



**1st quarter 2012 sales of €31.5 million
Gross margin beginning to improve
Successful launch of smart box for the connected home**

Poor environment in 1st quarter of 2012

As anticipated, the performance of the Digital Domestic division was characterised by the very sharp drop in sales of adaptors due to the end of the French switch-over. On international markets the division returned to steady growth thanks to the final switch-over to digital television in Portugal, where the group capitalised on its good positions the shelves of hypermarkets.

The Home Automation division continued to grow and far outperformed the still sluggish French market despite a very high basis of comparison (19% growth in Q1 2011). Meanwhile southern European markets still showed little momentum.

Broadband activities did not experience an upturn, with a sequential drop of 6.2% (-3.8% excluding foreign exchange effects) and still faced an unfavourable arbitrage on the part of US equipment manufacturers, which concentrated their investments on 4G and temporarily froze VDSL spending.

Following several quarters of spectacular expansion, the growth in PLC was marked by a break due to the suspension of Netpower orders by a major French company. This measure is part of a complete overhaul of cost policies by the original companies, in reaction to the arrival of Free on the telephony market and quadruple play offers.

Improvement of gross margin and strict control of infrastructure costs

Despite the fall in sales in the 1st quarter, the gross margin showed a positive movement. The impact of the end of the switch-over on profitability is actually reduced as the fall in volumes mainly affected lower-margin products and less so accessories from which the group equalises its margins. As stated in previous press releases, the measures taken to restore margins took full effect in the 1st quarter both in PLC sourcing and charges in southern Europe.

Successful launch of smart box for the connected home

The group successfully launched a box for the home, which is already available in shops through one of the two major DIY superstores, where it was very enthusiastically received. The particularly innovative multi-function product can be used to control home security, openings, lighting, heating and energy savings systems etc through a computer, tablet or Smartphone. Developed by the group two years ago, it should provide a major source of growth for the Home Automation division.

Breakdown of quarterly sales

Sales (€m)	Q1 12	Q1 11	+/-
TV Activities	11.5	13.9	-17.3%
Home Automation	9.7	9.5	2.1%
PLC technology	5.4	5.4	=
Broadband	4.9	7.2	-31.9%
Consolidated sales	31.5	36.0	-12.5%

Outlook for 2012

As a result of the launch of new offers with high potential such as the box for the connected home, HF Company is able to confirm its objective to improve its gross margin in 2012. A return to normal profit levels is, however, being delayed by the one-off slowdown of the PLC market in France.

Next meeting:
Publication of H1 2012 sales on 17 July 2012, after trading hours

Contacts**HF Company**

☎ : 02 47 34 38 38

comfi@hfcompany.com

Press contact: Stéphanie Stahr

☎ : 01 45 96 77 83

stahrst@cmcics.com

ISIN: FR0000038531 – Reuters: HFCO.LN Bloomberg: HFCO NM



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About HF Company: HF Company is a major player in the sphere of digital domestic equipment and in PLC technology, where it is the market leader, and in home automation. The Broadband business is the leading global provider of splitters. HF Company is quoted on Euronext (section C) and has been awarded the *Entreprise Innovante* (Innovative Business) label by OSEO ANVAR (number A0912002F).



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