himediagroup

Empower your digital business

2016 CONSOLIDATED FINANCIAL STATEMENTS

Joint-stock company with capital of € 4 329 132
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Contents

Consolidated Financial Statements for FY 2016 and 2015

in thousands of Euros	Notes	31 Dec.2016	31 Dec.2015 [1]
Sales	Note 4	59 151	64 744
Charges invoiced by the media		- 32 324	- 45 373
Gross profit		**26 827**	**19 371**
Purchases		- 8 882	- 11 313
Payroll charges	Note 5	- 16 829	- 18 423
EBITDA		**1 116**	**- 10 364**
Depreciation and amortization		- 1 775	- 1 276
Current operating profit		**- 659**	**- 11 640**
Stock based compensation		- 37	- 65
Other non-current income and charges	Note 6	- 37	- 27 099
Operating profit		**- 734**	**- 38 805**
Cost of indebtedness	Note 7	- 58	- 110
Other financial income and charges	Note 7	- 239	- 616
Earning of the consolidated companies		**- 1 031**	**- 39 530**
Share in the earnings of the companies treated on an equity basis		48	- 62
Earnings before tax of the consolidated companies		**- 983**	**- 39 592**
Income Tax	Note 8	- 333	- 4 638
Income Tax on non-recurring items	Note 8	-	-
Net income of the consolidated companies		**- 1 316**	**- 44 230**
Net income from discontinued operations		-	3 948
Net income		**- 1 316**	**- 40 283**
Including minority interests		224	415
Minority interests from discontinued operations		-	208
Including Group share		**- 1 092**	**- 39 660**

	31 Dec.2016	31 Dec.2015
Weighted average number of ordinary shares	2 886 088	2 959 558
Earnings per share, Group share (in euro)	-0,38	-13,40
Weighted average number of ordinary shares (diluted)	2 886 088	2 959 558
Diluted earnings per share, Group share (in euro)	-0,38	-13,40

[1] In accordance with IFRS 5.33(a)(ii), the capital gain related to the deconsolidation of HiPay for €6.4m has been reclassified to Net income from discontinued operations instead of other non-current income and charges.

Statement of Comprehensive Income for FY 2016 and 2015

in thousands of euro	31 Dec.2016	31 Dec.2015
Net result	**- 1 092**	**- 39 660**
Other element of the global result		
- Hedge accounting on financial instruments	-	-
- Exchange differences	137	2
- Other	-	-
- Taxes on other elements of the global result	-	-
- Actuarial gain and losses related to post-employment benefits	65	68
Other elements of the global result, net of tax	**202**	**70**
Group share	202	70
Minority interests	- 0	0
Global result	**- 890**	**- 39 590**

Consolidated Balance Sheets as at December 31st, 2016 and December 31st, 2015

ASSETS - in thousands of euros	**Notes**	**31 dec.2016**	**31 dec.2015**
Net Goodwill	Note 9	20 860	20 860
Net intangible fixed assets	Note 10	1 413	1 967
Net tangible fixed assets	Note 11	1 319	1 533
Deferred tax credits	Note 12	54	69
Other financial assets	Note 13	1 484	10 348
Non-current assets		**25 131**	**34 777**
Customers and other debtors	Note 14	26 101	36 506
Other current assets	Note 15	13 988	13 804
Current financial assets		3 259	14
Cash and cash equivalents	Note 16	5 690	7 434
Assets held for sale and discontinued operations		-	640
Current assets		**49 037**	**58 397**
TOTAL ASSETS		**74 168**	**93 174**

LIABILITIES - in thousands of euros	**Notes**	**31 dec.2016**	**31 dec.2015**
Share capital		4 329	4 439
Premiums on issue and on conveyance		83 870	84 274
Reserves and retained earnings		- 64 485	- 22 694
Treasury shares		- 5 722	- 4 314
Consolidated net income (Group share)		- 1 092	- 39 660
Shareholders' equity (Group share)		**16 900**	**22 045**
Minority interests		375	- 70
Shareholders' equity	**Note 17**	**17 274**	**21 975**
Long-term borrowings and financial liabilities	Note 18	3 416	2 292
Non-current Provisions	Note 19	696	753
Non-current liabilities		-	-
Deferred tax liabilities	Note 12	264	646
Non-current liabilities		**4 376**	**3 691**
Short-term financial liabilities and bank overdrafts	Note 18	480	- 0
Current provisions		-	-
Suppliers and other creditors		40 612	53 647
Other current debts and liabilities	Note 20	11 425	13 861
Current liabilities		**52 517**	**67 508**
TOTAL LIABILITIES		**74 168**	**93 174**

Table of Consolidated Cash Flows for FY 2016 and 2015

in thousands of euros		**31 déc.2016**	**31 déc.2015**
Net income		-1 316	-40 283
Ajustments for :		-	-
Depreciation of the fixed assets		1 757	1 469
Value losses	Note 9	-	21 528
Other non-current without impact on the cash	Note 6	-411	-3 174
Cost of net financial indebtedness		58	110
Share in associated companies		-48	62
Net income on disposals of fixed assets		-1 568	590
Cash flow from discontinued operations		-	-2 485
Cash flow from business to be divested		-	-
Costs of payments based on shares		37	34
Tax charge or proceeds	Note 8	333	4 638
Operating profit before variation of the operating capital need		-1 157	-17 511
Variation of the operating capital need	Note 22	-4 247	1 290
Cash flow coming from operating activities		-5 404	-16 221
Interest paid		-58	-81
Tax on earnings paid		-369	-360
NET CASH FLOW RESULTING FROM OPERATING ACTIVITIES		**-5 832**	**-16 662**
Income from disposals of fixed assets		-	-
Valuation at fair value of the cash equivalents		-	-
Proceeds from disposals of financial assets		-	-
Disposal of subsidiary, after deduction of cash transferred		6 303	-
Acquisition of a subsidiary		-1 767	-2 062
Acquisition of fixed assets		-1 297	-3 071
Variation of financial assets		80	-917
Variation of suppliers of fixed assets		-398	-570
Effect of the perimeter variations		-	-14 140
NET CASH FLOW COMING FROM INVESTMENT ACTIVITIES		**2 922**	**-20 761**
Proceeds from share issues		-50	170
Redemption of own shares		97	-
New borrowings	Note 18	1 576	28
Repayments of borrowings		-	-
Other financial liabilities variation		-406	-3 768
Dividends paid to minority interests		-19	-234
NET CASH FLOW COMING FROM FINANCING ACTIVITIES		**1 198**	**-3 804**
Effect of exchange rate variations		-31	-73
NET VARIATION OF CASH AND OF CASH EQUIVALENTS		**-1 743**	**-41 300**
Cash and cash equivalents on January 1st		7 434	48 733
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**5 690**	**7 434**

Table of Changes in Consolidated Shareholder's Equity for FY 2016 and 2015

in thousands of euros	Number of shares	Share capital	Premiums	Treasury shares	Reserve for options and free shares	Income and expenses on equity	Reserves and consolidated earnings	Shareholders' equity	Shareholders' equity *Minority interests*	Shareholders' equity
January 1, 2015	**45 253 523**	**4 525**	**127 881**	**- 6 849**	**782**	**1 827**	**- 14 725**	**113 440**	**675**	**114 115**
Dividends paid by subsidiaries to the minorities	-	-	-	-	-	-	- 245	- 245	- 32	- 277
Call exercise	-	-	-	-	-	-	-	-	-	-
Shares redemptions (1)	- 860 142	- 86	-	118	-	-	-	32	-	32
Stock options and free shares impact (2)	-	-	-	-	34	-	-	34	-	34
Perimeter variation	-	-	-	-	-	- 51 626	-	- 51 626	- 116	- 51 742
Income and charges directly posted in shareholders' equity	-	-	-	-	-	70	-	70	26	96
Net income of the period	-	-	-	-	-	-	- 39 660	- 39 660	- 623	- 40 283
Total global income	-	-	-	-	-	70	- 39 660	- 39 590	- 597	- 40 187
December 31, 2015	**2 959 558**	**4 439**	**127 881**	**- 6 731**	**816**	**- 49 728**	**- 54 630**	**22 045**	**- 70**	**21 975**
Dividends paid by subsidiaries to the minorities	-	-	-	-	-	-	0	0	- 19	- 19
Call exercise	-	-	-	-	-	-	-	-	-	-
Shares redemptions (1)	-	-	-	-	-	-	-	-	-	-
Capital reduction by cancelling shares	- 73 470	- 110	-	- 1 813	-	-	-	- 1 923	-	- 1 923
Stock options and free shares impact (2)	-	-	-	-	37	-	-	37	-	37
Perimeter variation	-	-	-	-	-	- 2 370	-	- 2 370	719	- 1 651
Income and charges directly posted in shareholders' equity	-	-	-	-	-	202	-	202	- 31	171
Net income of the period	-	-	-	-	-	-	- 1 092	- 1 092	- 224	- 1 316
Total global income	-	-	-	-	-	202	- 1 092	- 890	- 255	- 1 145
December 31, 2016	**2 886 088**	**4 329**	**127 881**	**- 8 544**	**854**	**- 51 896**	**- 55 722**	**16 900**	**375**	**17 274**

(1) *On December 31st, 2016, HiMedia SA holds 212 769 shares plus 33 501 own shares acquired under the contract of liquidity.*

(2) *See Note 23 in connection with the share subscription option plans and the allocations of free shares.*

Notes concerning the Group's consolidated financial statements

The consolidated financial statements for financial year 2016, as well as the notes relating to them have been established under the responsibility of the HiMedia SA Board of Directors, closed out at its meeting held on March 14th, 2016 and submitted for approval of the Shareholders' Meeting which will rule on the closed accounts on December 31st, 2016.

Note 1. Accounting principles and methods

1.1. Reporting entity financial statements

HiMedia ("The Company") is a business domiciled in France. The Company's registered office is located at 6, Place colonel Bourgoin, 75012 Paris. The Company's consolidated financial statements for the financial year ended on December 31st, 2016 include the Company and its subsidiaries (together referred to as "the Group" and each individually as "the Group entities") and the Group's share in the associated companies or joint ventures.

1.2. Basis of preparation

In application of the European regulation n° 1606/2002 of July 19, 2002, the consolidated financial statements published for financial year 2016 are established in accordance with the international accounting standards set forth by the IASB (International Accounting Standards Board). These international accounting standards consist of IFRS (International Financial Reporting Standards), IAS (International Accounting Standards), and their interpretations, which were adopted by the European Union on December 31st, 2015 (published in the Official Journal of the European Union).

The consolidated financial statements are prepared on the historical cost basis, with the exception of the following:
- derivative financial instruments, at fair value,
- financial instruments at fair value through profit or loss, measured at fair value,
- financial assets available for sale, at fair value,
- the liabilities resulting from transactions for which payment is based on shares and which will be paid in cash, at fair value.

The consolidated financial statements are presented in euro, which is the Company's operating (functional) currency. All financial information presented in euro is rounded off to the nearest thousand Euros.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for changes in accounting policies relating to the implementation of new standards and amendments that entered into force on January 1st, 2016 and listed below.

The accounting methods are applied uniformly by the Group entities.

HiMedia Group has applied the same accounting methods as in its consolidated financial statements for the year ending on December 31st, 2015, with exception of elements below:

Application of new standards and interpretations
- The Group's application of the following standards and interpretations, adopted by the European Union and mandatory in financial years beginning on or after January 1st, 2016, had no major impact on the Group's financial statements:
  - Amendments to IAS 16 and IAS 38 on Clarification of Acceptable Methods of Depreciation and Amortization
  - Amendments to IAS 19 on Employee Contributions
  - Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations
  - IFRS annual improvements cycle 2010 – 2012
  - IFRS annual improvements cycle 2012 – 2014
  - Amendments to IAS 17 : Equity method in the individual account
  - Amendments to IAS 1 – « Disclosure initiative » Presentation of financial statements
  - Amendments to IAS 12 – Recognition of deferred tax assets for unused tax losses

The application of these standards, amendments and interpretations to be applied as from January 1st, 2016 did not have a material impact on the Group's condensed interim consolidated financial statements as of and for the six-month period ended December 31th, 2016.

Early application

- As at December 31, 2016 the Group has not introduced the early application of any new standard or interpretation.

Standards published by the IASB, for which application is not mandatory

- The principles applied by the Group do not differ from IFRS standards as published by the IASB, since the application of the following standards and interpretations is not mandatory in financial years beginning on or after January 1, 2016:
  - IFRS 9 and amendments to IFRS 9 – Financial Instruments: Classification and Measurement of financial assets, fair value option for financial liabilities and hedge accounting
  - IFRS 15 – Revenue from Contracts with Customers
    This new standard on revenue recognition intended to replace most of the current IAS 18 and IAS 11. The new standard, which has not yet been endorsed by the European Union, is applicable from January 1, 2018 with early adoption permitted. The impact of this standard is currently under review.
  - IFRS 16 – Leases
- The Group is currently in the process of determining the potential impact of the application of these new standards and interpretations on the Group's consolidated financial statements.

1.3. Consolidation principales

A subsidiary is an entity controlled by the Group. The Control exists when the Group has the power to govern financial and operating policies of the entity to obtain benefits from its activities. To appreciate the control, potential voting rights which can currently be exercised have been taken into consideration. Subsidiaries' financial statements are included in the consolidated financial statements from the date which control was gained until the date on which control ended. Subsidiaries' accounting methods are modified when necessary to align them on those adopted by the Group.

1.3.1. Companies under exclusive control

The companies controlled directly or indirectly by HiMedia SA are fully consolidated.

1.3.2. Associate companies (companies accounted for under the equity method)

Associate companies are the entities in which the Company has significant influence over the financial and operating policies, without having control. Significant influence is presumed when the Group holds from 20% to 50% of the voting rights of an entity. Associate companies are accounted for under the equity method and are initially recorded at cost. The Group's investments include goodwill identified on acquisition, net of accumulated impairment losses. The consolidated financial statements include the Group's share in total profits and losses and movements in equity accounted by the equity method, after taking into account adjustments for compliance of accounting policies with those of Group, from the date that significant influence is exercised until the date that significant influence ceases.

If the Group's share of the losses exceeds its interest in the company under the equity method, the book value of equity affiliates (including any long-term investment) is reduced to zero, and the Group ceases to post its share of the future losses, unless the Group is obliged to take part in the losses or to make payments on behalf of the company.

1.3.3. Transactions eliminated in the consolidated financial statements

Balance sheet amounts and transactions, income and expenses resulting from intra-group transactions are eliminated during preparation of consolidated financial statements. Income from transactions with associate companies is eliminated through consideration of investments in equity shares up to the Group's interest in the company. Losses are eliminated in the same manner as income but only where they do not represent a loss in value.

1.4. Foreign currency

1.4.1. Foreign currency transactions

Exchange differences on receivables and liabilities denominated in foreign currency of an entity are recognized in earnings or financial results of the entity according to the nature of the underlying transaction.

The exchange differences relating to monetary elements forming part of the net investment in foreign subsidiaries are included in translation reserves at their amount net of tax.

The Balance sheet accounts expressed in foreign currency are converted into euro at the rate of the closing of the FY, excluding the net position which is maintained at its historical value. The income statement and cash flow expressed in foreign currencies are converted at the average monthly exchange rate, absenting significant changes in the exchange rate. Currency gains and losses resulting from application of these different rates are not included in the income statement for the period but directly allocated into conversion reserves in the consolidated financial statements.

1.4.2. Activities abroad

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from the acquisition, are translated into euro by using the exchange rate on the closing date. Revenues and expenses of a foreign operation, apart from overseas operations in a hyperinflationary economy are translated into euro using the exchange rates prevailing at the dates of transactions.
Exchange differences arising from the conversion are posted to the conversion reserve under shareholders' equity.

1.5. Use of estimates and judgments

Preparation of the financial statements in accordance with the IFRS standards requires Management to take account of estimates and of assumptions in determining the carrying amounts of certain assets, liabilities, incomes and charges, as well as of certain information provided in notes attached to the assets and liabilities, in particular:

- The goodwill and the related depreciation tests,
- The share of profit associated,
- The intangible assets acquired,
- The deferred tax credits,
- The depreciation of receivables,
- The provisions for risk,
- The charge for stock options and free shares.
- The financial instruments

The estimates and underlying assumptions are developed on the basis of past experience and other factors, such as events to come, deemed reasonable in light of the circumstances. They are also used as the basis for the exercise of judgments necessary for determination of the book values of assets and liabilities, which cannot be obtained directly from other sources. In view of the inherently uncertain nature of these valuation procedures, the definitive amounts may prove to be different from those originally estimated.

The estimates and the underlying assumptions are reviewed on an ongoing basis. The impact of the changes in accounting estimates is directly entered in the accounting during the period of the change if it affects only that period, or during the period of change and future periods if they are also affected by the change.

1.6. Intangible fixed assets

1.6.1. Goodwill

Business Combinations outlines the accounting when an acquirer obtains control of a business. Such business combinations are accounted for using the 'acquisition method'. Control is the ability to manage the financial and operating strategies of an entity in order to get a direct benefit from its activities. To measure this control, the Group takes into account the potential voting rights which are currently exercisable.

Goodwill is evaluated by the group at acquisition date as:

- The fair value of the consideration transferred; plus
- If the business combination is done step by step, the fair value of any participation previously held in the acquired company; minus
- The net amount accounted (generally at the fair value) for the identifiable acquired assets and liabilities

When the difference is negative, revenue can be directly booked in the result as a gain on a bargain purchase.
The acquisition costs, other than the ones related to a debt or capital account issuance, the group has to bear due to the business combination, are booked in expenses.

Any consideration to be paid, such as a price adjustment clause to be paid among the achievement of any performance ratio, is evaluated at the fair value at the acquisition date. The changes of the fair value of the consideration which could occur at a later date are booked in the profit and loss statement.
Impairment test methods of cash generating units are detailed in Note 0 below. In the event of impairment, depreciation is included in profit for the year.

Goodwill related to associate company acquisitions is included in the item "Equity method investments." They are tested through impairment test on the securities.

1.6.2. Other intangible assets

Research and development costs

Development costs, including those related to software and new sites or new versions of sites are capitalized as intangible assets as soon as the company can demonstrate:
- Its intention, financial and technical ability to conduct the development project to completion;
- Its ability to use or sell the intangible asset, once completed ;
- The availability of adequate technical and financial resources to complete the development and the sale;
- That it is likely that the future economic advantages attributable to the development expenditure will go to the company;
- And that the cost of the asset may be measured reliably.

Other research and development costs are expensed in the period in which they are incurred.
These intangible assets are depreciated over the estimated useful life according to the consumption of the economic benefits connected with them. They are impaired, if possible, if their recoverable value is less than their book value.

Other acquired intangibles

To satisfy the definition of an intangible fixed asset, an element must be identifiable (separable or arising from contractual or legal rights), controlled by the company, and it must be probable that future economic benefits attributable to them will go to the company.
An acquired intangible asset is recognized in the balance sheet as soon as its cost can be reliably measured, on the basis that in such a case the future economic benefits attributable to the asset will go to the company.
These intangible assets consist primarily of trademarks, licenses and software, and customer relations. Licenses, software and customer relations, which have a finite useful life, are amortized over a period of between 3 to 8 years.

1.7. Property, plant and equipment

The original value of PPE corresponds to their purchase cost.
Maintenance costs and repairs are expensed as incurred, except those incurred for increased productivity or to extend the useful life of the property.
Assets financed by finance leases, where risks and rewards have been transferred to the lessee, are presented to the asset for the present value of future payments or market value, whichever is lower. Corresponding debt is recognized under financial liabilities. These capital assets are amortized according to the method and useful life described below.
The depreciation is expensed over the estimated useful life for each asset.

The estimated useful lives are as follows:

Fixtures and facilities	5 to 10 years
Office and computer equipment	3 to 5 years
Furniture	4 to 8 years

1.8. Impairment of fixed assets

1.8.1. Financial assets

A financial asset is examined on each closing date to determine if there is an objective evidence of impairment. The Group considers that a financial asset is impaired if there is objective evidence that one or several events had a negative impact on the future estimated cash flows of the asset.
The loss of value of a financial asset measured at amortized cost is the difference between its carrying amount and the value of estimated future cash flows, discounted at the original effective interest rate on financial assets.
Impairment losses are recognized in earnings.
The impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

1.8.2. Non-financial assets

The carrying amounts of non-financial assets of the Group, other than deferred tax liability, are examined on each closing date to assess if there is any indication of an asset which has been impaired. If there is such an indication, the asset's recoverable amount is appraised. For goodwill, intangible assets with indeterminate useful life or which are not yet ready to be put on service, the recoverable amount is estimated on each closing date. The recoverable amount of an asset or cash generating unit is the greatest amount between its useful value and the depreciated fair value from sales costs. To assess the useful value, future estimated cash flows are updated at pre-tax rates reflecting current market appreciation of the time value of money and specific risks to the asset. For the purpose of impairment tests, assets are regrouped in the smallest group of assets generating cash inflows resulting from continued use, largely independent of cash inflows generated from other assets or groups of assets, i.e. cash generating units.
An impairment loss is recognized if the carrying amount of an asset or its cash generating unit is greater than its recoverable amount. Impairment losses are recognized in the income statement. An impairment loss recognized as a cash generating unit (group of units) is allocated first to reduce the carrying amount of any goodwill allocated to cash generating unit, then the reduction in carrying value of other assets of the unit (group of units) pro rata to the carrying value of each asset in the unit (group of units).

An impairment loss recognized in connection with goodwill cannot be reversed. For other assets, on the closing date of each FY the Group assesses if there is an indication that impairment losses recognized during previous periods have decreased or no longer exist. An impairment loss is reversed if there is a change in assessments used to determine the recoverable amount. The carrying value of an asset, increased due to the reversal of impairment loss must not be greater than the carrying value which would have been determined, net of depreciation, if no impairment loss had been recognized.

1.9. Receivables

Trade receivables are initially assessed at their fair value then at the amortized cost and subject to individual consideration. Impairment is recognized when the current value (updated value of estimated future cash flows) is less than the book value.

The receivables transferred to third parties (billing contract) are removed from the Group's assets when the risks and benefits associated with them are substantially transferred to such third parties and if the factoring company in particular accepts the credit risk, the rate risk and the payback period.

The credit risk is the risk of non-recovering receivables. Under contracts deconsolidating the entities in the Group, the credit risk is supported by the factoring company. This means that the Group is no longer exposed to the risks of non-recovery, and, as a result, the disposal is regarded as being without recourse.
The rate risk and payback period risk corresponds to the transfer of the financial risk linked with the lengthening of the debt collection period and related carrying costs. Under the deconsolidating contracts of the entities in the Group, the commission rate for a given disposal is adjusted exclusively according to EURIBOR and the time it took to settle the previous disposal. The financing commission is paid at the start of the period and is not subsequently modified.

The risk of technical dilution is linked with non-payment of the receivable due to faults observed in services rendered or commercial disputes. For every deconsolidating contract signed by the entities in the Group, the warranty does not cover the general risks or the risk of delayed payment; the guarantee fund is made up to cover the debts (credit notes etc.) in a technical dilution.

1.10. Cash and cash equivalents and current financial assets

The cash and cash equivalents comprise the elements that are immediately liquid and whose changes in fair value are not significant, such as cash in bank deposit accounts, mutual fund shares and the available cash with the factor.
Current financial assets that do not meet the definition of cash equivalents and held for future transactions are valued at fair value and changes are recorded in the income statement.

1.11. Non-current assets and disposal group intended for sale

A non-current asset or a group of assets and liabilities is held for sale when its carrying value may be recovered principally through its divestiture and not by its continued utilization. To meet this definition, the asset must be available for immediate sale and the divestiture must be highly probable. These assets and liabilities are recognized as assets held for sale and liabilities associated with assets held for sale, without offset. The related assets recorded as assets held for sale are valued at the lowest value between the fair value (net of divestiture fees) and the carrying value, or cost less accumulated depreciation and impairment losses, and are no longer depreciated.

1.12. Capital

1.12.1. Common shares (common stock)

Common shares are classified as equity instruments. Incidental costs directly attributable to the issuance of common stock or stock options are deducted from equity, net of tax.

1.12.2. Repurchase of equity instruments (treasury shares)

If the Group repurchases its treasury stock, the compensation amount paid, including directly related costs, is recognized net tax, reduced by shareholders’ equity. Shares repurchased are classified as treasury stock and deducted from shareholders’ equity. When treasury stock is sold or reissued, the amount received is recognized via increasing shareholders’ equity, and the transaction profit or loss is transferred as retained earnings increases or decreases.

1.13. Loans

All loans are initially recognized at the fair value of the received compensation corresponding to the cost, net of the fees directly tied to these loans. After initial recognition, loans are assessed at their amortized cost using the effective interest rate method. This rate corresponds to the internal rate of return allowing updating of the expected cash flows over the duration of the loan. Moreover, if the loan includes an incorporated derivative (in the case for example of an exchangeable bond) or if it includes a shareholders’ equity component (in the case of a convertible bond), the amortized cost is calculated solely on the debt component once the derivative is incorporated or the shareholders’ equity component is separated. In case of future expected cash flows changes (for example, anticipated reimbursement initially unforeseen), then the amortized cost is adjusted by compensating the result to reflect new expected cash flows, updated at initial effective interest rates.

1.14. Derivative financial instruments

Derivative financial instruments are used in the purpose to manage exposures to financial risk. All derivatives are assessed and recognized at their fair value: initially on the contract subscription date and subsequently during each closing. Processing of profit (loss) reevaluation depends on the designation or not of the derivative as a hedge and if that is the case, the nature of the hedged element.
Derivative fair value fluctuations not designated as hedge instruments are recognized in earnings during the period to which they are related. Fair value is based on market value for listed instruments or on mathematical models such as options pricing model or updating methods for cash flows for unlisted instruments.
Changes in fair value of derivatives designated as hedges of future cash flows are recognized in other comprehensive income and reported reserves within shareholders' equity for the effective portion of changes in fair value of financial instruments, and in profit gains and losses relating to the ineffective portion. The amounts recognized in equity are recycled in the income statement based on the income statement impact of hedged items.

1.15. Provisions

A provision is recognized when the Group has a current, legal or implicit bond resulting from a past event regarding a third-party, and about which it is likely or certain that it will provoke a resources outflow benefiting this third-party. In cases of restructuring, a bond is made when the restructuring has been subject of a detailed plan or a start of execution.

A provision for an onerous contract is posted when the economic benefits which the Group expects from the contract are lower than the costs which have to be assumed in order to satisfy contractual obligations. The provision is valued at the current value of the cost expected from termination or execution of the contract, whichever is the lower.

When companies are regrouped, a provision is also posted for purchase contracts held by the acquired company with unfavorable conditions compared to those of the market on the date of acquisition.

1.16. Employee benefits

1.16.1. Cost based plans

A cost based plan is a defined post-employment plan under which an entity pays fixed contributions to a separate entity and has no legal or constructive obligation to make additional contributions. Contributions payable to a defined contribution plan are recognized under charges related to employee benefits when due.

1.16.2. Defined-benefit pension plans

A defined-benefit plan refers to post-employment defined benefits other than defined contribution plan.
Group net bonds pursuant to defined benefit plans are assessed separately for each plan in assessing the amount of future benefits acquired by personnel in exchange for services rendered during the current and previous periods. This amount is updated to determine its current value. The fair value of plan assets is then deducted. Calculations are made every year by a qualified actuary, using the projected unit credit method.
The Group recognizes immediately in other comprehensive income of all actuarial gains and losses under defined benefit plans.

1.16.3. Benefits upon termination of the employment contract

Benefits at the end of the employment contract are recognized as expenses when the Group, without realistic possibility of retraction, is manifestly involved in a formalized and detailed plan either through redundancies before the normal retirement date or packages encouraging premature retirement to reduce payroll, and concerned persons must have been informed before the closing date. Preliminary retirement benefits are recognized as expenses if the Group has issued a package encouraging the early retirements, and it is likely the package will be accepted and the number of persons accepting it could be assessed in a reliable way.

1.16.4. Short-term benefits

The obligations in connection with the short-term benefits are valued on a non-discounted basis and are recognized when the corresponding service is rendered. A liability is recognized for the amount the Group expects to pay under profit-sharing and bonuses paid in treasury in the short term if the Group has a present legal or constructive obligation to make such payments in exchange for past services rendered by the staff member and the obligation can be reliably estimated.

1.16.5. Share-based payments

Buy options and share subscription options as well and bonus shares are granted to senior managers and to certain Group employees. In accordance with IFRS 2 "Share-Based Payment", options and shares are valued at fair value at the grant date.
The related expense is recalculated each closing date in function of the levels reached from performance criteria and Sales rates. To determine the future expected expense on these plans, the parameters are recalculated at each closing in function of past completion and better estimate of management on that date. Parameters defined could thus appear different to those initially valued.

i. Instruments settled by issuing HiMedia shares

To value these instruments, the Group uses the Black & Scholes mathematical model. Changes in market conditions subsequent to the date of grant shall not affect the initial assessment. In particular, plans to award free shares are valued on the basis of share price the day HiMedia board of directors has determined the allocation of bonus shares, taking into account the period -assignment of the share after the acquisition of rights and the expected dividends.
The fair value of these instruments, determined at the grant date is expensed in return on equity, and spread over the period during which the beneficiaries acquire their rights. The evaluation of the charges takes into account the probability of achieving performance and presence conditions.
The cumulative charge on these instruments is adjusted at each balance sheet according to the refresh rate affect performance and presence. This difference is recognized in the income statement.

ii. Instruments settled by cash remittances

Charges, measured at grant date are spread over the period during which the beneficiaries acquire their rights. The consideration of this charge is a debt. The evaluation of the charges takes into account the probability of achieving performance and presence conditions.
When these plans come from acquisitions of subsidiaries, the estimated life of the instrument is calculated on the basis of the plans originally granted to employees.
The cumulative charge on these instruments is revalued at each balance sheet. Where appropriate, the valuation difference is recognized in the income statement.

1.17. Segment information

In accordance with IFRS 8, the Group presents segment information based on internal reporting, as it is reviewed regularly by the Executive Board to assess the performance of each sector and allocate resources.
An operating segment is a component of the company:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity);
- Whose operating results are regularly reviewed by the chief operating decision maker of the entity to make decisions about resources to be allocated to the segment and assess its performance, and for which specific financial information is available.

In view of this definition, HiMedia's operational sectors correspond to the following sectors:

- Legacy business
- Growth activities

This identification is based on the Group's internal organizational systems and management structure.

Accordingly, the Group provides in Note 22 the following information:

- segment sales, margin and the segment operating profit,
- segment assets,
- Reconciliations of the totals of segment information with the corresponding amounts of the Group.

No liability is assigned to the sectors in the internal system for monitoring results.

1.18. Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Tax is recognized in income/expense unless it relates to a business combination or to elements that are recognized directly in equity or in other comprehensive income in which case it is recognized in equity or other elements of comprehensive income.
Current tax is the estimated amount of tax payable in relation to taxable income of a period, and is determined using tax rates enacted or substantively enacted at the balance sheet date, any adjustment added to the amount tax payable with regard to previous periods.

Deferred tax is determined and recognized using the balance sheet approach of the liability method for all temporary differences between the carrying amounts of assets and liabilities and their tax bases. The following elements are not subject to deferred taxes: the initial recognition of an asset or liability in a transaction that is not a regrouping of businesses and that affects neither the accounting profit nor the taxable income, and the temporary differences connected with investments in subsidiaries and joint

ventures insofar as it is likely that they will not be reversed in the foreseeable future. Furthermore the deferred tax is not accounted for in case of a taxable temporary difference generated from the initial recognition of goodwill. The deferred tax credits and liabilities are valued at the tax rates that are expected to be applied for the period during which the asset is realized and the liability settled, on the basis of the taxation rules and regulations that have been adopted or virtually adopted as at the closeout date. The deferred tax credits and liabilities are offset if there is a legal enforceable right to offset the payable tax credits and liabilities, and if they concern taxes on earnings deducted by the same taxation authority, either in the same taxable entity, or in taxable entities that are different but that intend to settle the payable tax credits and liabilities on the basis of their net amount or to realize the credits and settle tax liabilities simultaneously.
A deferred tax credit is posted only insofar as it is likely that the Group will record future taxable profits to which the corresponding timing difference can be charged. The deferred tax credits are considered on each closeout date and are reduced to the extent that it is no longer likely that a sufficient taxable profit will be available.

1.19. Revenue recognition

Recognition of gross or net revenue
Under IAS 18-7/18-8, the company that acts as a principal in the transaction recognizes the revenue amounts billed to end customers. In order to determine whether the company is acting as a principal or as an agent, it should assess the risks and responsibilities taken by the company to deliver the goods or providing services. From that viewpoint, HiMedia referred to EITF 99-19, within the framework of IFRS, which gives a list of indicators to determine whether the company is acting as a principal or as an agent. For the recognition of gross sales, HiMedia has ensured that its indicators are showing that the Company acts as a principal, and are indeed present in conducted transactions made with its customers, advertisers or users.

The advertising network business consists of providing advertisers with a comprehensive service on their advertising campaigns on websites, which HiMedia has already signed a management contract with them. As such, HiMedia generally intervenes as the single provider of the advertiser, and not as a commission agent. Hence, the advertiser does not have any contractual relationship with the website. The price of the services for which the advertiser is invoiced charged to the advertiser inseparably includes the price of the advertising space, the advice relative to the choice of the media as well as the cost of the technical services for getting items online, for distribution along with the following-up on the campaign (in both quantitative and qualitative terms) and the recovery of invoices issued. Sales correspond to the amounts charged to advertisers.
Under certain contracts, HiMedia intervenes as a mere business provider and distributor of the campaign. The represented websites assure itself the belling and the recovery of the campaigns. HiMedia intervenes only as an agent, and Sales correspond in this case to the charged commission by HiMedia in the website.

The activity contains three marketing methods:

- sale of advertising spaces at the cost per thousand;
- sale of performance-based direct marketing operations;
- sponsoring contracts;

The sale of advertising space includes putting online and dissemination of advertising banners in different sizes, on one or more media supports (websites) by HiMedia in-house for a specified period. The value of the contracts depends on the cost per thousand for advertising displays and the volume purchased by the advertiser.
For contracts completed by the closing date, the revenue recognized in the income statement is the value of the contract or the value of the number of viewed pages if it is less than that specified in the contract.
For contracts outstanding at the reporting date, the revenues recognized to date is the value of the number of pages actually viewed at the closing date if the number of page viewed is less than or equal to that provided for the contract.

The sale of performance-based operations calls for a number of clicks on the advertisers' advertising messages. Only the clicks are measured, and as such, are recognized as revenue.

Sponsoring contracts provide for fixed compensation packages for the insertion of the logo or other distinguishing mark of advertisers on the medium concerned, governed by HiMedia. The package is recognized as revenue over the term of service.

1.20. Operating profit

Operating profit is obtained by deducting, from the current operating profit, the charges for stock options and free shares and the other non-recurring charges. The other products and non-current charges, if any impairment of goodwill and other assets acquired, the capital gains or losses on disposal of consolidated companies or of activities, restructuring charges, the charges connected with exceptional terminations of contracts, business litigations or business associated failure.

1.21. Earnings per share

The Group presents basic and diluted earnings per share for its common shares. The basic earnings per share are calculated by dividing the earnings attributable to the Company's common shareholders by the weighted average number of common shares in circulation during the period. Earnings per diluted share is determined by adjusting the profit attributable to the holders of the common shares and the weighted average number of common shares in circulation for the effects of all dilutive potential common shares, which include the stock options and the free shares allocated to the members of the management and staff.

Note 2. Financial risk management

The Group is exposed to the following risks connected with to the use of financial instruments:

- credit risk
- liquidity risks
- market risk

This note provides information concerning the Group's exposure to each of the above risks, its objective, its policy and procedures for measuring and managing risk and capital. Quantitative information appears in other places in the consolidated financial statements.
It is incumbent on the Board of Directors to define and monitor the framework for the Group's risk management.

2.1. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises mainly from client's receivables and short-term investment securities.

The Group's exposure to the credit risk is influenced mainly by the individual characteristics of the customers. The statistical profile of customers, particularly including the risk of default by activity sector and country in which the customers do business, has no real influence on the credit risk. There is no concentration of the credit risk, whether with respect to the customers or geographically speaking.

The Group has defined a credit policy under which the solvency of each new customer is analyzed individually before it can benefit from the payment and delivery conditions offered by the Group. To that end, the Group uses external ratings, when they are available. The customers are not meeting the Group demands, with respect to solvency may not conclude any transactions with the Group unless they pay for their orders in advance.

At each closing, the Group determines a level of impairment representing its estimate of the losses on receivables and other debts, and investments. This impairment is determined by an analysis of individualized significant risks.

To minimize credit risk, the HiMedia SA company has taken out credit insurance for its French subsidiaries. The credit insurance contract concluded is based on three services: prevention, collection, compensation.

- Prevention: the credit insurer provides continuous monitoring and informs the company in case of a deterioration of its customers' creditworthiness.

- Collection: in case of default, the company forwards the legal proceedings consisting of all documents proving the claim to the insurance company, which intervenes with the defaulter and sees to collection by amicable or legal means.

- Compensation: the company will be indemnified in case of established insolvency or of judicial proceedings affecting the debtor. In the other cases, if it has been impossible to make collection within the waiting period defined in the contract, the insurance company will also provide a compensation for the claim. The insurance company bears 75% of the amount, including all taxes, namely 90% of the amount excluding taxes. The indemnification period is approximately from one to five months. To qualify for such coverage, the subsidiaries must first obtain the insurer's coverage approval customer by customer and making the unpaid declaration within 150 days after the term.

In addition, the companies HiMedia, Local Media, Quantum and Adysseum have concluded factoring contracts for which the main risks and advantages have been transferred to the factoring companies (see note 1.9).

The maximum exposure to the credit risk on the closeout date is indicated in the following notes:

- Note 13 Other financial assets
- Note 14 Current trade and other receivables
- Note 15 Other current assets

2.2. Liquidity risk

The liquidity risk corresponds to the risk that the Group encounters difficulties in honoring its debts when they come due. The Group's approach for managing the liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they come due, under normal or "tense" conditions, without incurring any unacceptable losses or impairing the Group's reputation.

The Group has established management of the cash flow needs, aimed at optimizing its return of cash flow on investment. This excludes the potential impact of extreme circumstances, such as natural disasters, that one cannot be reasonably predict.

Moreover the Group has concluded, for certain subsidiaries, factoring contracts enabling it to obtain short-term financing and to be more flexible in daily management of its liquidity.

The group conducted a special review of its liquidity risk and deems that it is able to meet future scheduled payments.

On December 31st, 2016, the remaining contractual maturities of financial liabilities were as follows (including interest payments):

(in thousands of euros)	Book value	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Zero-interest financing for innovation	2 320	2 400	480	1 920	-
Tax credit funding	1 576	1 576	-	1 576	-
Accrued interest on loans	0	-	-	-	-
Accounts payable & fixed assets payable	40 813	40 813	40 813	-	-
Taxation and social liabilities	9 704	9 704	9 704	-	-
Other liabilities	1 519	1 519	1 519	-	-
Bank overdrafts	0	-	-	-	-
Total	**55 933**	**56 013**	**52 517**	**3 496**	**-**

The loans and financial liabilities are detailed in the Note 18

2.3. Market risk

2.3.1. Currency risk

Currency risk is the risk that changes in exchange rates and it affects the Group's earnings or the value of the financial instruments. Currency risk management aims to control market risk exposures in acceptable limits, while optimizing the couple (profitability/risk).

The Group is exposed to a currency risk on the activities of its subsidiaries based in the US (Latam Digital Venture LLC, EresMas Inc., Himedia US LLC, HiMedia Group USA Inc.), Sweden (HiMedia Sales), Mexico (StarM Interactiva SACV, Fullscreen solutions SACV) fully consolidated and, to a lesser extent ;

100% of the purchases and sales, of capital expenditure, assets and liabilities of those subsidiaries and goodwill pertaining are denominated, respectively, in dollars, Swedish crowns and Mexican pesos.

The Group's investments in its subsidiaries have a functional currency that is not the euro, and are not covered by the Group, considers that such exchange positions are long term in nature.

in thousands of euros

Sensitivity to exchange rate	USD	MXN	SEK
Total assets	7 355	3 552	11 593
Total liabilities	-14 776	-2 948	-1 282
Net position	-7 421	604	10 310
Assumptions regarding changes against the euro	1%	1%	1%
Impact on profit before tax	**5**	**0**	**-6**
Impact on equity	**59**	**-6**	**-18**

2.3.2. Interest rate risk

The company is no exposed to the risk of interest rates.

2.4. Categorization of financial instruments

	CATEGORIES					31 Dec.2016	
in thousands of euros	**Fair value by earnings**	**Assets available for sale**	**Loans and receivables**	**Debts at amortized cost**	**Derivative instruments**	**value in balance sheet**	**Fair value**
Other financial assets	-	1 115	258	-	-	1 374	1 374
Receivable	-	-	26 101	-	-	26 101	26 101
Other current assets	-	-	13 282	-	-	13 282	13 282
Current financial assets	3 259	-	-	-	-	3 259	3 259
Cash and cash equivalents	5 690	-	-	-	-	5 690	5 690
FINANCIAL ASSETS	**8 949**	**1 115**	**39 641**	**-**	**-**	**49 705**	**49 705**
Borrowings and financial debts	-	-	-	3 896	-	3 896	3 896
Non-current liabilities	-	-	-	-	-	-	-
Accounts payable	-	-	-	40 612	-	40 612	40 612
Other current debts and liabilities	-	-	-	11 294	-	11 294	11 294
FINANCIAL LIABILITIES	**-**	**-**	**-**	**55 801**	**-**	**55 801**	**55 801**

Fair value hierarchy

Financial instruments measured at fair value after its initial recognition are arranged by hierarchy as follows:

- Level 1 : Short-term investments are valued at fair value through profit or loss by reference to quoted prices in active markets ;
- Level 2 : the derivatives instruments are evaluated by reference to observable prices in active markets ;
- Level 3 : the available financial assets for sale are measured at fair value based on valuation techniques using data on assets and liabilities that are not based on observable market.

Note 3. Consolidation scope

3.1. List of consolidated entities

Corporate name	Country	% held directly and indirectly on 30/06/2016	% control on 31/12/2016	Consolidation method	Date of creation or of acquisition	Date of financial year closeout
Created companies						
Hi-media Belgium SPRL	Belgium	100%	100%	FC	09.03.00	31.12
Hi-media Portugal LTDA	Portugal	54%	54%	FC	31.10.00	31.12
Adysseum SARL	France	100%	100%	FC	13.05.02	31.12
HPMP SPRL	Belgium	100%	100%	FC	17.09.07	31.12
Allopass Scandinavia AB	Sweden	100%	100%	FC	30.09.09	31.12
Allopass Mexico SRLCV	Mexico	100%	100%	FC	17.07.09	31.12
Hi-media Regions SAS	France	49%	49%	EM	06.12.12	31.12
Mobvious Italia SRL	Italy	100%	100%	FC	17.05.13	31.12
Quantum SAS	France	81%	81%	FC	23.04.14	31.12
Fotolog SAS	France	49%	49%	EM	15.05.14	31.12
HiMedia Advertising SAS	France	100%	100%	FC	02.12.14	31.12
Adexpert SPRL	Belgium	50,1%	50,1%	FC	06.06.14	31.12
Local Media SAS	France	50,1%	50,1%	FC	02.12.11	31.12
Latam Digital Ventures	USA	60%	60%	FC	02.02.15	31.12
Hi-Media LLC	USA	100%	100%	FC	30.04.15	31.12
FullScreen Solutions	Mexico	56%	89%	FC	25.03.15	31.12
Quantum Native Solutions Italia SRL	Italy	81%	100%	FC	22.12.15	31.12
Mobvious Corp	USA	36%	60%	FC	23.03.16	31.12
Hi Media España Publicidad Online	Spain	100%	100%	FC	22.09.16	31.12
Quantum Advertising España SL	Spain	81%	100%	FC	14.07.16	31.12
Acquired companies						
Hi-media Deutschland AG	Germany	45%	45%	EM	30.04.01	31.12
Admoove	France	100%	100%	FC	06.01.15	31.12
Hi-media Sales AB	Sweden	100%	100%	FC	04.09.06	31.12
Groupe Hi-media USA Inc	USA	100%	100%	FC	27.11.07	31.12
Vivat SPRL	Belgium	100%	100%	FC	14.03.08	31.12
Bonne Nouvelle Editions SARL	France	100%	100%	FC	06.06.08	31.12
Hi-media Nederland BV	Netherland	100%	100%	FC	31.08.09	31.12
Hi-media Italia SRL	Italy	100%	100%	FC	31.08.09	31.12
Hi-media Network Internet España SL	Spain	100%	100%	FC	31.08.09	31.12
Pragma Consult SPRL	Belgium	45%	45%	EM	30.01.12	30.09
New Movil Media SL	Spain	100%	100%	FC	13.12.12	31.12
Eresmas	USA	60%	100%	FC	16.03.15	31.12
Starm Interactiva	Mexico	59%	99%	FC	16.03.15	31.12
Hi Media Digital Business SL	Spain	100%	100%	FC	16.03.15	31.12

Note 4. Sales

The breakdown of sales by activities is as follows:

in thousands of euros	31 dec.2016	31 Dec.2015
Growth activities	30 479	17 440
Legacy activities	28 672	47 304
Sales	**59 151**	**64 744**

Note 5. Payroll charges

The breakdown of the payroll charges between salaries, social security charges and end-of-career indemnities appears as following:

in thousands of Euros	31 dec.2016	31 Dec.2015
Salaries	12 437	12 632
social security charges	4 325	5 768
Provision for end of career indemnities	68	23
Payroll charges	16 829	18 423

Average headcount changes were as follows:

	2016	2015
Average headcount	**233**	**347**

Note 6. Other non-current income and charges

The non-recurring expenses mainly result from:

- Gain on sales of HiPay shares and revaluation of remaining shares for €1.8 million
- Income and expenses link to the sale of Hi-Midia Brasil for -€0,2 million
- Expenses related to the non current disputes and reorganization for -€1.6 million

Note 7. Financial net income

in thousands of euros	31 Dec.2016	31 Dec.2015
Investment products	13	175
Interest on borrowing	-58	-110
Other comprehensive income	-252	-790
Financial net income	**-297**	**-726**

Note 8. Income Tax

The tax charge breaks down as follows:

in thousands of euros	31 Dec.2016	31 Dec.2015
Current taxes	- 694	- 748
Deferred taxes	361	- 3 890
Tax (charge)/Proceeds	**- 333**	**- 4 638**
Effective tax rate (%)	***-34%***	***-12%***

The difference between the effective tax rate and the theoretical tax rate is to be analyzed as follows:

in thousands of Euros	31 Dec.2016	31 Dec.2015
Tax rate in France	**33,33%**	**33,33%**
Theoretical tax (charge)/proceeds	328	11 061
Elements concerning the comparison with the effective rate:	-	-
Effect of rate change	7	3
Earnings charged to losses subject to carryover not previously recorded	237	930
Recognition / (depreciation) of deferred tax credits on losses carried over	-	- 3 587
Difference of tax rate between the countries	- 25	626
Effect of non-asset deficit transfers from the fiscal year	- 744	- 6 900
Permanent differences and other elements	- 10	- 6 665
Taxes without basis	- 125	- 106
Real tax (charge)/proceeds	**- 333**	**- 4 638**
Effective tax rate	-34%	-12%

HiMedia France SA, HiMedia Advertising SAS, Adysseum SARL, Admoove and Bonne Nouvelle Editions SARL have been consolidated for tax purposes.

Note 9. Goodwill

in thousands of euros	31 dec.2015	Exchange var.	Var. perimeter	Transfer	Increase	Decrease	31 Dec.2016
Goodwill	103 635	-	-	-	-	-	103 635
Impairments	-82 776	-	-	-	-	-	-82 776
Goodwill net	**20 860**	**-**	**-**	**-**	**-**	**-**	**20 860**

9.1. Net book value of goodwill assigned to each CGU

The net book value of the goodwill assigned to each CGU (Cash Generating Unit) is as follows:

in thousands of euros	31 Dec.2015	Reallocation	Exchange var.	Var. perimeter	Increase	Decrease	31 Dec.2016
Hi-media Belgique	4 065	-	-	-	0	-	4 065
Hi-media Espagne	6 337	-	-	-	0	-	6 337
Admoove	1 891	-	-	-	0	-	1 891
Quantum	83	-	-	-	0	-	83
Hi-media Local (Sweden)	8 483	-	-	-	0	-	8 483
Goodwill	**20 860**	**-**	**-**	**-**	**-**	**-**	**20 860**

9.2. Evaluation of the recoverable value of the goodwill on December 31st, 2016

On December 31st, 2016, an impairment test on all the CGU was conducted in the same methods as the previous years. This procedure, based mainly on the method of discounted future net cash flows, is the assessment of the recoverable value of each entity generating its own cash flow.

The main assumptions in order to determine the value of the cash generating units are as follows:

- method for valuation of the cash generating unit : value in use,
- number of years for which the cash flows are estimated and projected to infinity: 4 years (2017-2020 normative),
- long-term growth rate: 1% to 2.5% (2.5% in 2015),
- discount rate for Europe: 8.91% to 11.11% (7.3% to 8.9% in 2015), among countries
- growth rate of sales: between -3% and +81% per year during the period 2017-2020, among countries and activities and new products launch.

The discount rate corresponds to the weighted average cost of capital. It was calculated by the company according to the standards on the basis of sectoral data, and the market data source for the beta, the risk-free rate, the risk premium and the debt.
The long-term growth rate is an average estimated with a representative sample from market sources.

A sensitivity analysis calculating the variation in key parameters did not point to any likely scenario in which the recoverable value of a CGU will become less than its book value. The key parameters variations used for the sensitivity analysis are presented below:

	Discounting rate		Growth rate to infinity		Rate EBITDA	Revenue Growth Rate*
	Rate used	Var	Rate used	Var		
Hi-media Belgique	8,9%	+200 pts	1,0%	-150 pts	-200 pts	-20 %
Hi-media Local (Sweden)	8,1%	+50 pts	1,0%	-100 pts	-100 pts	-10 %
Hi-media Espagne	7,8%	+150 pts	1,0%	-150 pts	-100 pts	-5 %
Native et Drive to Store	7,3%	+200 pts	2,5%	-150 pts	-150 pts	-10 %

In the impairment tests, the above variables have been adjusted together or two per two separately and the results didn't show any likely scenario where the recoverable value of a CGU is under its accounting value.

*Corresponds to revenue growth rates per year over the life period of the plan

Note 10. Intangible fixed assets

Development fees capitalized during the period are mentioned in the line “software and licenses” and correspond mainly to:

- The continuation of developments for the lunch of the Quantum platform,
- The continuation of developments for MapubFacile platform,
- In developing of new out-stream formats and rich media.

The gross value of the intangible fixed assets has changed as follows:

in thousands of euros	31 Dec.2015	Changes in currency	Transfer	Increase	Decrease	31 Dec.2016
Software and licenses	4 921	31	2 282	189	-185	7 239
Trademarks	4 215	136	-	-	-	4 351
Customer relations	657	-	-	-	-	657
Fixed assets in progress	1 606	-	-2 282	925	-4	245
Other	1 317	-0	-	-	-	1 317
Total	**12 716**	**167**	**0**	**1 114**	**-189**	**13 809**

The cumulative amortization and depreciation of the intangible fixed assets have changed as follows:

in thousands of euros	31 Dec.2015	Changes in currency	Transfer	Increase	Decrease	31 Dec.2016
Software and licenses	4 778	31	-	1 531	-54	6 286
Trademarks	4 142	136	-	-	-	4 277
Customer relations	520	-	-	-	-	520
Fixed assets in progress	-	-	-	-	-	-
Other	1 310	-0	-	2	-	1 312
Total	**10 750**	**167**	**-**	**1 534**	**-54**	**12 396**

The net values of the intangible assets changed as follows:

in thousands of euros	31 Dec.2016	31 Dec.2015
Software and licenses	953	143
Trademarks	74	74
Customer relations	137	137
Fixed assets in progress	245	1 606
Other	4	7
Total	**1 413**	**1 967**

The net carrying value of the intangible assets with an indefinite use duration assigned to each CGU is as follows:

in thousands of euros

UGT	Asset	31 Dec.2016	31 Dec.2015
Hi Media	Hi-Media trademark	74	74
	Other	-	-
Total		**74**	**74**

Note 11. Tangible fixed assets

The gross value of the tangible fixed assets changes as follows:

in thousands of euros	31 Dec.2015	Changes in currency	Transfer	Increase	Decrease	31 Dec.2016
Fittings & installations	1 599	-1	-	95	-105	1 587
Office equipment and computer hardware	2 164	-10	-60	57	-46	2 106
Furniture	672	-5	-11	28	-60	625
Total	**4 434**	**-15**	**-71**	**181**	**-211**	**4 318**

The cumulative amortization and depreciation of the tangible fixed assets evolve as follows:

in thousands of euros	31 Dec.2015	Changes in currency	Transfer	Increase	Decrease	31 Dec.2016
Fittings & installations	355	-0	-	204	-105	455
Office equipment and computer hardware	1 987	-9	-61	127	-46	1 998
Furniture	559	-3	-11	59	-57	547
Total	**2 902**	**-12**	**-72**	**390**	**-208**	**2 999**

The net values of the tangible fixed assets evolve as follows:

in thousands of euros	31 Dec.2016	31 Dec.2015
Fittings & installations	1 133	1 243
Office equipment and computer hardware	108	177
Furniture	78	113
Total	**1 319**	**1 533**

Note 12. Deferred taxes

12.1. Recognized deferred tax credit and liabilities

The breakdown of deferred taxes recognized in income is presented in Note 8

The sources of deferred tax assets and net recognized liabilities presented net by fiscal entity on December 31st, 2016 are as follows:

NET DEFERRED TAX CREDITS

in thousands of euros	31 Dec.2016	31 Dec.2015
Tax loss carryovers	0	18
Intangible fixed assets	0	0
Other timing differences	54	50
Deferred tax credits	**54**	**69**

NET DEFERRED TAX LIABILITIES

in thousands of euros	31 Dec.2016	31 Dec.2015
Intangible fixed assets	-	-
Other timing differences	264	646
Deferred tax liabilities	**264**	**646**

12.2. Unrecognized deferred tax credits

On December 31st, 2016, the unrecognized deferred tax credits consisted mainly of the undefined losses carried over 20 years through HiMedia Group USA for €18.5m as well as undefined losses carried of HiMedia France S.A. for €55.2 million, which can be undefined carried forward.

Note 13. Other financial assets

On December 31st, 2016 the other financial assets decompose as follows:

in thousands of Euros	31 Dec.2016	31 Dec.2015
Equity affiliates	110	8 748
Other securities	1 080	1 245
Deposits and sureties	293	354
Total	**1 484**	**10 348**

Since 30th June 2016, the shares of Hipay are in "Current financial assets" instead of "other financial assets" because HiMedia has not longer notable influence in Hipay Group. The current financial assets are €3.3M on December 31st, 2016 mainly results from shares valuation of HiPay.
The shares of HiPay are presented on "current financial asset" and have been designed by the Group as being at fair value through the P&L as their performance is monitored on the basis of their fair value in accordance with the Group's strategy.

Note 14. Current trade and other receivables

in thousands of euros	31 Dec.2016	31 Dec.2015
Clients and invoices to be established	27 902	38 416
Depreciation	-1 801	-1 910
Current trade and other receivables	**26 101**	**36 506**

The carrying value indicated above represents the maximum exposure to the credit risk for this heading.

On December 31st, 2016, the contracts involve credit risk transfer: all the sold trade receivable has been derecognized (see below).
The amount of receivables sold with credit risk transfer and derecognized under IAS 39 in connection with factoring contract at December 31st, 2016 amounted to €5.9 million.

The anteriority of the commercial receivables as at the closing date is analyzed as follows:

in thousands of euros	31 Dec.2016	31 Dec.2015
Unmatured (*)	12 498	19 428
0-30 days	2 582	2 954
31-120 days	6 388	6 195
120-360 days	2 515	6 110
More than one year	2 118	1 818
Customers and other debtors	**26 101**	**36 506**

(*) All of the unmatured receivables are at less than one year.

The depreciation of commercial receivables developed as follows during the financial year:

in thousands of Euros	31 Dec.2016	31 Dec.2015
Depreciation: Balance as at January 1st	1 910	5 148
Period funding	212	295
Impairment loss	-321	-600
Change in scope	0	-2 932
Depreciation: balance on December 31st	**1 801**	**1 910**

The depreciation corresponds mainly to due receivables which collectability presents a risk on December 31st, 2016.

i. Receivables transferred without transfer of credit risk

On December 31st, 2016 there are no factoring agreements without risk transfer.

ii. Receivables sold without credit risk transfer

The contractual terms of factoring agreements HiMedia SA, Adysseum Sarl, Quantum SAS and Local Media SAS allow the transfer of significant risks and rewards related to receivables sold, and thus their derecognition of balance sheet.

According to IAS 39, receivables transferred to third parties (factoring contract) are removed from the Group's assets, when associated risks and benefits are substantially transferred to third parties and if the factoring company in particular supports the credit risk, the interest rate risk and the recovery period (Note 1.9).

Note 15. Other current assets

All of the other current assets are due at less than one year.
The prepaid charges correspond mainly to the part of the general expenses relative to the period after December 31st, 2016.

in thousands of euros	31 Dec.2016	31 Dec.2015
Financial and corporate assets	9 496	9 843
Receivables of related parties	439	635
Prepaid charges	706	453
Factor guarantee fund	608	608
Other	2 740	2 264
Other current assets	**13 988**	**13 804**

The item Financial and corporate assets is mainly composed of VAT and IS receivables.

Note 16. Cash and cash equivalents

in thousands of euros	31 Dec.2016	31 Dec.2015
"OPCVM" fund shares	-	-
Cash reserve with the factor	-	-
Liquid assets	5 690	7 434
Cash and cash equivalents	**5 690**	**7 434**

Note 17. Shareholders' equity

For the consolidated variation of shareholders equity of the group, see page 8 above.
The nominal value of the HiMedia share is €1.50.
Management of the shareholders' equity concerns the shareholders' equity as defined in the IFRS standards. It consists mainly in deciding the level of the present or future capital as well as on payout of dividends.

The shareholders' equity contains the share of minorities and Group share. The share of the minorities consists of the share held by non-Group shareholders of HiMedia Portugal, Adexpert, Local Media, Quantum and Latam Digital Venture. It varies mainly as a function of changes in those subsidiaries' reserves and earnings from its subsidiaries.
Shareholders' equity Group share consists of the share capital of HiMedia SA, reduced by the internally held shares, as well as the reserves and earnings accumulated by the Group.
The Group wants to have the employees participate in the capital by allocations of stock options and of free shares.

Note 18. Loans and financial liabilities

in thousands of Euros	Non-current	Current	*Issue currency*	*Expiration*	*Effective rate*
Zero-interest financing for innovation	1 840	480	EUR	2021	0
Tax credit funding	1 576		EUR	2019	Variable
Total	**3 416**	**480**			

In 2016, French tax receivables (« *Crédit d'Impôt Recherche* » and « *Crédit d'Impôt pour la Compétitivité et l'Emploi* ») were funded by a bank for €1,576k. As of December, 31st 2016, these receivables remain in the assets of the financial statements.

Note 19. Non-current Provisions

19.1. Details concerning non-current provisions

in thousands of euros	31 Dec.2016	31 Dec.2015
Provisions for risks and expenses	125	184
End-of-career benefits	571	569
Non-current provisions	**696**	**753**

19.2. Non-current provisions

in thousands of euros	31 Dec.2015	Increase	Decrease - Non used	Decrease - Used	31 Dec.2016
Non-current provisions	184	75	-	-134	125

Provisions for risks and charges are primarily linked with trade litigation and disputes.

19.3. Staff benefits

Group commitments mainly concern French entities. The evaluation of these last is determined by the method of projected credit units.
Commitments have been calculated in accordance with the provisions of the advertising collective agreement of HiMedia except for Admoove which is calculated in accordance to the collective agreement of SYNTEC.

The provision relative to the Group's retirement commitments is as follows:

in thousands of euros	31 Dec.2016	31 Dec.2015
Discounted value of the obligations as at January 1	569	759
Cost of services rendered and financial cost	67	22
Actuarial losses/(gains) recognized in equity	- 64	- 68
Change in scope	-	- 144
Discounted value of the obligations as at December 31	**571**	**569**

The assumptions used in the assessment of pension liabilities for the French entities at closing are as follows:

	2016	2015	2014
Discounting rate	1,40%	2,00%	1,60%
Rate of future increase of salaries	2,50%	2,50%	2,50%
Retirement age (Executives)	67 years	67 years	67 years
Retirement age (Non-Executives)	62 years	62 years	62 years
Actuarial table	INSEE F 2010	INSEE F 2010	INSEE F 2010

The assessment of the commitments is calculated according to the projected unit credit method.

Note 20. Other current debts and liabilities

Other debts are mainly due to less than one year.

in thousands of euros	**31 Dec.2016**	**31 Dec.2015**
Taxation and social liabilities	9 704	10 221
Debts on fixed assets	202	541
Prepaid income	131	952
Other liabilities	1 388	2 146
Other current liabilities	**11 425**	**13 860**

The entry Taxation and social liabilities is mainly constituted of VAT and debt to social welfare entities.

Note 21. Working capital required

in thousands of Euros	Notes	31 Dec.2015	Cash impacts	Other movements	Perimeter change	Foreign exchange	31 Dec.2016
Customers and other debtors	Note 14	36 506	- 10 645	407	- 25	- 142	26 101
Fiscal and social assets	Note 15	9 843	- 154	- 194	-	- 0	9 496
Current account	Note 15	635	- 202	-	-	5	439
Prepaid expenses	Note 15	453	262	-	-	- 10	706
Other receivables	Note 15	2 872	60	457	-	- 41	3 348
Sub-total asset (1)		**50 309**	**- 10 679**	**670**	**- 25**	**- 188**	**40 088**
		-	-	-	-	-	-
Suppliers and other creditors		53 647	- 12 378	- 407	- 24	- 227	40 612
Taxation and social liabilities	Note 20	10 221	- 615	139	-	- 40	9 704
Debts on fixed assets	Note 20	541	-	- 340	-	-	202
Deferred incomes	Note 20	952	- 820	-	-	- 0	131
Other liabilities	Note 20	2 147	- 1 113	- 0	-	355	1 388
Sub-total liabilities (2)		**67 508**	**- 14 926**	**- 609**	**- 24**	**88**	**52 037**
		-	-	-	-	-	-
Working capital required (1) - (2) - (3)		**- 17 199**	**4 247**	**1 279**	**- 1**	**- 275**	**- 11 949**

The other movements on customers and other debtors are mainly linked to HiMedia SA deconsolidated factor agreements. This cash flow appears on cash flow resulting from financial activities in the table of cash flow consolidated.

Note 22. Segment information

22.1. Earnings by activity

In thousands of euro	Growth activities [1]		Legacy activities		Total	
	2016	2015	2016	2015	2016	2015
Sales	30 479	17 440	28 672	47 304	59 151	64 744
Gross profit	14 665	8 872	12 162	10 500	26 827	19 371
EBITDA	1 088	81	27	-10 445	1 116	-10 364
Current operating profit	625	-144	-1 284	-11 496	-659	-11 640
Operating profit	483	-5 427	-1 217	-33 378	-734	-38 805
Financial result	-320	-122	23	-604	-297	-726
Income Tax	-358	-131	25	-4 507	-333	-4 638
Net income of the consolidated companies	-195	-5 680	-1 121	-38 550	-1 316	-44 230

[1] Growth activities correspond to native and local advertising (or community advertising for Spanish speakers in the United States) including the Admoove, Local Media, Himedia Sweden, Latam Digital Ventures and Quantum

22.2. Total current assets and non-current assets

	Growth activities		Legacy activities		Total	
in thousands of Euros	2016	2015	2016	2015	2016	2015
Non-current assets	1 173	863	23 958	33 914	25 131	34 777
Current assets	29 317	19 253	19 720	39 144	49 037	58 397
Net Assets	**30 490**	**20 116**	**43 677**	**73 058**	**74 169**	**93 175**

Note 23. Stock option plan and allocations of free shares

23.1. Stock options

	Plan n°11	Plan n°12	Total
Meeting date	03 May 11	03 May 11	
Date of Board of Directors meeting	31 jan. 12	27 Aug. 2012	
Total number of shares allocated (1)	385 000	105 000	**490 000**
Total number of shares available for subscription	165 058	64 600	**229 658**
Including number of shares that could be acquired by executive officers	0	49 600	**49 600**
Including number of shares that could be acquired by the ten leading employee	159 620	0	**159 620**
Beginning of exercise of the options	31 jan. 14	27 Aug. 2014	
Date of expiration	31 jan. 22	27 Aug. 2022	
Subscription price (in euros) (2)	2,13	1,93	
Number of options subscribed to on Dec. 31st, 2016	-	-	**-**
Options cancelled during the period	1 367	0	**1 367**
Remaining options non subscribed	25 947	10 155	**36 102**
Data after share consolidation and after adjustment resulting from the distribution of HiPay securities (3)			
Total number of shares available for subscription	25 947	10 155	**36 102**
Including number of shares that could be acquired by executive officers	0	7 797	**7 797**
Including number of shares that could be acquired by the ten leading employee	25 092	0	**25 092**
Subscription price (in euros)	13,55	12,28	

(1) Options allocated to the employees present to this day in the Company, the employees having left the Company being unable to retain the benefit of such options.

(2) Subscription price of the calculated options on the day of allocation of the options and corresponding to the weighted average of the market prices for the last twenty trading sessions (for certain plans, a 5% reduction has been applied).

(3) As part of the distribution of 80% of HiPay Group's shares in June 2015, the company adjusted the subscription price of the options to take into account the effect of this distribution on the share price Hi-Media.
The company also adjusted the number of allocated options to preserve the rights of allottees.
Finally, the number of options takes into account the grouping of shares made in July, 2015 with a parity of 1 new action for 15 old actions.

The number of options and the weighted average of the exercise prices are as follows:

	2016		2015	
	Options	**Weighted average exercise price**	**Options**	**Weighted average exercise price**
Options in circulation at the opening	37 470	13,21	20 624	29,10
Options allocated during the period	-	-	-	-
Consequential adjustments to the distribution of securities HiPay Group	-	0,00	21 579	- 10
Options exercised during the period	-	0,00	3 167	17,10
Options cancelled during the period	1 367	13,55	1 567	31,95
Options in circulation at the close	36 102	13,19	37 470	13,21
Options that could be exercise at the close	36 102	13,19	37 470	13,21

The parameters adopted for valuing the share option plans granted after November 7th, 2002 are as follows:

Date of the Board of Directors' meeting	31 Jan. 2012	27 Aug. 2012
Number of options allocated	385 000	105 000
Fair value of an option on the date of allocation	0,42	0,45
Fair value of the plan on the date of allocation	228 611	47250
Exercise price of the option	2,13	1,93
Exercise price of the option (after distribution of the HiPay and consolidation shares)	13,55	12,28
Anticipated volatility of the option price	55%	51%
Anticipated lifetime	2 ans	2 ans
Dividend expected on the options	-	-
Option lapse rate adopted	-	-
Risk-free interest rate adopted	0.96%	0.10%

23.2. Allocations of free shares

	Plan n°27	Plan n°28	Total
Meeting date	03 May 11	06 May 14	
Date of the Board of Directors' meeting	11 Oct. 2013	07 Sep. 2015	
Total number of shares allocated	667	66 000	66 667
Including the number of shares that can be subscribed to by the executive officers	-	-	-
Including the number of shares that can be subscribed to by the leading ten employee allocated	-	51 000	51 000
Number of cancelled shares	-	9 000	9 000
Number of shares definitively allocated as at Dec. 31, 2015	667	-	667
Number of shares that can be definitively allocated	-	57 000	57 000
End of acquisition period	11 Oct. 2015	07 Sep. 2018	
End of retention period	11 Oct. 2017	07 Sep. 2019	
Share price on the date of the executive board meeting	27,00	7,65	
Non-transferability discount	yes	yes	
Fair value of the free share	16,95	6,51	

Note 24. Off balance sheet commitments

24.1. Commitments received

HiMedia has no commitment applicable on 31st December 2016.

24.2. Commitments given

The lease signed on May 2nd 2014 concerning the premises housing of the French operations of the Group, which represents a commitment of €1.05 million per year (non-indexed) until June 30th, 2020.

In addition, HiMedia has a long-term lease for a portion of its computer population. This contract represents an annual rent (undiscounted) of €204k.

24.3. Litigations

Some labor relations litigations have arisen with former employees disputing the legitimacy of their dismissals. The company has set aside the provisions it considers necessary in the light of its judgment of the justification for the plaintiffs' demands.

Note 25. Events that have occurred since December 31st, 2016

None

Note 26. Significant events of the period

Under an agreement dated May 2, 2016 with the company BJ Invest, HiMedia sold 10% stake in the company HiPay Group SA (ie 495,497 shares) to BJ Invest SAS. This transaction took place partly in cash (300,723 shares HiPay Group SA for 3,118,497.51 euros) and partly by delivery as payment in kind of 288,545 shares previously held by HiMedia BJ Invest SAS.

As of May 9, 2016, HiMedia SA acquired 20% stake in its subsidiary Mobvious Italia from its founder individual and now owns 100% of the subsidiary.
On July 29th, 2016, HiMedia sold its 14% shares in the capital of HiMiedia Brazil.

Transactions between affiliated parties

26.1. Compensation of members of management bodies

26.1.1. Executive officers

in thousands of Euros	31 dec.2016	31 Dec.2015
Short term employee benefit (including benefits)	308	374
Non current benefit	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Providing termination benefits	-	-
Sharebased payment	-	-
Total	**308**	**374**

26.1.2. Non executive officers

The remuneration of non executive officers is only composed of attendance fees for 37.333€

26.2. Transactions with the subsidiaries

HiMedia SA charges its subsidiaries ad serving costs, holding costs (management fees), brand fees and personal expenses, which are eliminated in the consolidated accounts.

26.3. Other affiliated parties

On May 2nd, 2016, HiMedia was part of a shareholder agreement whereby HiMedia acquired its own shares (288.545) from its shareholder BJ Invest (see Significant events of the period).

During 2016, no significant operation has been carried out with:

- shareholders holding a significant voting right in the HiMedia S.A. capital,
- members of the management organs, including the directors,
- entities over which one of the main senior managers or shareholders exercise control, or notable influence, or hold a significant voting right.

Note 27. Auditors fees

	KPMG Amount (VAT excl.)		Mazars Amount (VAT excl.)		Other Amount (VAT excl.)	
in thousands of Euros	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Statutory audit, review of statutory and consolidated accounts						
- Hi-Media S.A.	85	89	105	106		-
- Fully consolidated subsidiaries	37	33	44	30	30	21
Other services non related to the statutory audit						
- Hi-Media S.A.	-	-	-	-	-	-
- Fully consolidated subsidiaries	-	-	-	-	-	-
Total	**122**	**122**	**149**	**136**	**30**	**21**