

## Hi-Media: Successful technological transition and profitability maintained

- Organization of the offer around two new technological platforms in order to tackle a new growth phase
- Total sales of €101 million, down by 4.6% in pro forma
  - Advertising: Impact of the Southern Europe countries
  - Payment: Sustained growth at a good pace
- Improvement of the gross margin by three points, to 35%
- Net results of €5.5 million% (+7%)

**Paris, 30 August 2012, 7.45 AM** – The online media group Hi-Media (ISIN code FR0000075988 - HIM, HIM.FR), one of the European leaders in Internet audience monetization, announces its results for the first half of 2012.

### Main consolidated data

Period from 1 January to 30 June 2011 - in €M	H1 2012	H1 2011
<b>Turnover</b>	<b>100.8</b>	<b>117.5</b>
Gross profit	35.7	38.2
Gross margin	35%	32%
<b>Current operating income<sup>1</sup></b>	<b>6.7</b>	<b>9.0</b>
Stock base compensation	-0.3	-1.0
Other non-current earnings and charges	0.7	-0.1
<b>Operating income</b>	<b>7.1</b>	<b>8.0</b>
Financial result	-1.0	-0.9
Share in the income of the SMEs	-0.3	+0.2
<b>Pre-tax earnings</b>	<b>5.8</b>	<b>7.3</b>
<b>Net income of the consolidated companies</b>	<b>5.5</b>	<b>5.1</b>

*Profit and loss statement, cash-flow statement and consolidated balance sheet provided in the appendix to this press release*

Commenting on the results for the first half of 2012, Cyril Zimmermann, founder and Chief Executive Officer of the Hi-Media Group, indicates: **"After the organisational and perimeter changes initiated twelve months ago, the Group is now focused on innovation and launching new features. The set-up of a R&D team of 100 engineers and IT specialists enables to organise Hi-Media's activities around two major automated audience monetization platforms. Hi-Media now offers the leading independent advertising marketplace and the payment platform that offers the greatest range of solutions in Europe. This technological transition to innovative segments with high added value should allow the company to begin a new virtuous growth cycle."**

<sup>1</sup> Before stock based compensation and non-current earnings and charges

## ANALYSIS OF THE ACTIVITY

In the first half-year, Hi-Media generated a consolidated turnover of 101 million euros, down 4.6% on a pro forma basis (restated from carved out entities within the Advertising perimeter UK and Netherlands as well as from the termination of the free to play lotteries activity on the Payments side).

- **Hi-Media ADVERTISING**

	H1 2012	H1 2011	Published var.	Pro forma var.
Sales figure (€M) <sup>2</sup>	44.4	53.3	-17%	-11%
Gross profit (€M) <sup>2</sup>	21.0	23.5	-11%	-6%
Gross margin (%) <sup>2</sup>	47%	44%	+3 pts	+2 pts

<sup>2</sup> According to the IFRS international accounting standards, in certain cases, the company books the gross volume of the sales of advertising spaces, while in other cases, it books the gross profit generated on the sale of spaces (notably in Sweden and on the Group's proprietary sites).

On 30 June, the Advertising activity amounted to €44.4 million, down 16% or 11% considering the perimeter changes made in the second half of 2011.

The advertising market deteriorated considerably in Europe compared to 2011, and the business contraction was particularly strong in the southern countries, as anticipated. At the same time, the Group recorded an improvement of its gross margin by 3 points to 47%, in view of the evolution of the contribution of the geographical zones and proprietary sites.

During this transitional period, the Group is concentrating its innovation efforts and continuing its technological transformation. During the half-year, Hi-Media launched new and complementary offers based on proprietary technologies in the area of commercial affiliation, performance-based display and "advertising retargeting".

These offers have been integrated into the Hi-Media Ad-eXchange automated marketplace that has been operational since the 4th quarter of 2011. Since the start of the year, the platform has attracted a certain number of reference European partners such as Skyrock, MTV, Overblog, La Tribune in France, Allociné and Aufeminin in Belgium, as well as Stayfriends in Germany. This very positive trend is continuing and confirming the Group's strategic choices.

As such, automated purchases and sales of advertising spaces already represent nearly 9% of the Group's European advertising activity in June. Their share should grow at a sustained rhythm in the coming months (they currently represent 25% of the advertising market in the USA) and extend to all European markets.

This in-depth trend should allow Hi-Media, the first European actor to have launched an independent operational marketplace and that has reached a critical size, to benefit from a new growth cycle. Today, Hi-Media Ad-eXchange targets 163 million unique users per month and offers several tens of millions of advertising objects for purchase and sale.

- **Hi-Media PAYMENTS**

	H1 2012	H1 2011	Published var.	Pro forma var.
Volume of transactions €M	207	175	+18%	+30%
Turnover (€M) <sup>3</sup>	56.5	64.3	-12%	+1%
Gross profit (€M) <sup>2</sup>	14.7	14.6	+1%	+8%
Gross margin (%) <sup>2</sup>	26%	23%	+3 pts	+2 pts

<sup>3</sup> According to the IFRS international accounting standards the company books the gross volume of transactions in certain cases and only the gross profit on transactions in other cases (notably within the framework of banking payment activities).

Using pro forma data (taking into account the activities stopped at the end of 2011), the Payments activity's turnover rose by 1%, to €56.5 million.

Overall, the managed volume of transactions continues to increase at a sustained pace of +30% on the new perimeter compared to the first half of 2011, especially driven by the continuous ramp-up of electronic payment transactions related to the Hi-Pay electronic wallet ([www.hipay.com](http://www.hipay.com)).

The Group which continued its commercial offensive during the first semester, has signed major contracts in the video game industry with Ubisoft, BigPoint and Playspan, as well as in the online press sector with Leparisien.fr, lequipe.com and the epresse EIG.

The gross margin of the Payments activities stands at 26%, an increase of 3 points relative to the first half of 2011, notably thanks to the ramp-up of Hi-Pay.

## **ANALYSIS OF THE PROFIT AND LOSS STATEMENT**

### **A preserved net profitability**

In a market context not very favourable to activity growth, the Group has been carrying out its technological transformation during the year, while striving to maintain its profitability and control its costs.

Against the backdrop of a 14% business contraction over the first six months, Hi-Media managed to limit the decline of its gross profit to €2.5 million, at €35.7 million. The gross margin (35%) improved by three points overall, just like each of the two activities.

As part of its technological transition, the Group has to bear double costs this year in order to ensure the switchover between the employed technologies, and to continue with its internal investments. The Current Operating Income therefore amounts to €6.7 million versus €9.0 million last year.

The Operating Income is equal to €7.1 million versus €8.0 million in the first half of 2011, notably as a result of lower expenses related to stock options and free shares, as well as an income primarily related to disputes and frauds that have now been settled.

The financial results that mainly consist of expenses relative to the Group's financial indebtedness are stable over the period at (€1.0 million) versus (€0.9 million) over the same period of the previous year.

The tax expense is equal to €0.3 million, taking into account losses carried forward, resulting in net earnings after taxes of €5.5 million, a 7% increase over the period.

## FINANCIAL SITUATION

Hi-Media has a solid financial structure with long-term Group indebtedness (€22 million) that is limited relative to its shareholders equity (€117 million). The available cash position stands at more than €13 million on 30 June 2012.

## PERSPECTIVES

In a European situation that remains complicated at this stage, Hi-Media posted in conformity with its operating plans, sustainable growing performances with its new advertising marketplace (Hi-Media Ad-eXchange). The Group has now a perfectly operational tool for its customers that should lead it to progressively follow an organic growth path in the coming months.

In the second half of the year, Hi-Media is mobilizing its teams towards launching a global Payment platform that will offer the broadest range of payment solutions available in Europe. It will include banking payment solutions in addition to mobile payments, alternative payments and its own electronic wallet (Hi-Pay).

Thanks to the parallel work carried out on these two platforms, Hi-Media should begin a new virtuous growth cycle and fully benefit from the effects of its strategic orientations and perimeter rationalisation during the year 2013.

A limited review has been performed by the Group auditors on the half year 2012 accounts from which the corresponding report has been issued. The half year accounts have been approved by Hi-Media SA's Board of Directors on August 27<sup>th</sup> 2012. The financial report relative to the financial statements closed on 30 June 2012 is available on the Company's Internet site, at the address [www.hi-media.com](http://www.hi-media.com) under the Corporate Information heading.

### About the Hi-media Group

Hi-Media is one of the leading European digital media groups. Its economic model is based on two revenue sources: online advertising via Hi-Media Advertising and content monetization via Hi-Media Payments. Present in 9 European countries, the group employs approximately 460 people and generated sales of 230 million euros in 2011.

Independent since its creation in 1996, the company is listed in the NYSE Euronext Paris compartment C, and is included in the CAC Small and CAC All-Tradable indices.

ISIN code: FR 0000075988 / Trading symbol: HIM

**More information on [www.hi-media.com](http://www.hi-media.com) and on our blog <http://blog.hi-media.com/>**

**Financial communication:** Fourth quarter 2012 information: 6 November 2012, after the market closing.

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This press release does not constitute an offer to sell, or a solicitation of an offer to buy Hi-Media shares. If you wish to obtain more complete information about Hi-Media, please refer to our Internet site <http://www.hi-media.com> under the Corporate Information heading.

This press release may contain some forward-looking statements. Although Hi-Media considers that these statements are based on reasonable hypotheses on the publication date of this release, they are by their very nature subject to risks and uncertainties that could cause the actual results to differ from those indicated or projected in these statements. Hi-Media operates in a continually changing environment and new risks could potentially emerge. Hi-Media assumes no obligation to update these forward-looking statements, whether to reflect new information, future events or other circumstances.

## Group's summary consolidated financial statements

### Consolidated income statements for the half-years ending on 30 June 2012 and 30 June 2011

<i>In thousands of euro</i>	30 June 2012	30 June 2011
Sales	100 839	117 530
Charges invoiced by the media	-65 142	-79 345
<b>Gross profit</b>	<b>35 696</b>	<b>38 185</b>
Purchases	-12 300	-12 387
Payroll charges	-14 992	-15 834
Depreciation & Amortization	-1 690	-961
<b>Current operating profit (before stock based compensation)</b>	<b>6 714</b>	<b>9 003</b>
Stock based compensation	-322	-960
Other non-current income and charges	725	-63
<b>Operating profit</b>	<b>7 117</b>	<b>7 980</b>
Cost of indebtedness	-889	-839
Other financial income and charges	-107	-48
<b>Earnings of consolidated companies</b>	<b>6 120</b>	<b>7 093</b>
Share in the earnings of the companies treated on an equity basis	-340	167
<b>Earnings before taxes of the consolidated companies</b>	<b>5 780</b>	<b>7 260</b>
Income tax	-321	-2 171
Income tax on non recurring items	0	0
<b>Net income of the consolidated companies</b>	<b>5 459</b>	<b>5 089</b>
Including minority interests	220	194
<b>Including Group Share</b>	<b>5 240</b>	<b>4 895</b>

**Consolidated balance sheets as of 30 June 2012 and 31 December 2011**

<b>ASSETS - <i>In thousands of euro</i></b>	<b>30 June 2012</b>	<b>31 Dec. 2011</b>
Net goodwill	119 578	121 419
Net intangible fixed assets	10 607	9 828
Net tangible fixed assets	1 977	1 963
Deferred tax credits	7 033	5 605
Other financial assets	5 375	2 111
<b>Non-current assets</b>	<b>144 570</b>	<b>140 926</b>
Customers and other debtors	65 623	79 285
Other current assets	26 260	22 756
Current financial assets	14	15
Cash and cash equivalents	13 106	17 926
<b>Current assets</b>	<b>105 003</b>	<b>119 982</b>
<b>TOTAL ASSETS</b>	<b>249 574</b>	<b>260 908</b>
<b>LIABILITIES - <i>In thousands of euro</i></b>	<b>30 June 2012</b>	<b>31 Dec. 2011</b>
Share capital	4 562	4 562
Premiums on issue and on conveyance	123 975	123 975
Reserves and retained earnings	-14 262	-24 718
Treasury shares	-3 844	-2 065
Consolidated net income (Group share)	5 240	10 789
<b>Shareholders' equity (Group share)</b>	<b>115 671</b>	<b>112 541</b>
Minority interests	852	1 074
<b>Shareholders' equity</b>	<b>116 523</b>	<b>113 615</b>
Long-term borrowings and financial liabilities	22 019	25 149
Non-current provisions	857	1 335
Non-current liabilities	697	493
Deferred tax liabilities	585	552
<b>Non-current liabilities</b>	<b>24 158</b>	<b>27 530</b>
Short-term financial liabilities and bank overdrafts	18 423	22 680
Current provisions	-	-
Suppliers and other creditors	72 271	74 882
Other current debts and liabilities	18 199	22 201
<b>Current liabilities</b>	<b>108 893</b>	<b>119 763</b>
<b>TOTAL LIABILITIES</b>	<b>249 574</b>	<b>260 908</b>

**Table of consolidated cash flows for financial year 2011 and for the half-years ending on 30 June 2012 and on 30 June 2011**

<i>In thousands of euro</i>	30 June 2012	31 Dec. 2011	30 June 2011
Net income	5 459	11 263	5 089
<i>Adjustments for :</i>			
Depreciation of the fixed assets	1 244	3 829	1 417
Value losses	-	-	-
Investment income	-	-	-
Cost of net financial indebtedness	889	2 060	863
Share in associated companies	340	-15	-167
Net income on disposals of fixed assets	-348	-351	451
Costs of payments based on shares	322	1 241	960
Tax charge or proceeds	321	3 034	2 171
Operating profit before variation of the operating capital need	8 227	21 060	10 785
Variation of the operating capital need	3 054	-4 789	-3 410
Cash flow coming from operating activities	11 281	16 271	7 375
Interest paid	-912	-2 427	-1 204
Tax on earnings paid	-1 633	-4 151	-2 090
<b>NET CASH FLOW RESULTING FROM OPERATING ACTIVITIES</b>	<b>8 737</b>	<b>9 692</b>	<b>4 081</b>
Income from disposals of fixed assets	-	24	24
Valuation at fair value of the cash equivalents	-	-	-
Proceeds from disposals of financial assets	-	623	-50
Disposal of subsidiary, after deduction of cash transferred	-	-	-
Acquisition of a subsidiary	-1 129	-107	-
Acquisition of fixed assets	-2 716	-6 321	-3 216
Variation of financial assets	13	-101	-111
Variation of suppliers of fixed assets	150	-	-31
Effect of the perimeter variations	-	-33	-
<b>NET CASH FLOW COMING FROM INVESTMENT ACTIVITIES</b>	<b>-3 682</b>	<b>-5 916</b>	<b>-3 384</b>
Proceeds from share issues	-1	-	-
Redemption of own shares	-1 994	27	-
New borrowings	-	36 203	33 803
Repayments of borrowings	-3 236	-39 783	-36 572
Other financial liabilities variation	-4 227	3 355	1 541
Dividends paid to minority interests	-399	-414	-377
<b>NET CASH FLOW COMING FROM FINANCING ACTIVITIES</b>	<b>- 9857</b>	<b>-612</b>	<b>-1 605</b>
Effect of exchange rate variations	-	4	-47
<b>NET VARIATION OF CASH AND OF CASH EQUIVALENTS</b>	<b>-4 802</b>	<b>3 169</b>	<b>-955</b>
Cash and cash equivalents on January 1	17 908	14 739	14 739
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>13 106</b>	<b>17 908</b>	<b>13 785</b>