

2015 First Half Results

Paris-La Défense, July 30th, 2015

Activity, results and financial position

| € million - Consolidated IFRS | 1st half of 2015 | 1st half of 2014 | Change |
|-----------------------------------|------------------|------------------|-------------|
| Revenue | 37.3 | 37.7 | -0.4 |
| <i>of which Netgem TV*</i> | 14.2 | 17.9 | -3.7 |
| <i>of which NetBox Services*</i> | 23.1 | 19.8 | +3.3 |
| Gross profit | 11.6 | 14.9 | -3.3 |
| Current operating income | -0.6 | - | -0.6 |
| Operating income | -0.6 | -0.3 | -0.3 |
| Net income | -0.3 | -0.6 | +0.3 |
| OCI | 0.2 | 0.1 | +0.1 |
| Total comprehensive income | -0.1 | -0.5 | +0.4 |

* non-GAAP measure

For the first half of 2015, Netgem reports € 37.3 million in consolidated revenue, stable compared to the same period in 2014. The successful launch in the UK has offset the impact on international revenues due to the end of the distribution of the T-Box in Australia.

Gross profit reached € 11.6 million, down € 3.3 million on the first half of last year. A significant part of the decrease is a consequence of deferral of profit due to a change in business model: revenue with Telstra pertained mainly to a licensing model (one-off profit earned in proportion to the acquisition of new end-users) whereas revenue with EE pertains mainly to a “software as a service” model (recurring profit earned in proportion to the active base of end-users). This new model ensures a better alignment of interests between Netgem and its customers. Gross profit was also impacted by an increase in cost of sales due to the sharp rise of the US dollar, only partially offset by contractual provisions with customers and currency hedges.

The streamlining of operations initiated in 2014 has resulted in a €2.7 million decrease of operating expenses from €14.9 million in H1 2014 to € 12.2 million in H1 2015. The transition of the Videofutur business from physical (DVD) to digital (VOD) has accelerated, leading to additional store closures and a non-recurring € 0.9 million charge during the semester.

The financial income amounts to € 0.2 million including income from the investment of the Group’s available cash. The Group recorded a net loss of € 0.3 million (group share) over the period.

| € million - Consolidated IFRS | 1st half of 2015 | 1st half of 2014 |
|---|------------------|------------------|
| Cash flow related to operations (A) | -7.0 | -4.1 |
| of which: | | |
| - before tax and changes in working capital | 0.1 | 2.6 |
| - tax paid | -0.1 | 0.3 |
| - Decrease (increase) in working capital | -7.0 | -7.0 |
| Cash flow related to investments (B) | -1.4 | -1.6 |
| Operating cash flow (A + B) | -8.4 | -5.7 |
| Cash flow related to financing | -5.8 | -6.0 |
| Net change in cash | -14.2 | -11.7 |

Operations have consumed € 7.0 million of cash in the semester, mainly due to a substantial increase in working capital : after taking into account a €3.1 VAT credit due, the remaining cash variation is the result of the extension of payment conditions from certain operators, amplified by the business model transition explained above. The Group has already implemented measures which are expected to lead as soon as the second half of 2015 to a substantial reduction in working capital.

After taking into account the cash flow related to investments (€ 1.4 million primarily related to the acquisition of intangible and tangible assets), the dividend distribution of € 5.9 million, cash outflows for the share buy-back program (€ 0.3 million) and the financial income derived from the investment of available cash (€ 0.4 million), the Group's cash balance amounted to € 26.5 million, a decrease of € 14.2 million for the semester.

Since the beginning of 2015, the Group has acquired 217.000 of its own shares at € 1.94. The group holds 2.1 million treasury shares representing 5.1% of its capital.

| € million - Consolidated IFRS | 30/06/2015 | 31/12/2014 |
|---|------------|------------|
| Shareholders' equity and debt | | |
| Equity, Group share | 53.1 | 59.4 |
| Current and non-current financial liabilities | 5.6 | 0.6 |
| Analysis of net cash | | |
| A. Cash | 31.5 | 40.7 |
| B. Current financial liabilities | 5.6 | 0.6 |
| C. Current net cash (A) - (B) | 25.9 | 40.1 |
| D. Non-current financial liabilities | - | - |
| E. Net cash (C) + (D) | 25.9 | 40.1 |

Strategy and outlook

First half year results demonstrate the good performance of the current customer base. Netgem expects this favourable trend to continue in the second half of the year, resulting in positive growth on a full year basis.

The performance in the very competitive UK market illustrates the quality of Netgem offer. Netgem proposes EE TV, the local version of its #TelcoTV service, combining rich content on demand and an innovative

multi-screen user experience.

This service being cloud based, the Group expects to widen and diversify the distribution of its solution through a larger number of local service providers. The product benefits from its turn-key conception which allows a significant reduction of initial integration and adaptation costs as compared to traditional digital TV offerings.

Beyond the UK success, this approach has been successfully tested with first customer wins in France and Australia and will be gradually extended to other markets

Provisional calendar of financial communications

- Revenue for Q3 2015: Thursday, October 8th, 2015 before opening of the market

About Netgem

Netgem is a provider of innovative solutions and video entertainment services for the connected home. Combining proven technology assets and expertise in content and new uses on all screens, Netgem's offers help multi-service operators worldwide to enhance and enrich their relationship with end-users. Netgem is present in Europe, Asia and South America with over 4 million active households worldwide. Netgem is listed on NYSE Euronext Paris Compartment C (ISIN: **FR0004154060**, Reuters: **ETGM.PA**, Bloomberg: **NTG FP**)