

2017 full year results

Paris-La Défense, March 9th, 2018

Results and Financial Position

€ Million - consolidated IFRS	2017	2016	Change	
Revenue	61.8	74.3	-17%	-12.5
Net revenue	24.6	27.5	-11%	-2.9
Ebitda	6.6	6.8	-2%	-0.2
Current operating income	6.3	5.5	+14%	+0.8
Operating income	7.0	8.7	-19%	-1.7
Financial income	0.2	1.1	-79%	-0.9
Equity method result	-2.0	-0.1	ns	-1.8
Tax	-0.6	-3.4	-81%	+2.7
Net income	4.7	6.3	-26%	-1.7

Revenue for 2017 totaled € 61.8 million and gross profit € 24.6 million, reflecting a solid performance in Europe and a change in business model outside Europe. Vitis, the service provider of La Fibre Videofutur in France, is no longer included in consolidated figures since November 2016¹.

2017 current operating income amounted to € 6.3 million, a 14% increase over 2016, confirming the solid return to profitability initiated in 2016. Operating expenses decreased by 17% to € 18.3 million in 2017, notably due to the deconsolidation of Vitis. The 2% fall in ebitda was also induced by the deconsolidation of Vitis. Netgem maintained its significant R&D effort in 2017, comparable to 2016.

Operating income reached € 7.0 million in 2017, positively impacted by the planned capital increases in Vitis, subscribed by Réunicable in 2017 to finance development. The 2016 operating income included a one time contribution of +€3.9 million related to the deconsolidation of Vitis.

Financial income was +€ 0.2 million in 2017, of which +€ 0.9 million from the investment of the Group's cash balance and € -0.7 million from the impact of foreign exchange.

After taking into account a € -0.6 million in income tax charge and the Group's -€ 2.0 million share in the losses of Vitis under the equity method, Netgem recorded a net profit of € 4.7 million in 2017 (group share).

¹ If Vitis had not been consolidated in 2016, the consolidated turnover and gross profit for 2016 would have amounted to respectively € 70.3 million and € 26.4 million. Such pro forma financial information addresses a hypothetical situation and does not represent the company's financial position or results.

€ Million - consolidated IFRS	2017	2016
Cash flow related to operations, after tax (A), of which:	+14.0	+4.9
- Cash flow before tax and changes in working capital	+6.4	+7.6
- Taxes paid	-0.4	+0.1
- Decrease (increase) in working capital	+8.0	-2.8
Cash flow related to investments (B)	-1.5	-11.4
Operating cash flow (A + B)	12.5	-6.5
Cash flow related to financing	-35.1	+2.9
Net change in cash	-22.6	-3.6

The Group's operations generated € 14.0 million of cash after tax in 2017. The decrease in working capital of € 8.0 million in 2017 was mainly due to the reimbursement of French VAT credits.

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

Cash flow related to financing encompassed -€ 25.9 million of share buy back, -€ 5.7 million of dividends paid in 2017, +€ 0.7 million of interests received and -€ 4.0 million of refund of factoring backing the financings mentioned above.

Netgem's cash balance at 2017 year end amounted to € 10.2 million, a year-on-year decrease of € 22.6 million.

€ Million - consolidated IFRS	31/12/2017	31/12/2016
Shareholders' equity and debt		
Equity, Group share	27.7	54.2
Current and non-current financial liabilities	5.9	9.6
Analysis of net cash		
A. Cash	10.2	32.8
B. Current financial liabilities	3.0	3.3
C. Current net cash (A) - (B)	7.2	29.5
D. Non-current financial liabilities	2.9	6.3
E. Net cash (C) - (D)	4.4	23.3

Netgem's financial statements were approved by the Board of Directors on 8 March 2018. Audit work had been completed and the auditors' report is in the process of being published.



Significant events, strategy and outlook

By end 2018, Netgem will finalise the transformation of its offer and business model from that of a set-top-box vendor to a *TV-as-a-Service* provider. Value now results from content & technology services derived from the *usage* of the TV service by the final consumer, while any hardware revenue reflects the direct or indirect *acquisition* of a new customer, and is no longer considered a value driver for the Group.

Netgem expects this transformation to strongly align, for the long term, the Group and its customers and Distribution Partners and unlocks new development opportunities as explained below.

As a strategic growth opportunity, Netgem is now in the unique position to leverage the cloud infrastructure and content aggregation built for its customers triple play services to address the OTT market.

OTT means that next generation entertainment packages can and will be *unbundled* from broadband packages, opening new distribution opportunities. Depending on each local market situation, the Group will seek to address some of these opportunities, directly or in partnership with its customers. New opportunities include TV bundles with mobile packages or TV bundles with consumer devices.

From a financial standpoint, Netgem expects that 2018 will be a turning point, with the combined impact of the SaaS transformation of the previous years and the contribution of the new OTT initiatives, initiating a multi-year growth phase of net revenue (net revenue is defined as revenue minus cost of hardware sold) and ebitda.

After several years where the Group financial priority was generating cash, growth is the new primary objective, and senior management cash incentives and bonuses for 2018 will refer solely to growth targets compared to 2017. As a consequence, the Board will recommend the General Assembly of Shareholders to approve a dividend at 0.10 per share.

Netgem continues its share buyback program and owned about 6.3% of its capital as at December 31st, 2017.

Calendar of Financial Communication

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| - Revenue and gross profit for Q1'2018: | May 3rd, 2018, before market opening |
| - Annual shareholders' meeting: | May 3rd, 2018 |
| - Revenue and results for H1'2018: | August 3rd, 2018, before market opening |
| - Revenue and gross profit for Q3'2018: | October 18th, 2018, before market opening |

About Netgem

Netgem is a Television and Digital Entertainment Service Provider and Connected Digital devices vendor. Netgem connected devices and content services are used daily by millions of households around the world, and are operated under the brands of our Telecom and Entertainment Service Providers distribution partners. Netgem is long term driven by innovation, simplicity, privacy, affordability and operational excellence. Netgem is listed on Euronext Paris Compartment C (ISIN: FR0004154060, Reuters: ETGM.PA, Bloomberg: NTG:FP) www.netgem.com