hi-media
On-line media group

**Press release**

Paris, 18 March 2009

# Hi-media: a very sharp profitability increase for the second half of 2008

- **The Group is posting solid performance:**
  - **Sales exceeding 135 million euros (+30%)**
  - **Current operating profit[1] of 15.2 million euro, doubling between the first and the second halves of the year**
- **The strength of its business model enables Hi-media to be confident for the future:**
  - **Double-digit top line growth and a higher operating profit targeted for 2009**
  - **Target operating margin exceeding 20% for the year 2012.**

***Paris, March 18, 2009*** – The on-line media Group Hi-media (code ISIN FR0000075988 – HIM, HIM.PA), announced its earnings for the financial year ending on 31 December 2008.

**Main consolidated figures**

| ***12 months ending on 31 December in millions of euros (M€)*** | **2007** | **2008** | **08/07 variation in %** | **H1 2008** | **H2 2008** | **H2/H1 Variation in %** |
|---|---|---|---|---|---|---|
| Sales | 104.3 | 135.7 | 30.1% | 60.8 | 74.9 | 23.2% |
| **Gross profit** | 42.2 | 54.9 | 30.1% | 24.3 | 30.6 | 25.9% |
| *Gross margin* | *40.5%* | *40.5%* | | *40.0%* | *40.9%* | |
| **Current operating profit[1]** | 15.1 | 15.2 | 0.7% | 5.0 | 10.2 | 104.2% |
| **Net earnings of consolidated companies** | 10.0 | 6.4 | (36%) | 1.0 | 5.4 | 440.0% |

*(See appendix for consolidated statements of income, cash flow statement and balance sheet)*

In commenting on 2008 earnings, Cyril Zimmermann, Hi-media's founder and CEO said: "We are entering into 2009 with confidence given that we have just demonstrated our ability to maintain strong growth and to increase our earnings in the second half of 2008, despite the depressed economic environment. It proves that our strategy aiming at diversifying revenue sources and streamlining our cost structure is bearing fruit. In addition, the phase of large technological and commercial investments, which negatively impacted our results mainly in the first half of 2008, is now behind us. This means that we are now going to be able to concentrate on developing the competitive advantage of our unique business model that provides us with the combination of monetisation services and our proprietary audience thanks to the sites that we have acquired, created in-house and developed. I'm convinced of the quality of the positioning enjoyed by Hi-

[1] Before stock based compensation and non-current elements

media, one of the world's 100 leading publishers, and I confirm our ambition: generate an operating margin exceeding 20% by the end of 2012."

## Some solid performance figures

### On-line advertising

| | 2007 | 2008 | Variation |
|---|---|---|---|
| **Sales (M€)[2]** | **56.3** | **61.4** | **+9%** |
| **Gross Margin[2]** | **51.4%** | **55.9%** | **+4.5%** |

With more than 65 million unique users in Europe, the Group's advertising network offering continued to expand during financial year 2008. The advertising network business line grew by 9% and scored some major successes: RTL, jimmy.fr or cinecinema.fr in France, centralmusical.pt, carteira.pt and surfreport.com in Portugal, Universal and Thomas Cook in Germany, Mappy in Belgium. Despite current environment, Hi-media continues to increase it advertisers base (more than 1,000 different advertisers in 2008) and its base of partner sites (more than 17 000 for the advertising business alone), thus diversifying its revenue sources within the advertising network.

### Micropayments

| | 2007 | 2008 | Variation |
|---|---|---|---|
| **Sales (M€)[2]** | **48.0** | **74.4** | **+55%** |
| **Gross Margin[2]** | **27.7%** | **27.7%** | **-** |

Allopass, the Group's micropayment platform, posted an activity increase of 55% with a sharp speed-up in the second half of the year (+74% vs. the second half of 2007). Allopass, which handles more than 6 million transactions a month with more than 250 000 partner sites, benefited from technical developments carried out by the group, from increased geographical coverage (increasing from 40 countries to 45), and from the consolidation of Fotolog and Mobile Trend.

The majority of those developments which occurred in mid-year provide solid prospects for the 2009.

### Publishing

| | 2007 | 2008 | Variation |
|---|---|---|---|
| **Sales (M€)[2]** | **5.7** | **15.1** | **+166%** |
| **Gross Margin[2]** | **99.0%** | **99.6%** | **+0.6%** |

[2] Please note that consolidated sales and the consolidated gross profit do not correspond to the addition of the three activities: publishing, on-line advertising and micropayments. Indeed the sales and the gross profit of the publishing business depend on the sales and margin generated by the micropayment and on-line activity on the sites held by Hi-media Group itself.

Hi-media Group's Publishing division now registers more than 50 million unique users per month, including 28 million in Europe, and 4 billion pages-views per month in the world[3]. This audience and traffic growth is reflected in the increased sales (+ 166% compared with 2007). More than 27% of the Group's consolidated gross profit now comes from Group own and operated sites. Fotolog, a major acquisition consolidated since the end of 2007, saw its number of members rise from 15 to 24 million during the year.

**Financial Situation**

The gross margin remains stable at 40.5%.

The increase of 4.6 million euros in payroll for the full year 2008 results, in particular, from two factors:

- the consolidation of some new companies within the Group;
- the development carried out in-house of various projects (Internet sites, Hipay, Allopass technical platform and customer interface).

The increase in other operating costs developed in line with the business growth (excluding the perimeter variation).

*Sharp increase in earnings in the second half*

The quality of its commercial performances and its strict management policy enabled Hi-media to exceed its current operating profit target[4] with 15.2 million euros. That represents more than a doubling for the second half of the year, from 5.0 million to 10.2 million euros.

The stock based compensation cost of 3.4 million euros corresponds, in terms of IFRS accounting standards, to charges related to the value of the shares allocated to 119 executives and other employees in 2006, 2007 and 2008 subject to performance conditions, within the framework of the plans approved by the Shareholders' Meeting in 2005 and 2008 (having no effect on the cash position).

The Group also posted a non-current charge of 2.4 million euros, broken down as followed:

- 1.7 million euros connected with the compromise reached in a dispute with a customer (having no effect on the cash position).

- 0.7 million euros bearing on costs for departing employees.

The negative financial net income of 2.3 million euros versus -0.6 million in 2007, results from the debt arising from various acquisitions.

The tax charge represents a current tax of 2.3 million euros, offset by a variation of 1.6 million euros in deferred taxes.

The net income after tax for the full financial year comes to 6.4 million euros, reflecting a significant catch-up between the first half of 2008 (1.0 million euros), a period of investment and internal development, and the second half of that year (5.4 million euros).
The 36% decline in net income by comparison with financial year 2007 is explained by (i) the charge related to stock based compensation (having no effect on the cash position),

[3] Source : Google Analytics, December 2008
[4] Before stock based compensation

(ii) exceptionals (including 1.7 million outside cash flow) and (iii) the financial net income (syndicated loan).

*Balance sheet strength*

Hi-media has a solid financial structure. The Group's long-term debt (27.1 million euros) remains very limited by comparison with shareholders' funds (129.3 million euros) and complies with all ratios negotiated with the banks. The positive cash position stood at almost 19 million euros on 31 December 2008.

## Strong prospects

**Objectives for 2009: double-digit top line growth and a further increase in operating profit**

The diversification of the revenue sources (on-line advertising and micropayments) and of the customer base within those activities (multiplication of sites, advertisers and transactions) enabled Hi-media to post sustained growth in 2008, and to tackle 2009 with confidence.

In 2008 the synergies between the Group's three activities - on-line advertising, micropayments and publishing - increased strongly to account for 23% of sales generated in the fourth quarter. For 2009, Hi-media intends to speed up the integration of its three business lines in all countries in which the Group is present.

Strengthened by its leading position on the on-line advertising and on-line payment segments, Hi-media Group targets a double-digit sales growth in 2009 and expects to increase its operating profit compared to full year 2008, despite the decline of on-line advertising in its sales mix.

The Group is confident in its ability to win new market shares in 2009 and to fully benefit from the recovery of the on-line advertising market in 2010. Hi-media Group still intends to target an operating margin exceeding 20% in 2012,.



**About Hi-Media**
Hi-Media now ranks among the world's biggest Internet publishers, with 30 million unique users ranking Hi-Media among the world's 100 leading Internet media groups (comScore). The Hi-Media audience is monetized by the Group's integrated advertising network and micro-payment platform, which also provide such services for third parties with more than 250,000 partner sites. Hi-Media is among Europe's leaders in interactive advertising and electronic micro-payments. The Group operates in 9 countries. Hi-Media is listed on the Euronext Paris Eurolist C and belongs to the SBF 250, CAC IT, and CAC Small 90 indices. ISIN Code: FR0000075988. Site: www.hi-media.com

## Financial communication

Sales and quarterly information for the first quarter of 2009: On 5 May 2009 after the market close.

Annual Shareholders' Meeting: 30 April 2009 at 9 am

First-half 2009 earnings: on 31 August 2009, before the market opening.

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## Consolidated statements of income

| *in thousand euros* | **31-Dec-08** | **31-Dec-07** |
|---|---|---|
| Revenue | 135,671 | 104,319 |
| Charges invoiced by the media | -80,747 | -62,103 |
| **Gross profit** | **54,924** | **42,216** |
| Purchases concerned | -14,244 | -8,236 |
| Payroll charges | -21,404 | -16,757 |
| Taxes, levies and similar payments | -895 | -800 |
| Transfers to and write-backs from depreciation and provisions | -3,007 | -1,689 |
| Other operating income and charges | -218 | 363 |
| **Operating profit** *(before valuation of stock options and free shares)* | **15,157** | **15,096** |
| Valuation of stock options and free shares | -3,411 | -3,985 |
| Other non current income and expense | -2,379 | - |
| **Operating profit** | **9,368** | **11,111** |
| Financial result | -2,268 | -564 |
| **Earnings of the consolidated companies** | **7,100** | **10,547** |
| Share in the earnings of the companies treated on an equity basis | 51 | 66 |
| **Earnings of the consolidated whole, before taxes** | **7,151** | **10,613** |
| Corporation tax | -728 | -614 |
| **Net income of the consolidated whole** | **6,423** | **9,999** |
| Minority interests | 344 | 362 |
| **Group share** | **6,079** | **9,636** |

| | **31-Dec-08** | **31-Dec-07** |
|---|---|---|
| Weighted average number of ordinary shares | 38,787,484 | 31,702,897 |
| Earnings per share (in euros) | 0.16 | 0.30 |
| Weighted average number of ordinary shares (diluted) | 41,148,747 | 32,956,581 |
| Diluted earnings per share (in euros) | 0.15 | 0.29 |

# Consolidated balance sheets

| **ASSETS** - ***in thousand euros*** | **31-Dec-08** | **31-Dec-07** |
|---|---|---|
| Goodwill | 134,740 | 113,690 |
| Intangible fixed assets | 12,941 | 10,170 |
| Tangible fixed assets | 2,649 | 2,131 |
| Deferred taxes | 9,664 | 7,868 |
| Non-current financial assets | 946 | 571 |
| **Non-current assets** | **160,940** | **134,430** |
| Accounts receivable | 46,769 | 39,148 |
| Other current assets | 10,719 | 9,056 |
| Current financial assets | 36 | 153 |
| Cash and cash equivalents | 18,830 | 9,769 |
| **Current assets** | **76,354** | **58,126** |
| **TOTAL ASSETS** | **237,294** | **192,556** |

| **LIABILITIES** - ***in thousand euros*** | **31-Dec-08** | **31-Dec-07** |
|---|---|---|
| Capital | 3,981 | 3,905 |
| Additional paid-in capital | 103,011 | 98,105 |
| Reserves and retained earnings | 21,581 | 11,555 |
| Treasury stock | -6,160 | -3,212 |
| Consolidated net income (after minorities) | 6,079 | 9,636 |
| **Equity attributable to equity holders of the parent** | **128,492** | **119,989** |
| Minority interests | 813 | 762 |
| **Total Equity** | **129,305** | **120,751** |
| Long term financial debt | 27,051 | 15,216 |
| Provisions | 776 | 677 |
| Non current liabilities | 791 | 122 |
| Deferred taxes | 687 | 623 |
| **Total non-current liabilities** | **29,305** | **16,638** |
| short-term financial debts and bank overdrafts | 14,945 | 10,701 |
| Provisions | - | - |
| Accounts payable | 36,203 | 24,230 |
| Other current liabilities | 27,536 | 20,235 |
| **Total current liabilities** | **78,684** | **55,166** |
| **Total liabilities and equity** | **237,294** | **192,555** |

# Consolidated statements of cash flows

| *in thousand euros* | 31-Dec-08 | 31-Dec-07 |
|---|---|---|
| Net income | 6,423 | 9,999 |
| *Adjustments for:* | - | - |
| Depreciation of the fixed assets | 2,773 | 1,584 |
| Losses of value | 83 | 10 |
| Investment products | -94 | -288 |
| Interest expenses | 2,028 | 500 |
| Non current expense on commercial conflict | 2,379 | - |
| Share in the earnings of the companies treated on an equity basis | -51 | -66 |
| Earnings from disposals of tangible fixed assets | 200 | -107 |
| Costs of payments based on shares | 3,411 | 3,985 |
| Tax income / charges | 728 | 614 |
| Operating profit with variation of the operating capital need and of the provisions | 17,879 | 16,232 |
| Variation of the accounts receivable and other debtors | -3,120 | -16,208 |
| Variation of the accounts payable and other creditors | 6,091 | 8,370 |
| Net variation of provisions and staff benefits | 98 | -12 |
| Cash coming from operating activities | 20,948 | 8,382 |
| Interest paid | -2,028 | -500 |
| Tax on earnings paid | -2,207 | -1,473 |
| **NET CASH COMING FROM OPERATING ACTIVITIES** | **16,713** | **6,409** |
| Proceeds from disposals of tangible fixed assets | - | - |
| Fair value valuation of cash equivalents | 94 | 32 |
| Proceeds from disposals of financial assets | - | - |
| Disposal of subsidiary, after deduction of cash transferred | - | - |
| Acquisition of subsidiary, after deduction of cash acquired | -11,860 | -21,047 |
| Acquisition of fixed assets | -6,556 | -3,774 |
| Variation of financial assets | -276 | -441 |
| Variation of suppliers of fixed assets | 523 | -151 |
| Change in peremiter impact | -45 | 681 |
| **NET CASH COMING FROM INVESTMENT ACTIVITIES** | **-18,121** | **-24,700** |
| Proceeds from share issues | - | 2,108 |
| Redemption of own shares | -2,948 | -3,189 |
| New borrowings | 23,825 | 19,930 |
| Repayments of borrowings | -9,789 | -4,702 |
| Dividends paid | -274 | -3,063 |
| **NET CASH COMING FROM FINANCING ACTIVITIES** | **10,815** | **11,083** |
| Exchange rate variation impact | -52 | -104 |

| | | |
|---|---|---|
| **NET VARIATION OF CASH AND CASH EQUIVALENTS** | **9,355** | **-7,311** |
| Cash and cash equivalents at beginning of year | 9,431 | 16,741 |
| **CASH AND CASH EQUIVALENT AT END OF PERIOD** | **18,786** | **9,431** |