

Press release

2019 turnover and net revenue

Netgem completes its transformation into an operator of services for the connected home and ultra-broadband access.

Paris-La Défense, January 23, 2020,

Turnover and net revenues

| (in € m, unaudited) | Q4 2019 | Q3 2019 | Q4 2018 | Var. T4 / T3 | Var. Q4 / Q4 | 2019 | 2018 | variation |
|----------------------------------|------------|------------|------------|-----------------|-----------------|------|-------|-----------|
| Netgem (excluding Vitis): | | | | | | | | |
| IFRS turnover | 6.4 | 5.7 | 10.8 | + 12% | -41% | 25.3 | 41.8 | -39% |
| Net revenue (*) | 3.6 | 3.2 | 4.7 | + 12% | -23% | 13.5 | 19.7 | -31% |
| Vitis (not consolidated): | | | | | | | | |
| Net revenue (*) | 4.0 | 3.7 | 3.3 | + 8% | + 21% | 14.5 | 10, 2 | + 42% |

(*) net revenue = turnover minus the cost of equipment sold. Excluding the platform activity transferred to Vitis beginning of 2019, Netgem's net revenue amounted to 4.3 €m in Q4 2018 (vs 4,7 €m).

Highlights

Netgem's 4th quarter turnover reflects a stabilization of its activity thanks to a now preponderant services component, its increase resulting from exceptional end-of-year adjustments with certain customers. The 4th quarter marks the successful launch in Finland with its partner Elisa of its installed base management service offer for 4K and ultra broadband, and in Great Britain with the first alternative fiber operators. In France, with Vitis, the Group continues to experience sustained growth of its alternative regional Fiber operator activity, ending the year with 42% growth.

Following *inter alia* the evolution of the rules of governance between Netgem and its partner within Vitis, due to take place on the new financing, Vitis would be exclusively controlled by Netgem, and as such should be fully consolidated.

Outlook for 2020

Continuing deployment of fiber access in local rural markets driven by strong political ambitions

Many European countries make fiber an essential vector for bridging the digital divide and for the development of rural areas. Thus, in France and in Great Britain, the market that the Group can address, are where more than 20 million households will have access to fiber thanks to “open access” networks (ie accessible by alternative ISPs and financed by operators of infrastructure) over the period 2020-2025.

Over this same period, the large incumbent operators have committed to building fiber and 5G networks in dense areas, open to strong competition but offering them better prospects of return on their investment.

On the French market, Caisse des Dépôts, the leading fiber investor in French regions, has just confirmed its intention to continue supporting the development of Vitis alongside the Group by providing € 2.4 million in additional financing, enabling Vitis to consolidate its position as leader of independent operators of 100% ultra-broadband services in rural territories.

The British model favors the emergence of dozens of alternative operators, which have access to financing to build local fiber networks, more particularly in cities of medium or small size. In a few months, 12 of these operators have chosen to redistribute the NetgemTV service to their customers.

Growth of new consumption modes, “streaming for all”, and the services made possible by ultra-broadband access

In support of this infrastructure market, the Netgem Group is therefore resolutely positioned in terms of connected home services. The provision of very high speed access with stable and powerful WiFi, allowing access to streaming television, video and music on several screens and in several rooms simultaneously is today the new universal service expected by all households and on which the development of the subscriber base will be built.

The Netgem Group has total technological mastery in this area of a unique unified experience on television, mobile and voice control. The respectful use of usage data from these digital applications used on a daily basis will encourage the expected adoption of new uses and services for the connected home and opens up a medium-term prospect of additional revenues leading to the loyalty of households and to an increase in the revenue per subscriber.

Completion of the transformation of the Netgem Group to a recurring economic model

In 2020, the Group's net revenues will be made up by more than 75% of service revenues from tacit renewal subscriptions or consumption of on-demand services. This change in the financial profile of the Netgem Group is now in place in the different countries addressed: France, UK and also in Finland with the operator Elisa.

As such, in 2020, the Group considers that comparisons of consecutive quarters will be a more faithful reflection of the evolution of its activity than comparisons with a year apart.

The Group monitors its cash consumption during this growth phase. The marketing acquisition costs of direct B2C and indirect B2B2C customers are borne by the Netgem Group or its operator-distributor partners. The infrastructure costs linked to the physical construction of the fiber networks are not financed by the Group.

The supply of equipment (box, connected sound bars, etc.) is now an option in the service offerings, justifying the use of net revenue (excluding hardware) as an indicator.

Focus on the strengths of the Netgem Group, in a unique position to succeed

The Netgem Group has unique strengths to succeed in this market:

- 1) **An experienced management team** that has been able to drive the transformation of the model by controlling costs and protecting know-how and talents.
- 2) **Proven technological assets** at the forefront of the market.
- 3) The choice of **two priority markets, France and Great Britain**, offering very solid prospects for development given their relative delay in fiber deployment and their strong political commitment to regional development.
- 4) A business model mixing **B2C and B2B2C** allowing the management of growth and cash flow.
- 5) A **healthy balance sheet**, with a largely positive net cash position.
- 6) **Long-term shareholders**, keen to see Netgem contribute to the development of ultra-broadband access for all.

For Mathias Hautefort, CEO, "The Netgem Group is now in working order to participate in the development of ultra-broadband access for all and we will see the favorable consequences this year with a growth of the subscriber base for our services. The new round of financing for Vitis demonstrates in this respect the confidence of our partners in terms of growth prospects, in particular in France."

Financial communications calendar

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|------------------------------------|---------------------------------|
| • Results 2019 | March 20, 2020, before market |
| • Turnover and net revenue Q1 2020 | May 14, 2020, before market |
| • Annual General Meeting | May 14, 2020 |
| • Results H1 2020 | July 31, 2020, before market |
| • Turnover and net revenue Q3 2020 | October 21, 2020, before market |

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About Netgem

Netgem is an independent provider of ultra-broadband services. The Group provides its services mainly in France and in Great Britain in rural areas by supporting infrastructure investments supported by the public authorities to reduce the digital divide and improve regional development. Netgem provides its services B2C (direct consumers) and B2B2C (via other partner operators). The Group differentiates itself with its end-to-end technological expertise in digital TV, video and music streaming with a unified and unique experience on TV, mobile and voice control, including the biggest brands in global and local content.

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