

Results of the 1st half of 2014

Neuilly-sur-Seine, 31 July 2014

Activity, Results and Financial Position - consolidated data

The Group changes the follow-up of its revenue to reflect the evolution of its internal organization. Its "Hardware" activities are now presented as "NetBox", separate from its "Software and Services" activities which are presented as "NetgemTV", without distinguishing between France and International.

in million €	1st Half 2014	1st Half 2013	Change
Revenue	37.7	33.6	+12%
<i>of which NetgemTV</i>	17.9	15.1	+19%
<i>of which NetBox</i>	19.8	18.6	+7%
Gross profit	14.9	15.0	-
Current operating income	0.0	4.1	-99%
Net profit, Group share	- 0.6	3.7	n.m.

During the last six months to June 2014, the Group has continued its international expansion in Europe, Asia Pacific and Mexico and consolidated turnover for the period reached € 37.7 million, an increase of 12%. Gross profit remained stable at €14.9 million, reflecting a shift to a product mix favoring *thin* terminal clients, less costly for operators.

Given the rise in operating expenses (€ 14.9 million in 2014 against € 10.9 million in 2013, an increase of 36%), the Group generated a current operating income close to zero.

This rise in expenses mainly results from a sustained effort in R&D, the marketing efforts around the launch of the Box VideoFutur, an increase of the provision for risks and charges and Group reorganization costs.

After taking into account a non-recurring charge of € 0.3 million, financial income of € 0.2 million and an income tax expense of € 0.6 million, the Group recorded a net loss of € 0.6 million (group share).

IFRS in € million	30/06/2014	31/12/2013
Equity and debt	60.9	67.8
Shareholders' equity	60.2	66.8
Current and non-current financial liabilities	0.7	0.9
Net cash = (C) + (D)	42.3	53.9
A. Cash	43.0	54.7
B. Current financial liabilities	-0.7	-0.9
C. Current net cash = (A) + (B)	42.3	53.8
D. Non-current financial liabilities	-	-

IFRS in million €	1st Half 2014	1st Half 2013
Cash flow related to operating activities	-4.1	2.7
Cash flow related to investing activities	-1.6	-5.0
Cash flow related to financing	-6.0	-1.1
Net change in cash	-11.6	-3.4

At 30 June 2014, cash and equity amounted respectively to € 43.0 million and € 60.2 million.

The self-financing capacity (before tax and investment income) amounted to € 2.6 million in H1 2014. Cash flow related to operations includes a negative impact of € 7.0 million due to the increase in net working capital, which includes € 2.6 million in tax and social security receivables and liabilities and € 3.3 million in trade receivables.

During the 1st half of 2013, cash flow related to investing activities included the acquisition Videofutur for € 4.1 million.

Cash flows related to financing included the dividend paid in June 2014 of € 6 million (15 euro cents per share), whereas the previous one had been paid in July 2013.

Perspectives

The Group expects a very significant drop in shipments during the second half of 2014 in Australia and considers now that it will not be in a position to achieve its objective of doubling its international revenue .

The arrival of European mobile operators in the triple play market remains the main opportunity for the Group in the coming months.

To prepare for it, the Group has already made many adjustments to its organization and offerings:

- The separation of *hardware* and *software and services* is now the norm to participate in the tenders of the operators and has led to the internal reorganization mentioned above. It also corresponds to a technological logic since more and more of the software value is provided on mobile devices and in the cloud, without a necessary connection with the TV terminal;
- Greater sharing of support functions and services. The pole France (box VideoFutur) was merged into the European NetgemTV pole, enabling the company to offer, at the European level, a fully managed and shared TV as a service in the cloud. This **TV as a Service** approach allows partners-operators to offer their customers an innovative range of services without incurring the associated investment;
- Stricter management of overheads and R&D expenses.

The Group has the financial and human resources necessary to make these adjustments and pursue its development.

Pro Forma Data

Pro forma consolidated results below include Videofutur since 1 January 2013 (when the consolidated accounting data only includes Videofutur since 1 April 2013).

Data in million €	1st Half 2014	1st Half 2013 ¹	Change
Revenues	37.7	35.5	+6%
Current operating income	0.0	3.2	- 98%
Net income (group share)	- 0.6	3.7	n.m.

Significant events and transactions

During the last six months, Netgem Mexico SA de CV was incorporated to support the development of our customers in Latin America.

Provisional timetable for financial communications

Turnover of the 3rd quarter of 2014: Week of October 6th, 2014

¹ Unaudited figures.

About Netgem

Netgem Group is a provider of solutions and services for video entertainment in the connected home.

Combining proven technological assets and expertise in content and new uses on all screens, Netgem's offers allow multi-service operators around the world to enhance and enrich the relationship with their subscribers. 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**)

Web site: www.netgem.com Twitter <http://www.twitter.com/netgem/>

Investor relations: Charles-Henri Dutray, CFO

Email : chd@netgem.com

Press contact: Laurent Molin, Netgem Communications

Tel: +33 (0)6 25 74 74 20

Email : laurent.molin@videofutur.com