

Press release

2019 first half results: first operational achievements for the new Services strategy

Paris, August 1, 2019

Netgem's Board of Directors meeting on July 31, 2019 approved the half-year financial statements and highlights its salient features:

- **Launch of the new generation of multi-screen products**
- **First deployments of new business models on 4K Boxes**
- **Continued growth of Videofutur and confirmed ambition of € 30 million in turnover by 2021**
- **Managed decline of the Box business and associated savings plan**
- **Commitment of the founding shareholders, with the choice of payment of the annual dividend in shares**
- **New governance, with the separation of the functions of Chairman and CEO, and the appointment at the later post of Mr. Mathias Hautefort, effective July 1, 2019**

"The new range of multi-screen services, associated with high-end equipment, and with new business models must allow the Netgem Group to take advantage of the growth of the very high-broadband market and the emergence of new operators" says Mathias Hautefort, Chief Executive Officer

Results (in million euros, IFRS)

Netgem Group	H1 2019	H2 2018	H1 2018	H1'19 / H2'18	H1'19 / H1'18
Revenue	13.1	18.8	23.0	-5.7	-9.9
Net revenue	6.7	8.6	11.0	-1.9	-4.3
Net revenue Vitis / Videofutur (not consolidated) (*)	6.8	5.5	3.8	+1.3	+3.0
Ebitda	0.2	0.6	2.1	-0.4	-1.9
Operating income	-0,1	2.6	1.8	-2.7	-1.9
Financial income	-0.5	-0.9	-	+0.4	-0.5
Equity method result (Vitis / Videofutur)	-1.7	-1,2	-1.6	-0.5	-0.1
Tax	-0.1	-	-0.5	+0.1	+0.5
Net income	-2.4	0.5	-0.3	-2.9	-2.1
Overall net income	-2.4	0.4	-	-2.8	-2.4

(*) as Vitis is consolidated with the equity method, its net income is not included in net consolidated income of the Group.

The impact of the expected decline in "Box" revenue was buffered by the contribution of the service activities (slower decline in net revenue) and cost reductions, which enabled the Ebitda to remain positive and the operating income close to balance.

In addition, on May 14, 2019, Netgem transferred to Vitis its "multi-screen cloud platform and digital recorder" business. The result of this activity is isolated on a specific line in the accounts for the period and is not significant. For information purposes, without this transaction, Netgem's consolidated net revenue would have been higher by € 0.7 million over the period.

Box sales are refocusing on contracts with new recurring business models, and more upmarket products. Elisa, a long-time Netgem customer, has embraced this change by renewing its multi-year commitment to Netgem

The commercialization of traditional Boxes has been refocused on a limited number of references, with a sharp reduction in operational costs and long-term contracts. This decision implies a gradual decrease in consolidated net revenue in the short term. New, more upscale equipment adapted to the specific Fiber market will be presented in the coming months.

These new connected pieces of equipment will be marketed as part of new business models combining the sale or rental of equipment with value-added services. This is how Netgem will provide Elisa as from the second half of 2019 with its new generation 4K HDR Box.

New customer offerings launched successfully on the multi-screen Cloud platform developed by Netgem

New customer offerings have already been launched by Vitis on this platform, allowing users to benefit from new multi-screen services such as Live, replay and recording in the Cloud (nPVR): the triple-play offer "VICTORIA 100% Entertainment" and the offer "VIC 100% Digital", designed for "*digital natives*", without a TV Box.

Vitis thus becomes a showcase for the new offerings, and other customers of Netgem have shown an interest in this comprehensive content management solution independent of TV Boxes.

Netgem invests in the UK to benefit from the expected growth of the Fiber market

The United Kingdom has undertaken a massive plan to catch up on fiber deployment, generating the emergence of many new operators with significant financial resources. The first contracts were signed with such local Fibre operators to provide them with NetgemTV's global cloud-based management solution for connected home services.

Vitis confirms its growth ambitions

The business plan for Vitis (Videofutur), an entity that is not consolidated in Netgem's accounts, demonstrates the continued robust growth of its business, driven by the deployment of Fiber in France. The Videofutur offer is now available for marketing on more than 1.2 million access points and distributed in about 40 French *départements*, based on infrastructures operated by Altitude Infrastructure, Axione, Covage, TDF and soon SFR.

Netgem's financial structure remains solid

Equity and debt (in million euros, IFRS)

Netgem Group	As at 30/06/2019	As at 31/12/2018	Change
Shareholders' equity, Group share	20.0	24.0	-4, 0
Current and non-current financial liabilities (*)	4.9	7.5	-2.6

(*) including a financial liability of € 1 million in application of IFRS 16 as of June 30, 2019.

Net cash analysis (in million euros, IFRS)

Netgem Group	As at 30/06/2019	As at 31/12/2018	Change
A. cash	8.6	11.0	-2.4
B. current financial liabilities	3, 6	7.2	-3.6
C. Current net cash (A) - (B)	5.0	3.8	+1.2
D. Non-current financial liabilities	0.3	0.3	-
E. Net cash before impact of IFRS 16 (C) - (D)	4.7	3.5	+1.2
F. Impact of IFRS 16	1.0	-	+1.0
G. Net cash (E) - (F)	3.7	3.5	+0.2

Cash is essentially impacted over the period by the portion of the annual dividend paid in cash, i.e. € 1.7 million.

Net cash before impact of IFRS 16 increased by € 1.2 million over the period due to the partial unwinding of the financing solutions put in place with certain customers.

The application of IFRS 16 has a limited impact on the result for the period

The main impacts resulting from the application of IFRS 16 are:

- the recognition of a non-current asset "*right to use the leased assets*" for € 1.0 million,
- the recognition of a non-current liability of € 0.5 million and a current liability of € 0.5 million,
- a reduction in operating expenses of € 0.2 million, offset by an increase in amortization charges of the same amount.

This application has no significant impact on the financial income of the period.

Gouvernance

As previously announced on May 14, 2019, Mr. Mathias Hautefort was appointed as Chief Executive Officer of the Group, effective July 1, 2019, replacing Mr. Joseph Haddad, who remains Chairman. This new organization reflects the strategic priority of high-speed fiber services already announced in March 2019. Mr. Mathias Hautefort remains President of Vitis, a subsidiary of Netgem focused on these services in France.

Financial calendar

Revenues and net income for the 3rd quarter of 2019: October 17, 2019, before market.

The Statutory Auditors are in the process of finalizing their limited review procedures and their report will be issued as soon as possible.

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About Netgem

Netgem, listed on the stock market since 2001, is since 1996 the pioneer of the connected home in France, with the invention of the Box in 1996, and the co-creation of the independent operator of services for very high broadband and Fiber in France, under the Videofutur brand. Millions of homes around the world today use the Netgem Box, under the brand names of its distribution partners, telecom operators and entertainment operators.

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