

PRESS RELEASE

2018 full year results

New growth engines

- **Growth Strategy in Services for High-Speed Broadband and Fiber**
- **Results FY 2018**
- **Dividends maintained at 10 cents per share, option of payment in equity chosen by founding shareholders**

Paris, March 22th, 2019

Netgem's Board of Directors having approved the financial statements, announces 2018 FY results and the growth plan in services for High-Speed Broadband and Fiber.

Connected home specialist since its creation, Netgem adapts and anticipates a favorable market evolution for its recent investments.

Netgem was created on the mission of connecting each home to digital services. Over the past 15 years, Netgem has connected nearly 9 million homes in more than 20 countries through a connected product offering: the BoxTV.

Today, connected objects are multiplying and transforming. Operators become multi-service, to meet all the needs that arise as the end consumer experiences the power of fiber: video streaming throughout the home, connected speakers with voice control for music and home automation, but also remote surveillance and connected security, home support, etc.

In France and Europe, market organisation favors the emergence of a new competition on services with the Ultra High Speed Internet. In France, 40% of households are located in "non-dense" zones, known as RIP (Public Initiative Networks). For these 17 million French households, the Fiber network will be financed by public-private funds, resulting in an "open" access model, allowing any multi-service operator to provide its digital services without having to support very heavy infrastructure investments.

In this context Netgem Group has joined forces with Caisse des Dépôts and Océinde to create Vitis, a multi-service and ultra-speed internet operator operating as Videofutur brand, which is currently the leader in RIP zones. This investment makes it possible both to benefit from the very high growth potential of this market and for the Group to have direct access to the end customer.

To address this market change, Netgem Group positions itself as a platform for solutions and services for the connected home that meets the needs of multiservice operators, offering à la carte Connected Equipment and Operated Services.

Investments in recent years have allowed the development of both a multi-screen cloud platform for video streaming on the fiber, and a multi-service connected speaker. These new products and services are now expanding the offer available on the Netgem platform. The ZTE partnership will also contribute.

The Group's vision in this new context is to connect millions of households to the services allowed by Fiber and Ultra-Speed Internet, offering consumers and multi-service operators a platform for secure digital services and connected equipment, open and innovative.

2018 Positive Results and Sound Cash-flow position:

€ Million - consolidated IFRS ¹	2018	2017	Change
Revenue	41.8	61.8	-32%
Net revenue	19.6	25.2	-23%
Ebitda	2.7	6.6	-59%
Current operating income	2.3	6.3	-63%
Operating income	4.4	7.0	-37%
Financial income	-0.9	0.2	
Equity method result (Vitis)	-2.8	-2.0	
Tax	-0.6	-0.6	
Net income	0.2	4.7	
Total comprehensive income	0.3	4.4	

Revenue amounted to € 41.8 million and net revenue to € 19.6 million in 2018, due to the slowdown of operators' investments in TV Box. The more moderate slowdown in net revenue comes from the contributory impact of service activities.

Revenue from the non-consolidated scope (Vitis - Videofutur), mainly consisting of sales of services, was up 86% to € 10.4 million.

Operating income reached € 4.4 million in 2018. Operating expenses, which include restructuring costs of € 0.7 million, however, dropped by 11% due to the reduction of international expenses and the refocusing of R&D.

In the non-consolidated scope, Vitis remains at a loss of € 5.5 million, due to the costs related to the acquisition of a subscriber base. In 2018, Caisse des Dépôts and Réunicable contributed € 4 million in cash to Vitis, whose cash position amounted to € 5.3 million at the end of 2018.

Subject to the approval of the next general meeting of shareholders, Netgem will bring its platform business in France and Germany to Vitis, valued at € 5.3 million, which will enable the Group to regain its shareholding position at around 53% of the share capital (fully diluted).

After taking into account the share of Vitis' results under the equity method, a financial expense of € 0.9 million (currency effects) and a tax charge of € 0.6 million, the Group recorded a net profit of € 0.2 million in 2018 (group share).

¹ Netgem's financial statements were approved by the Board of Directors on 21 March 2019. Audit work had been completed and the auditors' report is in the process of being published.

€ Million - consolidated IFRS	2018	2017
Cash flow related to operations, after tax (A), of which:	1.4	14.0
- Cash flow before tax and changes in working capital	2.8	6.4
- Taxes paid	0.1	-0.4
- Decrease (increase) in working capital	-1.5	8.0
Cash flow related to investments (B)	3.2	-1.5
Operating cash flow (A + B)	4.6	12.5
Cash flow related to financing	-3.9	-35.1
Net change in cash	0.7	-22.6

Netgem's cash position at the end of 2018 was € 11.0 million, an increase of € 0.7 million compared to 2017.

The Group's operations generated € 1.4 million of cash after tax in 2018.

Cash flow related to investments included the implementation of financing solutions and their repayments.

Cash flow related to financing encompassed -€ 2.0 million of share buy back, -€ 2.8 million of dividends paid in 2018 and +€ 1.2 million of factoring implementation and repayment, backing the financings mentioned above.

€ Million - consolidated IFRS	31/12/18	31/12/2017
Shareholders' equity and debt		
Equity, Group share	24.0	27.7
Current and non-current financial liabilities	7.5	5.9
Analysis of net cash		
A. Cash	11.0	10.2
B. Current financial liabilities	7.2	3.0
C. Current net cash (A) - (B)	3.8	7.2
D. Non-current financial liabilities	0.3	2.9
E. Net cash (C) - (D)	3.5	4.4

Dividends

The Board of Directors proposes to maintain the dividend at 10 cents per share. An option to pay the dividend in equity with a discount of 10% will be proposed. The founding shareholders (30% of share capital at the end of 2018) have indicated that they will opt for this option, expressing their confidence in the opportunity represented by the connected home services for the Group in the medium term.



Financial Communication Calendar

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|---------------------------------------|--|
| - Revenue and net revenue for Q1 2019 | May 10, 2019, before stock market opening |
| - Annual General Assembly | May 14, 2019 |
| - First half 2019 revenue and results | 1st August 2019, before stock market opening |
| - Revenue and net revenue for Q3 2019 | Oct. 17, 2019, before stock market opening |

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About Netgem

NETGEM is the pioneer of the connected home, with the invention of the Box in 1996, and the co-creation of the independent operator of services for the very high-speed and Fiber in France, under the brand VideoFutur. Millions of homes around the world today use the NETGEM Box, under brands of our distribution partners, operators of telecommunications services and entertainment. NETGEM is listed on Euronext Paris Compartment C (ISIN: FR0004154060, Reuters: ETGM.PA, Bloomberg: NTG:FP)

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