

NEOTION : First semester 2010

Aubagne, October 29, 2010

The main following events have occurred during the first semester of 2010:

1. Restructuring of the Company and implementation of new strategies

During the first semester of 2010, the new board of directors appointed further to the ordinary general meeting of December 11, 2009, has initiated an in-depth restructuring of the Company, in particular on the level of the sales, marketing department, human resources and research and development departments.

A complete review of the costs, relations with suppliers, clients and partners of the Company, has also been conducted.

New strategies have been defined which have lead the Company to increase its presence on the market, to ensure a very active presence in all main professional events, and to concentrate on the development of new activities and the launching of new products for 2010.

2. Pick-up of the sales of MPEG-4 Core Modules and increase of the turnover

These first measures have translated into sales, for the first semester of 2010, of 468,000 Core Modules, against 104,000 Core Modules sold during the whole year 2009, and by a very significant increase of the turnover during this semester, thus reaching EUR 11,036,977.

Results of the increase of the marketing presence and of the sales efforts initiated since the beginning of the year should mature during the second semester of the year, inasmuch as new contracts with clients are currently under negotiation with positive sales perspectives.

3. Launch of the new NKE-1 processor

The new NKE-1 processor has been validated by several access control manufacturer which acknowledged that it presents the highest level of security which the operators need to secure their contents.

The NKE-1 processor and the first developments of CAM security modules using this processor have been finalized during the first semester of 2010 and the feedback from clients and market has been very positive. The new NKE-1 processor allows the CAM security modules of the Company to benefit from the highest level of security currently available on the market. The NKE-1 processor has also been certified by CONAX (a leader in the supply of

secured access) with level 5 as security level, that is to say the highest level awarded to a processor. The Company received on order to 216,000 NKE-1 processors during the first semester of 2010.

4. Winning Operator Strategy

As announced before, CI Plus is becoming day after day a *de facto* standard and the operator strategy will allow Neotion's relations with its clients to exist over a minimum timeframe of 2/3 years. Projects have multiplied considerably and the Company carries on its collaboration with ZIGGO, a Dutch cable operator in CI+, and with BOXER, DTTV operator in Sweden. Neotion is currently working on several prototypes for cable, DTTV and IPTV operators and has already signed an arrangement with two prospects.

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About NEOTION

NEOTION is a high-tech company providing innovative solutions for the global digital television market.

NEOTION is a French public company established in January 2000 near Marseille and listed on Alternext, Euronext Paris (code: ALNEO) since June 2006.

NEOTION develops secured & advanced Conditional Access Modules (CAM) powered by a range of in-house designed processors. Our products are dedicated to TV and Telecom operators providing digital TV solutions for end-users worldwide.

Since 2000, NEOTION is capitalising on the global Analogue Switch-off effect and the diversification of content delivery: DVB-S, DVB-T, DVB-C, xDSL and soon DVB-T2 / S2. To address this booming market, we have enlarged our range of Conditional Access Modules to include both, CI & CI Plus. NEOTION also designed new and exclusive advanced solutions enabling CI Plus interactivity, security, memory storage and IP connectivity.

Operators can use NEOTION's solutions to offer new services (VOD, Catch'up TV...), to maximise their ARPU and to optimise their costs. NEOTION continues to drive this evolving market by filing patents (over 30 to date), whilst participating in international working groups and standardization committees involved in digital TV, including DVB Project™, CI Plus LLP, DTG UK, UPnP Forum and DigiTAG.

For more company information visit: www.neotion.com

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BALANCE SHEET - ASSETS	Brut	Amort - prov.	30/06/2010	31/12/2009	31/12/2008
Start-up costs					
Research & development costs					
Commercial rights	1 554 070	1 346 627	207 444	286 659	361 691
Leasehold	507 422	355 194	152 228	202 970	304 454
Other intangible fixed assets					
Prepayments on intangible assets					
TOTAL INTANGIBLE FIXED ASSETS	2 061 492	1 701 821	359 671	489 629	666 145
Land					
Buildings and improvements	60 444	8 680	51 764	45 462	20 459
Machinery and equipment	2 675 956	1 571 473	1 104 483	587 435	429 409
Other tangible fixed assets	897 656	692 749	204 907	196 123	192 171
Tangible fixed assets in progress			0	215 000	338 000
Prepayments on tangible assets					
TOTAL TANGIBLE FIXED ASSETS	3 634 056	2 272 903	1 361 153	1 044 020	980 039
Participations	516 911	501 644	15 267	16 267	20 399
Shares in subsidiaries and associated companies (Investment in subsidiaries)					
Treasury shares					
Loans					
Other financial assets	367 941	149 333	218 608	218 578	202 266
TOTAL FINANCIAL FIXED ASSETS	884 852	650 977	233 875	234 845	222 665
FIXED ASSETS	6 580 400	4 625 700	1 954 700	1 768 494	1 868 849
Raw materials & consumables					
Work-in-progress					
Half-finished & finished goods					
Goods for resale	3 619 258	771 707	2 847 551	3 010 969	2 241 579
TOTAL INVENTORY & WORK IN PROGRESS	3 619 258	771 707	2 847 551	3 010 969	2 241 579
Prepayments to suppliers	1 545 159		1 545 159		
Accounts receivable & trade notes	2 033 752	1 168 024	865 728	1 113 933	5 218 463
Other receivables	1 603 422		1 603 422	2 140 376	3 016 460
Shareholders : unpaid called capital					
Marketable securities	379 601		379 601	379 601	1 554 773
Cash & bank	5 038 804		5 038 804	3 766 908	1 302 370
CURRENT ASSETS	14 219 997	1 939 731	12 280 266	10 411 788	13 333 645
Prepaid expenses	1 110 756		1 110 756	551 503	917 222
Expenses to be amortized					
Bond discounts					
Unrealized foreign exchange loss	0		0	42 480	495 431
TOTAL ASSETS	21 911 153	6 565 432	15 345 721	12 774 265	16 615 147

BALANCE SHEET - LIABILITIES	30/06/2010	31/12/2009	31/12/2008
Share capital premiums	1 053 610	1 053 610	1 046 053
Primes emission, fusion, apport	19 216 611	19 216 611	19 224 168
Revaluation reserves			
Legal reserve	55 157	55 157	55 157
Statutory reserve			
Regimented reserves			
Other reserves	8 267 235	8 267 235	8 267 235
Retained earnings	-25 057 969	-17 688 652	-16 802 568
Net income	207 730	-7 369 317	-886 085
Investment grants		3 944	29 867
Regimented provisions	57 088	61 489	16 338
<i>TOTAL EQUITY</i>	<i>3 799 463</i>	<i>3 600 077</i>	<i>10 950 165</i>
Other share capital	520 000	520 000	594 476
<i>TOTAL OTHER SHARE CAPITAL</i>	<i>520 000</i>	<i>520 000</i>	<i>594 476</i>
Contingency provisions	1 271 000	1 281 665	686 132
Provisions for charges			
<i>TOTAL PROVISIONS</i>	<i>1 271 000</i>	<i>1 281 665</i>	<i>686 132</i>
Convertible debenture loans			
Other debenture loans			
Borrowing from financial institutions		1	
Other borrowing			
Prepayments received from customers	6 079 194	3 298 086	
Trade accounts payable	2 145 974	1 977 906	2 888 632
Taxes & Social security payable	1 367 461	1 498 029	1 117 262
Liabilities related to fixed assets			
Other trade payables	66 161	275 653	53 662
Prepaid income	62 100	309 623	160 519
<i>TOTAL OTHER LIABILITIES</i>	<i>9 720 890</i>	<i>7 359 297</i>	<i>4 220 075</i>
Unrealized foreign exchange gain	34 368	13 226	164 299
<i>TOTAL OTHER LIABILITIES</i>	<i>15 345 721</i>	<i>12 774 265</i>	<i>16 615 147</i>

INCOME STATEMENT	30/06/2010	31/12/2009	31/12/2008
Sales of goods for resale	11 005 335	5 513 832	12 536 373
Sales of half-finished, by-products or finished goods			
Income from services rendered	31 642	21 162	3 321
NET TURNOVER	11 036 977	5 534 994	12 539 694
Change in finished goods and work in progress			
In-house production			
Operating subsidies			
Write-back depreciation/provision	106 875	2 396 921	1 017 126
Other operating income	416	30	3 292
SUBTOTAL OPERATING INCOME	11 144 269	7 931 945	13 560 112
Purchases of goods for resale	6 546 956	5 107 373	5 997 125
Change in inventory of goods for resale	269 031	-207 534	2 152 095
Purchases of raw materials and consumables			
Change in inventory of raw materials and consumables			
Purchases of consumables and equipment, Other external services	990 523	1 993 943	1 893 323
Indirect taxes	141 482	171 411	255 891
Wages and salaries	1 724 773	3 660 658	2 865 039
Social security contribution	810 969	1 664 705	1 307 423
Depreciation on fixed assets	398 498	1 712 083	697 295
Provision on fixed assets			
Depreciation/provision on current assets		176 250	
Contingencies and charges provisions	18 500	0	0
Other operating expenses	543 609	2 466 559	327 533
SUBTOTAL OPERATING EXPENSES	11 444 340	16 745 449	15 495 724
OPERATING RESULT (french GAAP)	-300 071	-8 813 503	-1 935 612
Income from investment securities (dividends only)			
Income from other investments			
Income from other receivables and securities		53 051	75 686
Write-back/on financial assets provisions	29 165	331 132	431 665
Foreign exchange gains	567 622	266 592	267 370
Net profit on disposal of marketable securities			
TOTAL FINANCIAL INCOME	596 787	650 775	774 721
Depreciation on financial assets	1 000	33 297	334 454
Interest payable & assimilated financial expenses	120 755	240 913	364 684
Foreign exchange losses	900 877	411 821	219 824
Net losses on disposals of marketable securities			
TOTAL FINANCIAL EXPENSES	1 022 632	686 031	918 962
FINANCIAL RESULT	-425 845	-35 257	-144 241
CURRENT RESULT BEFORE TAXATION	-725 916	-8 848 760	-2 079 853
Extraordinary income/trade transactions	1	2	886 821
Proceeds on disposal of assets	11 944	26 570	34 480
Write-back provisions	9 815	16 358	12 353
TOTAL EXTRAORDINARY INCOME	21 760	42 930	933 654
Extraordinary expenses/trade transaction	1	3	7 629
Book-value of disposal / assets		649	75 604
Extraordinary depreciations and provisions	5 681	61 509	844 966
TOTAL EXCEPTIONAL EXPENSES	5 682	62 161	928 199
EXCEPTIONAL RESULT	16 078	-19 231	5 455
Employee's profit sharing plan			
Income tax	-917 568	-1 498 674	-1 188 313
PROFIT OR LOSS	207 730	-7 369 317	-886 085