

2016 First Half Results

Solid Performance In All Markets

A New Initiative in France

Paris-La Défense, July 29th, 2016

Activity, results and financial position

€ million - Consolidated IFRS	1st half of 2016	1st half of 2015	Change	
Revenue	39.1	37.3	+5%	+1.8
Gross profit	14.6	11.6	+26%	+3.0
Current operating income	3.4	-0.6	ns	+4.0
Operating income	3.3	-0.6	ns	+3.9
Net income	2.7	-0.3	ns	+3.0
Total comprehensive income	2.5	-0.1	ns	+2.6

For the first half of 2016, Netgem reports € 39.1 million in consolidated revenue, +5% compared to the same period in 2015.

Gross profit increases by 26%, reflecting the growing positive impact of the new SaaS business model (“Software as a Service”). It is however important to note that last year H1 gross profit was negatively impacted by the rapid US dollar appreciation.

Current operating income reaches € 3.4 million as operating expenses decrease by € 1.0 million.

Financial income is € 1.0 million, of which € 0.3 million from investment of the Group’s cash balance and € 0.7 million from foreign exchange hedging positions on 2016 operations.

After taking into account an income tax expense of € 1.6 million, the Group records a net profit of € 2.7 million (group share) and a total comprehensive income (IFRS) of € 2.5 million.

€ million - Consolidated IFRS	1st half of 2016	1st half of 2015
Cash flow related to operations – after tax (A)	-3.1	-7.0
of which:		
- before tax and changes in working capital	4.9	0.1
- Taxes paid	-0.3	-0.1
- Decrease (increase) in working capital	-7.6	-7.0
Cash flow related to investments (B)	-0.9	-1.4
Operating cash flow (A + B)	-4.0	-8.4
Cash flow related to financing	-6.0	-5.8
Net change in cash	-10.0	-14.2

The Group's operations used € 3.1 million of cash after tax during the first half of 2016. The increase in working capital of € 7.6 million is mainly due to the use of part of the cash position to provide financing solutions to certain strategic customers.

After taking into account a € 0.9 million investment for the acquisition of operating assets and the € 5.8 million dividend distribution for 2015, the Group's cash balance at end of June 2016 amounted to € 26.3 million, a € 10.0 million decrease compared to the end of year 2015.

€ million - Consolidated IFRS	30/06/2016	31/12/2015
Shareholders' equity and debt		
Equity, Group share	51.6	54.9
Current and non-current financial liabilities	0.2	0.6
A. Cash	26.3	36.4
B. Current financial liabilities	0.2	0.6
C. Current net cash (A) - (B)	26.1	35.8
D. Non-current financial liabilities	-	-
E. Net cash (C) + (D)	26.1	35.8

Strategy and outlook

First half year activity is the result of the strong commercial performance of Netgem's customers in all geographical markets, as TV services are becoming a strategic activity for operators that have launched such services. Netgem expects this favourable trend to continue in the second half of the year.

The Group continues its share buy back program and now owns about 5.8% of its capital.

Fiber project in France

Netgem announces the project to form a joint-venture with Océinde Group and Caisse des Dépôts ("CDC") aiming to become the reference alternative triple-play operator of Fiber To The Home (FTTH) in the geographical areas in France covered by the *Réseaux d'Initiatives Publiques* ("RIP") financed by public-private partnerships.

Netgem would provide its #TelcoTV technology platform and bring the Videofutur brand and business to the venture. Océinde Group, already a fiber operator, would provide its know-how and platform for IP access and voice services. Netgem and Océinde Group have been partners for several years. CDC would provide part of the financing.

The total investments and contributions by the partners would value the new company to € 21 million. Netgem would be the majority shareholder and M. Mathias Hautefort, currently in charge of the Videofutur business at Netgem, would lead it.

This project remains subject to certain conditions precedent, including the completion of additional due diligence and the approval by the Extraordinary General Meeting of shareholders of Netgem. It is expected to close in Q4 2016.

Provisional calendar of financial communications

Revenue for Q3'2016: October 14, before market opening

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**)