: June 1st, 2017
- Revenue and results for H1 2017: July 28, 2017, before market opening
- Revenue and gross profit Q3'2017: October 13, 2017, before market opening

About Netgem

Netgem designs software to connect the daily lives of consumers and their families. Service Providers around the world use our #TelcoTV solutions built around our software to deliver bespoke innovative digital entertainment services to their customers.

From software licensing, to turnkey, white-label, TV as a Service offering, Netgem offer Telco Service Providers, a complete suite of software, solutions, content, services and direct access to Telco-grade quality digital devices from our global industrial partners.

Our #TelcoTV solutions enable Telcos to differentiate, increase ARPU/service revenue and build customer base loyalty.

Netgem is listed on Euronext Paris Compartment C (ISIN: FR0004154060, Reuters: ETGM.PA, Bloomberg: NTG:FP)

www.netgem.com

