

First Quarter 2015 Revenue Results for 2014

Neuilly-sur-Seine, April 9, 2014

Consolidated revenue for the 1st quarter of 2015

€ million - Consolidated IFRS	Q1 2015	Q1 2014	Change	
Revenue	18.9	19.3	-2%	-0.3
<i>of which Netgem TV*</i>	7.6	9.0	-16%	-1.4
<i>of which NetBox*</i>	11.4	10.3	+10%	+1.0

* non-GAAP measure

For the quarter ended 31 March 2015, Netgem reports € 18.9 million in consolidated revenue, down 2%. The development of new customers nearly offset the end of set-top-boxes deliveries in Australia.

Results and financial position - consolidated data

€ million - Consolidated IFRS	2014	2013	Change	
Revenue	72.5	81.0	-10%	(8.5)
<i>of which Netgem TV*</i>	33.5	37.0	-10%	(3.5)
<i>of which NetBox*</i>	39.0	44.0	-11%	(5.0)
Gross profit	26.6	33.3	-20%	(6.7)
Current operating income	0.8	10.1	-93%	(9.4)
Operating income	0.0	10.5	NA	(10.5)
Net income	-2.3	9.3	NA	(11.5)
OCI (currency translation adjustment)	2.4	(0.8)	NA	3.2
Total comprehensive income	0.1	8.5	-99%	(8.4)

* non-GAAP measure

Current operating income for 2014 amounted to € 0.8 million, strongly impacted by the stop of the deployment of the Telstra T-Box and the restructuring undertaken by the Group in reaction to this situation. Gross profit reached € 26.6 million in 2014, down 20%.

Operating expenses increased 12% to € 25.9 million. This increase is due to restructuring costs (€ 1.1 million), investments related to the delivery of the EE TV solution in the UK and a perimeter effect (the Videofutur acquisition).

Operating income for 2014 includes a non-recurring charge of € 0.7 million, mainly related to the accelerated depreciation of the rental DVD historical inventory.

The financial income is € 0.7 million (investment of the Group's cash balance) and tax charge reaches € 0.6 million.

Net income (group's share) is impacted by a non-cash loss on foreign exchange, mainly related to the conversion of the cash position held in euros by subsidiaries whose functional currency is the US dollar. Consolidated equity is symmetrically impacted by a foreign exchange gain of an equal amount. As a whole, total comprehensive income (IFRS) amounts to € 0.1 million.

€ million - Consolidated IFRS	2014		2013	
Cash flow related to operations (A)	-	4.9		13.4
of which:				
- before tax and changes in working capital		1.5		11.9
- tax paid	-	0.5	-	0.1
- Decrease (increase) in working capital	-	5.9		1.5
Cash flow related to investments (B)	-	2.3	-	6.9
Operating cash flow (A + B)	-	7.2		6.5
Cash flow related to financing	-	6.8	-	7.0
Net change in cash	-	14.0	-	0.5

The Group's cash flow related to operations before tax and changes in working capital amounted to € 1.5 million in 2014. The increase in working capital of € 5.9 million reflects the evolution of payment terms between certain telecom operators and their suppliers. After taxes, operations will have consumed € 4.9 million of cash in 2014.

After taking into account the cash flow related to investments (€ 2.3 million primarily related to the acquisition of intangible and tangible assets), the dividend distribution of € 6.0 million, cash outflows for the share buy back program (approximately € 1.4 million) and the financial income derived from the investment of available cash (€ 0.7 million), the Group's cash balance amounted to € 40.7 million, a decrease of € 14 million for the year.

€ million - Consolidated IFRS	31/12/2014	31/12/2013
Shareholders' equity and debt		
Equity, Group share	59.3	66.8
Current and non-current financial liabilities	0.6	0.9
Analysis of net cash		
A. Cash	40.7	54.7
B. Current financial liabilities	0.6	0.9
C. Current net cash (A) - (B)	40.1	53.8
D. Non-current financial liabilities	-	-
E. Net cash (C) + (D)	40.1	53.8

Pro forma data

The pro forma consolidated results include Videofutur since January 1, 2013 (whereas the consolidated reported figures include Videofutur since April 1, 2013 only).

€ million - Consolidated IFRS	2014	2013	Change	
Revenue	72.5	83.3	-13%	(10.8)
Gross profit	26.6	34.5	-23%	(7.9)

Current operating income	0.8	9.2	-92%	(8.5)
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Strategy and outlook

In the UK, EE TV is receiving a very positive welcome from the press and analysts alike, and sales are starting very well. Both from the functional and the user experience points of view, EE TV is the most advanced product ever designed by the Group. For the first time, the Group operates the service end-to-end and in a fully "managed services" way on the operator's behalf. Both the product and its operating model are innovations that the Group intends to leverage on to offer mobile operators an efficient solution for their quadruple-play strategy.

Early 2015, the sharp rise of the US dollar against most other currencies had a significant negative impact on the Group's purchasing costs, leading to numerous corrective actions being undertaken with customers and suppliers.

In 2015, the Group should benefit from the rationalization measures it implemented in 2014, including in particular the move of its headquarters to Paris La Défense in more functional and less expensive offices. The Group believes it has the financial and human resources adapted to pursue its development and its investments in R&D.

At the General Meeting of June 11, 2015, the Company's Board of Directors will propose to maintain the annual dividend to € 0.15 per share.

Provisional calendar of financial communications

- Shareholders' Meeting: Thursday, June 11, 2015 at 2pm
- Revenue and results for the first half of 2015: Thursday, July 30, 2015 before opening of the market
- Revenue for Q3 2015: Thursday, October 8, 2015 before opening of the market

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**)

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