



Q3 2017 activity and perspective

+24% growth of active subscribers base

Paris-La Défense, October 13, 2017

Revenue, gross margin, activity and outlook

Consolidated	Q3 2017	Q3 2016	Change		9 months 2017	9 months 2016	Change	
Revenue (€ million)	12.4	19.7	-37%	-7.3	45.3	58.8	-23%	-13.5
Gross profit (€ million)	5.1	6.9	-26%	-1.8	17.8	21.5	-17%	-3.7
Active subscribers base ('000)	1 930	1 560	+24%	+370				

For the quarter ended September 30, 2017, Netgem announces a consolidated revenue of €12.4 million and a gross profit of €5.1 million, bringing the consolidated revenue and gross profit for the first 9 months of 2017 to respectively €45.3 million and €17.8 million (unaudited). Revenue and Gross profit in Europe and Asia were mostly comparable to 2016, with most of the decline attributable to the consequence of the licensing agreement with ZTE and Totalplay in Mexico, which transformed hardware sales into software licenses.

The active subscribers base went up 24% compared to September 30, 2016 to reach 1.9 million daily users at the end of September 2017. This performance indicator, released today, is part of the analytical data gathered in real-time by our **Diamond** platform which connects all deployed TV devices and content applications. It is the key indicator of the development of our customer's TV offerings, and a forward indicator of future monetisation opportunities through new services.

Vitis, a 58% subsidiary of Netgem and B2C service provider of entertainment services in France, continues to grow its subscribers base as its latest fiber-to-the-home offer “*La Fibre Videofutur*” is now accessible to more than 400,000 homes in France rural areas. Homes passed are expected to double in 2018. Vitis is not consolidated in the the figures reported for 2017. Had Vitis not been consolidated in 2016, the comparable turnover and gross profit for the first 9 months of 2016 would have been respectively € 55.3 million and € 20.5 million¹.

For Full Year 2017, activity in Europe and Asia is expected to grow slightly as compared to 2016 and the Group active subscribers base to pass the 2 million threshold. The software licensing transition in Mexico will not impact the full year 2017 operating income, expected to be in line with 2016.

As of September 30, 2017, the Group’s cash position amounted to €35.9 million, as the transition to software licensing in Mexico continues to improve working capital requirements. Netgem has also secured a €15 million (undrawn) short term asset-based credit line with one of its banks.

Significant transactions and events

Over the summer :

- Finland’s leading operator and long term customer Elisa chose Netgem’s **Diamond** virtual TV platform to launch Binge, an OTT service, to extend its reach in neighbouring Estonia;
- Hifi Audio brands **Tangent** of Denmark and **Elipson** of France have partnered with Netgem to take the **SoundBox** solutions to market.

Netgem also announces that it now owns 100% of the share capital of Voxtok. Since Netgem earlier minority investment, Voxtok’s audio software platform has been fully integrated with **Diamond**, leading to the successful presentation at IBC of the **SoundBox** solution.

After synergies, VoxTok software licensing business will contribute positively to 2018 results, and accelerate the **Diamond** licensing strategy. Joel Reboul, CEO and founder of Voxtok, is in charge of developing the Netgem Licensing business.

The €25 million share buyback offer initiated by the Company is in progress and the tender period will end on October 27, 2017. The opportunity in the TV market is moving from IPTV to OTT, and Netgem is successfully migrating its offering from hardware to TV-as-a-Service. The new balance sheet of the Company is geared to offer investors a better return on equity on the

¹ Such pro forma financial information addresses a hypothetical situation and, therefore, does not represent the company’s actual financial position or results.

new business opportunity. Over the last 8 years, and including this operation, the Company will have returned more than €100 million of cash to its shareholders.

The 2018 indicative calendar for financial communication will be released in November.

About Netgem

Netgem is the publisher of Diamond, a software platform for next generation entertainment and connected home services, and a solutions providers to the telecoms industry. Diamond is available under license for service operators, content providers and device manufacturers looking to benefit from the OTT digital transformation of the TV, video and audio industries, or as part of end-to-end solutions to the telecoms industry.

Netgem extensive experience and technological assets in software, user experience and security, combined with its global partnerships in content and device manufacturing make it a unique one-stop outsourcing partner for telecom service providers seeking to increase revenue and build loyalty on an existing consumer base. Through its customers, Netgem solutions address several million households in more than 20 countries.

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