



2010 Consolidated Financial Statements

Limited company with Capital of 4 446 949,50 euros
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Consolidated financial statements for FY 2010 and 2009

<i>in thousands of euros</i>	Notes	31 Dec 2010	31 Dec 09
Turnover	4	222 044	172 323
Expenses invoiced by the media		-146 471	-109 272
Gross margin		75 573	63 051
Purchases		-22 523	-19 571
Personnel expenses	5	-33 567	-23 025
Transfers to and write-backs from depreciation and provisions		-3 466	-3 939
Operating profit(before valuation of stock options and bonus shares)		16 017	16 516
Valuation of stock options and bonus shares	6	-1 854	-2 216
Other non-current income and expenses	9	-62 157	-2 520
Operating profit		-47 994	11 780
Cost of debt	7	-2 153	-2 079
Other financial income and expenses	7	534	111
Income of consolidated companies		-49 613	9 812
Share in the earnings of associates		360	372
Earnings before tax of consolidated companies		-49 253	10 185
Taxes	8	-5 590	-3 265
Taxes on non-recurring items	8	-3 806	-
Net income from consolidated companies		-58 648	6 920
Minority interests		533	425
Including Group share		-59 181	6 495

	Notes	31 Dec 2010	31 Dec 09
Weighted average number of common shares		43 999 442	40 770 268
Basic earnings per share (in euros)		(1,35)	0,16
Weighted average number of common shares (diluted)		46 389 791	43 045 166
Diluted earnings per share (in euros)		(1,28)	0,15

Statement of comprehensive income for FY 2010 and 2009

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Profit for the period	(58 648)	6 920
Other comprehensive income		
Actuarial gains and losses connected with the provisions for retirement	-19	-17
Application of hedge accounting to the financial instruments	356	-107
Translation differentials	4 253	-2 467
Other	-	-
Tax in other comprehensive income	-	-
Other comprehensive income, net of tax	4 590	-2 590
including group share	4 590	-2 566
including minority interests	-	-24
Comprehensive income	(54 058)	4 330

Consolidated balance sheets at 31 December 2010 and 31 December 2009

ASSETS - in thousands of euros	Notes	31 Dec 2010	31 Dec 09
Goodwill, net	9	121 419	170 005
Net intangible assets	10	7 671	13 298
Net PPE	11	1 609	2 803
Deferred tax credits	12	5 072	10 744
Other financial assets	13	2 029	1 608
Non-current assets		137 800	198 458
Trade and other receivables	14	83 513	69 918
Other current assets.	15	23 622	14 400
Current financial assets		-	19
Cash and cash equivalents	16	14 770	19 485
Current assets		121 904	103 822
TOTAL ASSETS		259 704	302 280
LIABILITIES - in thousands of euros	Notes	31 Dec 2010	31 Dec 09
Share capital		4 447	4 427
Bond and share premiums		123 975	123 348
Reserves and retained earnings		34 423	22 435
Treasury shares		-2 105	-1 916
Consolidated net income (group share)		-59 181	6 495
Shareholders' equity (group share)		101 558	154 788
Minority interests		1 014	824
Shareholders' equity	17	102 573	155 612
Long-term borrowings and financial liabilities	18	14 978	36 014
Non-current provisions	19	828	982
Non-current liabilities	20	542	897
Deferred tax liabilities	12	572	628
Non-current liabilities		16 919	38 521
Short-term financial liabilities and bank overdrafts	18	33 638	15 202
Current provisions		-	-
Trade and other payables		80 935	69 058
Other current debts and liabilities	19	25 640	23 887
Current liabilities		140 213	108 147
TOTAL LIABILITIES		259 704	302 280

Table of consolidated cash flows for FY 2010 and 2009

<i>in thousands of euros</i>	Notes	31 Dec 2010	31 Dec 09
Net income		-58 648	6 920
<i>Adjustments for:</i>			
Depreciation of fixed assets		4 050	4 374
Losses of value	9	61 746	-
Investment products		-	-46
Cost of net financial debt	7	2 153	2 079
Share in associated companies		-360	-372
Net income on disposals of fixed assets		34	48
Costs of payments based on shares	6	1 854	2 216
Tax charge or proceeds	8	9 395	3 265
Operating profit before changes in working capital		20 224	18 484
Changes in working capital requirements		-4 804	5 253
Cash coming from operating activities		15 419	23 737
Interest paid		-2 235	-1 711
Tax on earnings paid		-2 085	-4 365
NET CASH FLOW RESULTING FROM OPERATING ACTIVITIES		11 099	17 661
Income from sale of fixed assets		-	815
Valuation at fair value of cash equivalents		23	89
Proceeds from sale of financial assets		58	-
Disposal of subsidiary, after deduction of cash transferred		-	-
Disposal of subsidiary, after deduction of cash transferred		-7 733	-8 500
Acquisition of fixed assets		-3 889	-5 380
Change in financial assets		-271	-140
Change in asset suppliers		-2	-440
Impact of changes in consolidation		-	-
NET CASH FLOW RESULTING FROM INVESTMENT ACTIVITIES		-11 813	-13 557
Proceeds from share issues		22	22
Repurchase of own shares		-	-
New borrowings	18	-	6 016
Repayments of borrowings	18	-9 066	-7 832
Change in other debt	18	5 796	-1 167
Dividends paid		-342	-391
NET CASH FLOW RESULTING FROM FINANCIAL ACTIVITIES		-3 591	-3 352
NET CHANGE IN CASH POSITION AND CASH EQUIVALENTS		-4 305	699
Impact of changes in exchange rates		-441	-53
Cash and cash equivalents at 1 January		19 485	18 785
CASH AND CASH EQUIVALENTS AT END OF PERIOD ⁽¹⁾		14 739	19 485

(1) Asset cash flow reduced by bank overdrafts. See Note 18 Loans and borrowings.

Table of changes in consolidated shareholder's equity for FY 2010 and 2009

<i>in thousands of euros</i>	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 (group share)	Equity minority interests	Shareholders' equity
On 1 January 2009	39 806 458	3 981	103 011	-6 160	4 240	2 791	20 627	128 491	813	129 305
Dividends paid by the subsidiaries to the minority interests	-	-	-	-	-	-	-	-	-391	-391
Exercise of stock options	523 537	52	4 435	-	-4 465	-	-	22	-	22
Repurchase of shares ⁽³⁾	-	-	-	345	-	-	-	345	-	345
Treatment of options and restricted shares ⁽⁴⁾	-	-	-33	-	1 807	-	-	1 774	-	1 774
Acquisition of Adlink	3 940 000	394	15 935	3 899	-	-	-	20 228	-	20 228
Income and expenses recognized directly in equity	-	-	-	-	-	-2 566	-	-2 566	-24	-2 590
Net income for the period	-	-	-	-	-	-	6 495	6 495	425	6 920
Comprehensive income	-	-	-	-	-	-2 566	6 495	3 928	401	4 330
at 31 December 2009	44 269 995	4 427	123 348	-1 916	1 583	225	27 122	154 788	824	155 612
Dividends paid by subsidiaries to the minority interests	-	-	-	-	-	-	-	-	-342	-342
Exercise of stock options	199 500	20	20	-	-18	-	-	22	-	22
Repurchase of shares ⁽³⁾	-	-	-	-189	-	-	-	-189	-	-189
Treatment of options and restricted shares ⁽⁴⁾	-	-	608	-	921	-	-	1 529	-	1 529
Income and expenses recognized directly in equity	-	-	-	-	-	4 590	-	4 590	-	4 590
Net income for the period	-	-	-	-	-	-	-59 181	-59 181	533	-58 648
Comprehensive income	-	-	-	-	-	4 590	-59 181	-54 591	533	-54 058
at 31 December 2010	44 469 495	4 447	123 975	-2 105	2 486	4 815	-32 059	101 558	1 014	102 573

⁽³⁾ At December 31, 2010, Hi-Media SA held 239,153 shares plus 151,617 shares purchased under the liquidity contract.

⁽⁴⁾ See Note 24 on stock option plans, stock and bonus shares.

Notes to the Group's consolidated financial statements

The consolidated financial statements for year 2010 and the notes have been prepared under the responsibility of the Hi-Media S.A. Board of Directors, and were closed at its meeting held on 17 March 2011 and will be submitted for approval to the Shareholders' Meeting on 3 May 2011.

Note 1. Accounting principles and methods

1.1. Reporting entity financial statements

Hi-Media ("The Company") is a business domiciled in France. The Company's registered office is located at 15/17 rue Vivienne, 75002 Paris. The Company's consolidated financial statements for the financial year ended 31 December 2010 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 and joint ventures.

1.2. Basis of preparation

In application of European regulation n° 1606/2002 of 19 July 2002, the consolidated financial statements published for financial year 2010 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 31 December 2010 (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 euros, which is the Company's operating (functional) currency. All financial information presented in euros 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 1 January 2010 and listed below.

The accounting methods are applied uniformly by the Group entities.

The group Hi-Media has applied the same accounting policies in its audited financial statements for the year ended 31 December, 2009, with the exception of the following elements:

a) New standards, amendments and interpretations, which were compulsory as of the fiscal year beginning on 1 January 2010, which had no impact on the group's accounts:

- IFRS 3 and IAS 27 (Revised) - Business Combinations. The Group will apply IFRS 3 and revised IAS 27 for all future groups .
- IFRIC 12 - Service Concession Agreements
- IFRIC 15 - Agreements for building construction
- IFRIC 16 - Hedging a net investment abroad
- IFRIC 17 - Distribution of non-cash assets to shareholders
- IFRIC 18 - Transfer of assets by clients

b) The new standards, amendments and interpretations published but not adopted by the EU, which are not mandatory for the financial year commencing on 1 January 2010 and which were not applied in advance:

- Amendment to IFRIC 14 - Prepayments of a minimum funding requirement
- Amendment to IAS 32 - Classification of rights issues
- IFRIC 19 – Extinguishing financial liabilities with equity instruments

1.3. Consolidation principles

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained until the date that control ceases. Accounting policies of subsidiaries are changed where necessary to align with those adopted by the Group.

1.3.1. Companies under exclusive control

The companies controlled directly or indirectly by Hi-Media S.A. 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 investment includes 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. Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control under a contract that requires unanimous agreement for strategic financial and operating decisions. They are proportionately consolidated.

1.3.4. Transactions eliminated in the consolidated financial statements

Balance sheet amounts and transactions, income and expenses arising from intragroup transactions are eliminated in the preparation of the consolidated financial statements. Gains arising from transactions with associate companies are eliminated by the consideration of investments in equity shares up to the Group's interest in the company. Losses are eliminated in the same way as earnings, but only insofar as they do not represent a loss of value.

1.4. Foreign currency

1.4.1. Foreign currency transactions

Exchange differences on assets 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 denominated in foreign currencies are translated into euros at closing rates of the year, excluding the net position that is kept in its historical value. The income statements and cash flows denominated in foreign currencies are translated at average monthly exchange rate in the absence of significant fluctuations in the exchange rate. Translation differences resulting from the application of these rates are not included in income for the period have no impact on translation reserve in the consolidated accounts.

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 euros 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 euros 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 judgements

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, revenues and expenses, and of certain information provided in notes on the assets and liabilities, in particular:

- goodwill and related impairment tests,
- intangible assets acquired,
- deferred tax credits,
- impairment of receivables,
- provisions for risk,
- expense of stock options and bonus shares.
- financial instruments

The estimates and underlying assumptions are developed on the basis of past experience and other factors deemed reasonable under the circumstances. They are also used as the basis for the exercise of judgements necessary for determination of the carrying values of assets and liabilities, which cannot be obtained directly from other sources. In view of the inherently uncertain nature of these valuation methods, the final 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 recorded 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 assets

1.6.1. Goodwill

Business combinations made within the Group that occurred prior to the implementation of the revised IFRS 3, goodwill in the Group financial statements is the difference between the purchase price of shares in consolidated companies, plus internal and external costs directly attributable to the acquisition and the Group's share of the fair value of net assets at the date of the equity. Goodwill is not amortized, it is tested for impairment at the onset of signs of impairment and at least once a year. Goodwill is broken down by cash-generating units, which correspond to sets of assets generating independent cash flows. The methods used to test for impairment of cash generating units are detailed in note 1.8 au-dessous. In the event of impairment, depreciation is included in profit for the year.

Goodwill relating to the acquisition of associates is included in the value of "Investments in associates". They are tested through the impairment test performed on the securities.

When the acquisition protocol provides for a purchase price adjustment based on future events such as the accomplishment in future periods of a specified level of revenues, income, working capital of the acquired company, the amount of that adjustment is recognized based on the best estimate of Hi-Media at the date of acquisition or as soon as the adjustment is probable and can be measured reliably. If those future events do not occur or the estimate needs to be revised, the acquisition price is adjusted accordingly.

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 capitalised as intangible assets as soon as the company can demonstrate:

- its intention and financial and technical ability to conduct the development project to completion;
- its ability to use or sell the intangible asset, upon completion;
- the availability of adequate technical and financial resources to complete the development and sale;
- that it is likely that the future economic advantages attributable to the development expenditure will go to the business;
- 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 and 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. The same amount is recorded as financial liabilities. These assets are amortized using the method and useful lives described below.

The depreciation is expensed over the estimated useful life for each asset.

The estimated useful lives are as follows:

Fixtures and fittings	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 reviewed at each balance sheet date to determine whether there is objective evidence of impairment. The Group considers that a financial asset is impaired if there is objective evidence that one or more events have had a negative impact on the estimated future 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 assets are reviewed at each balance sheet date to determine whether there is any indication that an asset has been impaired. If any such indication exists, the recoverable amount of the asset is estimated. For goodwill, intangible assets with indefinite useful lives or that are not yet ready to be put into service, the recoverable amount is estimated at each balance sheet date. The recoverable amount of an asset or cash-generating unit is the highest value between their value and usefulness of fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted pre-tax rate that reflects current market assessments of time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped into the smallest group of assets that generates cash inflows resulting from continued use, largely independent of cash inflows from other assets or groups of assets (CGU – cash generating unit). An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds 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 as goodwill cannot be reversed. For other assets, the Group assesses at each balance sheet date whether there is an indication that impairment losses recognized in prior periods have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The carrying value of an asset, increased due to the reversal of an impairment loss shall not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss been recognized.

1.9. Receivables

Trade receivables are initially measured at fair value and subsequently at amortized cost and subject to individual consideration. An impairment loss is recorded when the inventory value (present value of estimated future cash flows) is less than 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.

Credit risk is the risk of not recovering receivables. Under contracts deconsolidating Group entities, the credit risk is supported by the billing company, which means that the Group is no longer exposed to risks regarding the recovery and therefore the transfer is deemed without recourse.

Rate risk and payback period is the transfer of financial risk associated with the lengthening of the debt collection period and carrying costs relating thereto. Under contracts deconsolidating Group entities, the commission rate for a given assignment is adjusted solely according to EURIBOR and the time of settlement of the previous assignment. The financing commission is also paid at the beginning of the period and not subsequently modified.

Technical dilution is linked to non-payment of the debt by reason of default on the services rendered or commercial litigation. For each deconsolidating contract signed by the entities of the Group, the warranty does not cover general risks nor the risk of delayed payment; the guarantee fund is established to cover the debts (assets 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 cash reserve account 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. Capital

1.11.1. Ordinary shares (common stock)

Ordinary 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.

1.11.2. Repurchase of equity instruments (treasury shares)

If the Group purchases its own equity instruments, the amount of the consideration paid including directly attributable costs are recorded net of tax deducted from equity. Repurchased shares are classified as treasury shares and deducted from equity. When shares are sold or reissued, the amount received is recorded as an increase in equity, and positive or negative balance of the transaction is transferred to increase or reduction of retained earnings.

1.12. Loans

All borrowings are initially recognized at fair value of the consideration which is the cost, net of expenses directly attributable to these loans. Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest rate method. This rate is the rate of return that enables the update of the series of expected cash flows over the life of the loan. In addition, if the loan includes an embedded derivative (e.g. in the case of an exchangeable bond) or includes a component of equity (e.g. a convertible bond), then the amortized cost is calculated solely on the debt component, so once the embedded derivative instrument or component of equity has been separated. In case of change of expected future cash flows (e.g. early redemption that was not initially expected), then the amortized cost is adjusted against earnings to reflect the new value of expected cash flows, discounted at original effective interest.

1.13. Derivative financial instruments

Derivative financial instruments are used for the purpose of managing exposure to financial risks. All derivatives are carried at fair value: initially at the date the contract was signed and subsequently at every closing. The treatment of revaluation gains or losses depends on whether or not the derivative is designated as a hedging instrument and, if so, the type of hedged item.

Changes in fair value of derivatives that are not designated as hedging instruments are recognized in earnings during the financial period to which they relate. Fair values are based on market values for listed instruments or mathematical models, such as option pricing models or methods of discounting cash flows for unlisted instruments.

Changes in fair value of derivatives designated as hedges of 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.

1.14. Provisions

A provision is recognized when the Group has a current obligation, legal or constructive resulting from past events in relation to a third party and it is probable or certain that it will entail an outflow of resources for the benefit of third party. In the case of restructuring, a bond is formed when the restructuring has been announced and included in detailed a plan or a start of execution.

A provision for onerous contracts is recognized when the expected economic benefits of the contract by the Group are lower than the unavoidable costs to be incurred to meet contractual obligations. The provision is measured at present value of the lowest expected cost of the termination or the execution of the contract.

As part of a business combination, a provision is recorded for the purchase contracts existing in the acquired company with unfavorable conditions compared to the market on the date of acquisition.

1.15. Employee benefits

1.15.1. 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 have 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.

1.15.2. Defined-benefit pension plans

A defined-benefit plan refers to post-employment defined benefits other than defined contribution plan.

The Group's net obligation regarding defined benefit schemes is assessed separately for each plan by estimating the amount of future benefits earned by employees in exchange for services rendered during the current period and prior periods; this amount is discounted to determine its current value. Past service costs and unrecognized fair value of plan assets is then deducted. The calculations are performed annually 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.

1.15.3. Benefits upon termination of the employment contract

Terminal benefits of employment contract are expensed when the Group is demonstrably committed, without realistic possibility to withdraw, in a detailed formal plan or dismissal before the normal date of retirement, or offers encouraging voluntary redundancy in order to downsize, and that those concerned have been informed before the closing date. Voluntary severance payments are expensed when the Group has made an offer encouraging voluntary redundancy, it is likely that this offer will be accepted and the number of people who accept the offer can be reliably estimated.

1.15.4. 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 in the amount the Group expects to pay under the incentive plans and the premiums paid on a short-term cash flow basis 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.

1.15.5. 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.

i. Instruments settled by issuing Hi-media 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 Hi-Media 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 are revalued at each balance sheet. Where appropriate, the valuation difference is recognized in the income statement.

1.16. Segment information

In accordance with IFRS 8 applied beginning from FY 2008, 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, Hi-media's operational sectors correspond to the following sectors:

- Advertising
- Micropayments
- Publishing

This identification is based on the group's internal organisational systems and management structure.

Accordingly in Note 23 the Group provides the following information:

- segment turnover, margin and the 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.

1.17. Income tax

Income tax expense (charge or income) includes the tax expense (income) and the deferred tax expense (income). 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 do not give rise to recording 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 differences 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 realised and the liability settled, on the basis of the taxation rules and regulations that have been adopted or virtually adopted as of 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 realise the credits and to settle the 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.

Regarding the CVAE component, the contribution for added value, of the CET, a business tax newly introduced in France by the 2010 Finance Law, the Group has decided to qualify it as income tax. The CVAE meets the definition of an income tax as set out in IAS 12.2 ("taxes on the basis of taxable profits"). The IFRIC has also specified that, to enter the scope of IAS 12, taxes should be calculated on the basis of net income and expense and that this net amount may differ from net income. The group felt that the CVAE met the criteria mentioned in this part, since the added value is the intermediate level of income that serves a systematic basis according to French tax rules, the determination of the amount due under the CVAE. The Group also considered that the CVAE had certain characteristics similar to other foreign taxes such as IRAP in Italy, as has already been included in the scope of IAS 12.

Moreover, the depreciation deduction is not allowed as the value on which the tax is based, a deferred tax liability should be determined on the basis of net fixed assets on the balance sheet entities subject to this tax.

1.18. Revenue recognition

Recognition of gross revenue

Under IAS 18-7/18-8, the company that acts as a principal in the transaction recognizes the amounts billed to end customers as revenue. 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 render the services. From that viewpoint, Hi-Media referred to EITF 99-19, within the framework of application of IFRS, which gives a list of indicators to determine whether the company is acting as a principal or as an agent. Hi-Media has ensured that the indicators showing that the Company acts as a principal were indeed present in connection with the transactions made with its customers, advertisers or users.

1.18.1. Advertising Activity

The advertising network business consists of providing advertisers with a comprehensive service on their advertising campaigns on websites with which Hi-Media has signed a management contract. In this connection, Hi-Media generally intervenes as the advertiser's sole service provider, and not as a commission agent. Hence in such a case, the advertiser does not have any contractual relationship with the website. The price of the services 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 on line, for distribution as well as for follow-up on the campaign (in both quantitative and qualitative terms) and collection on the invoices issued. Turnover corresponds to the amounts charged to advertisers.

In connection with certain contracts, Hi-Media intervenes as a mere business provider and distributor of the campaign. The website represented in this way then, itself, sees to advertiser billing and collection of the campaigns. Since Hi-Media intervenes only as an agent, turnover corresponds in this case to the fee charged by Hi-Media to the website.

The activity breaks down into four marketing methods:

- sale of advertising space at the cost per thousand;
- sale of performance-based operations;
- sponsorship contracts;
- sale of direct marketing operations.

The sale of advertising space includes putting on line and dissemination of advertising banners in different sizes on one or more media (websites) by Hi-Media in-house for a specified period. The value of the contracts depends on a 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 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 recognised as revenue.

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

The sale of direct marketing operations calls for selection and availability of addresses of voluntarily listed surfers, as well as for dispatch thereof by Hi-Media, in the interest of carrying out direct marketing operations. Hi-Media also offers companies an opportunity for installing programmes for recruiting prospects or improving customer loyalty, as well as for complete management of their databases. The sales are recognised at the time of dispatch of the messages or of realisation of the technical service.

The sale of direct marketing operations also includes "natural" listing services of the internet sites in the search engines. In this case, the turnover corresponds to the advisory services for which the customers are charged.

Finally, the sale of direct marketing operations includes paid listing services corresponding to traffic generation on the customer's site, and this is remunerated on a performance basis (generally "clicks"). The turnover corresponds to the amount invoiced to the customer for technical and advisory services, as well as the purchase of keywords on the search engines, if that is done by Hi-Media acting as "principal". The fact is that for certain contracts, the amount recognised as revenue is limited to the company's technical and advisory services insofar as the company, by virtue of the indicators contained in EITF 99-19, is deemed to act as an agent.

1.18.2. Micropayments

Micro-payment activity corresponds to two distinct activities:

- sale to surfers of codes that can then be used with various websites in order to access paid content
- Providing interactive voice response (IVR) and technical performance regarding the corresponding invoice.

In the first case, turnover is consistent with repayments made by telephone operators in respect of phone numbers or SMS used by the Internet to buy the codes from the Company. Hi-Media will then remunerate the website on which the code has been entered.

In the second case, Hi-Media intervenes to provide the customer with technical services and the turnover will be determined by finding the difference between the amount received from the telephone operators and the repayments made to the partners.

1.19. 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 non-current charges include, if such cases arise, the depreciation of consolidated goodwill, the capital gains or losses on disposal of consolidated companies or of activities, restructuring charges, the charges connected with exceptional terminations of contracts, and any other charge or income of non-recurring nature.

1.20. 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 ordinary 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 ordinary shares in circulation for the effects of all dilutive potential ordinary 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 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 managing 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 a counterparty to a financial instrument fails to meet its contractual obligations. This risk arises mainly from 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 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 individualised significant risks.

To minimize credit risk, the Hi-Media SA company has taken out credit insurance. 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.

Indemnification: 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 indemnification 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.

In addition, the companies Eurovox SAS, Mobile Trend SAS and Mobile Works SAS have concluded factoring contracts for which the main risks and advantages have been transferred to the factoring company (see note 1.9).

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

- Note 14 Trade and other receivables
- Note 15 Other current assets
- Note 16 Cash and cash equivalents

2.2. Liquidity risk

The liquidity risk corresponds to the risk that the Group will encounter difficulties in honouring its debts when they mature. The Group's approach to 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 optimising 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.

As at 31 December 2010, the remaining contractual maturities of financial liabilities were as follows (including the interest payments):

(in thousands of euros)	Book value	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Credit line 1 ¹	24 089	25 215	9 691	15 524	-
Credit line 2	135	135	135	-	-
Adlink vendor loan ²	12 479	12 501	12 501	-	-
Hi-Media SA factor ³ debt	11 881	12 024	12 024	-	-
Payables	81 176	81 006	81 006	-	-
Taxation and social liabilities	22 946	22 946	22 946	-	-
Other liabilities	2 453	2 440	2 440	-	-
Bank overdrafts	31	31	31	-	-
Total	155 190	156 298	140 774	15 524	-

¹ The rate used to determine the contractual future cash flows are based on the 3-month Euribor at 31 December 2010.

² This amount will be refunded in cash or through a capital increase of the company (see 25.1 Off-balance sheet assets)

³ The factoring debt will be extinguished once all of the customers have paid their debts to the factor or once the factor retransfers the unpaid invoices to Hi-Media.

2.3. Market risk

2.3.1. Currency risk

Currency risk is the risk that changes in exchange rates will affect the Group's earnings or the value of the financial instruments held. Currency risk management aims to control market risk exposures within acceptable limits, while optimizing the profitability/risk tandem.

The Group is exposed to an currency risk:

- on the activities of its subsidiaries based in the US (Hi-Media Group Inc. USA.), Sweden (Hi-Media Sales and Hi-Media Network) and the United Kingdom (Hi-Media Ltd.), fully consolidated and, to a lesser extent,
- in connection with the activity carried on by its subsidiaries consolidated on the basis of the equity method in China (Hi-Media Chine) and in Brazil (Hi-Media Brazil).
- on revenues from the micro-activity outside the euro area (primarily Latin America and the United States).

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

Regarding the micropayment business, the currency of repayment to partner sites may differ from the income received.

The Group's investments in its subsidiaries having a functional currency that is not the euro is not covered insofar as the Group considers that such exchange positions are long term in nature.

in thousands of euros

Sensitivity to exchange rate	USD	SEK	GBP
Total assets	2 513	21 823	3 583
Total liabilities	-8 219	-1 935	-10 441
Net position	-5 705	19 887	- 6 858
Assumptions regarding changes against the euro	1%	1%	1%
Impact on profit before tax	43	2	22
Impact on equity	55	-15	78

2.3.2. Interest rate risk

Following the purchase of a significant syndicated floating rate in 2007 (see Note 18 Loans and borrowings), the Group has adopted a policy of ensuring that at least 50% of the exposure to fluctuations in interest rates on borrowings is on fixed rates. To that end, some interest rate swaps were acquired in 2008.

2.4. Categorisation of financial instruments

<i>in thousands of euros</i>	Fair value by earnings	Assets available for sale	CATEGORIES			31 Dec 2010	
			Loans and receivables	Debts at amortised cost	Derivative instruments	value in balance sheet	Fair value
Other financial assets	468	1 561	-	-	-	2 029	2 029
Receivables	-	-	83 513	-	-	83 513	83 513
Other current assets.	-	-	21 798	-	-	21 798	21 798
Current financial assets	-	-	-	-	-	-	-
Cash and cash equivalents	14 770	-	-	-	-	14 770	14 770
FINANCIAL ASSETS	15 238	1 561	105 311	-	-	122 110	122 110
Loan and borrowings	-	-	-	48 615	-	48 615	48 615
Non-current liabilities	-	-	-	-	542	542	542
Payables	-	-	-	80 935	-	80 935	80 935
Other current debts and liabilities	-	-	-	25 097	-	25 097	25 097
FINANCIAL LIABILITIES	-	-	-	154 647	542	155 189	155 189

Fair value hierarchy

Financial instruments measured at fair value after 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 Derivatives are evaluated by reference to observable prices in active markets.
- Level 3 financial assets available 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 31 December 2010	% held directly and indirectly on 31 December 2009	Date of creation or acquisition	Date of financial year closeout
<i>Companies created</i>					
Hi-Media Belgium	Belgium	100%	100%	09.03.00	31.12
Hi-Media Portugal Lda	Portugal	53.90%	53.90%	31.10.00	31.12
Hi-Pi SARL	France	100%	100%	13.05.02	31.12
Hi-Media Advertising Web SL	Spain	100%	100%	29.12.06	31.12
HPMP SPRL	Belgium	100%	100%	17.09.07	31.12
HPME SA	Belgium	100%	100%	08.05.08	31.12
Allopass Scandinavia	Sweden	100%	100%	30.09.09	31.12
Allopass Mexico SRLCV	Mexico	100%	100%	17.07.09	31.12
<i>Companies acquired</i>					
Hi-Media Scandinavia AB	Sweden	100%	100%	11.12.00	31.12
Hi-Media Deutschland AG	Germany	100%	100%	30.04.01	31.12
Europemission SL	Spain	50%	50%	25.03.04	31.12
Hi-Midia Brasil SA	Brazil	25%	25%	18.07.05	31.12
Hi-Media China Limited	China	49%	49%	01.05.06	31.12
Allopass SAS	France	100%	100%	08.02.06	31.12
L'Odyssée Interactive SAS	France	88%	88%	31.05.06	31.12
Hi-Media Sales AB	Sweden	100%	100%	04.09.06	31.12
Groupe Hi-media USA Inc.	USA	100%	100%	27.11.07	31.12
Vivat SPRL	Belgium	44%	34%	14.03.08	31.12
Bonne Nouvelle Editions SARL	France	100%	100%	06.06.08	31.12
Mobile Trend SAS	France	100%	100%	13.06.08	31.12
Mobile Works SAS	France	100%	100%	13.06.08	31.12
Hi-media Nederland BV (prev. AdLink Internet Media BV)	Netherlands	100%	100%	31.08.09	31.12
Hi-media Italy Srl (prev. AdLink Internet Media Srl)	Italy	100%	100%	31.08.09	31.12
Hi-media Network Internet España SL (prev. AdLink Internet Media S.L.U.)	Spain	100%	100%	31.08.09	31.12
Hi-media Ltd (prev. AdLink Internet Media Ltd.)	UK	100%	100%	31.08.09	31.12
Net:Dialogs GmbH	Germany	100%	100%	31.08.09	31.12

During the year, the reorganization of the legal structure of the group took place:

- The legal form of Allopas SNC was changed on 23 December, 2010, from Allopas SNC to Allopas SAS

At 26 February, 2010, Hi-media increased its stake from 7.5% to 9.35% in the company Rue89 by subscribing to a capital increase of €150 k .

At 9 March, 2010, Hi-Media Belgium Sprl has increased its stake from 34.3% to 44% in the capital of the company Vivat by acquiring 13 additional shares from other shareholders for an amount of €1.

At 24 March, 2010, Hi-Media divested its 10% stake held in the capital of the company Sport.fr.

All subsidiaries are fully consolidated with the exception of Europermission SL, which is proportionately consolidated, and Hi-Media China Limited, Hi-Midia Brasil SA and Vivat, which are consolidated by the equity method.

Note 4. Turnover

The breakdown of turnover by activity is as follows:

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Advertising network	112 732	79 928
micropayments	111 337	94 647
Publishing	12 375	10 457
<i>Elimination of the intercompany transactions between activities</i>	-14 400	- 12 710
Turnover	222 044	172 323

The turnover in publishing Internet sites is the revenue after deductions of the advertising network commissions. In 2010, total turnover on the group's sites came to 6% of the total.

Note 5. Personnel expenses

The breakdown of the personnel expenses from salaries, benefits and provision for compensation at retirement are as follows:

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Salaries	24 667	16 534
Benefits/social security	8 868	6 464
Provision for compensation at retirement	32	27
Personnel expenses	33 567	23 025

The sharp increase was mainly due to the integration in the middle of the year of AdLink's workforce at 1 September, 2009.

Staff changes were as follows:

	31 Dec 09	Incoming	Outgoing	31 Dec 2010
France	227	88	66	249
Foreign	279	84	109	254
Staff	506	172	175	503

Note 6. Valuation of stock options and free shares

6.1. Profit for the period

The payroll charges relative to the options and free shares entered in the income statement in accordance with the IFRS 2 standard break down as follows:

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Valuation of stock options and free shares	1 529	1 774
Takeover of the Fotolog Inc. plans resumed	325	442
Payments based on equity instruments	1 854	2 216

6.2. Future expenses

6.2.1. Share-based payments settled by issuing Hi-Media shares

This expense is recalculated at each balance sheet date according to levels of achievement of performance criteria and rates of turnover. To determine the expected future burden on these plans, the parameters are updated at each balance sheet based on past performance and management's best estimate at that date. The final parameters will therefore be different from those originally estimated.

Therefore, the group decided to present this future burden in a sensitivity analysis.

Expenses 2011

		Turnover							
		0%	5%	10%	15%	20%	25%	30%	35%
Probability of attaining objectives	20%	1 139	1 015	891	767	643	519	396	272
	30%	1 192	1 064	937	810	683	556	429	302
	50%	1 298	1 164	1 030	897	763	630	496	362
	70%	1 404	1 264	1 124	983	843	703	562	423
	90%	1 510	1 363	1 217	1 070	923	777	630	483
	100%	1 563	1 413	1 263	1 113	963	813	663	513

Expenses from 2011 to 2014

Probability of attaining objectives	Turnover								
	0%	5%	10%	15%	20%	25%	30%	35%	
	20%	1 400	1 249	1 097	946	794	643	491	340
	30%	1 467	1 310	1 154	998	841	685	529	373
	50%	1 599	1 434	1 268	1 102	936	770	605	439
	70%	1 732	1 557	1 382	1 206	1 031	856	680	505
	90%	1 865	1 680	1 495	1 310	1 126	941	756	571
	100%	1 931	1 742	1 552	1 363	1 173	983	794	604

6.2.2. Share-based payments settled in cash

These share-based payments settled in cash are consistent with the option plans granted by Fotolog Inc. to its employees before its acquisition by Hi-Media. These plans were taken by Hi-Media as share-based payments settled in cash and valued in accordance with IFRS 2, on the basis value per share of Fotolog Inc. determined during the acquisition.

The future expenses recognized under earnings for the plans existing at 31 December 2010 is as follows:

<i>in thousands of euros</i>	Cumulative future charges	at 1 year	from 1 year to 5 years
Share-based payments settled in cash	22	22	-

Note 7. Financial net income

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Investment proceeds	83	46
Interest on borrowing	- 1 850	- 1 822
Other comprehensive income	150	- 191
Financial net income	-1 619	- 1 967

Note 8. Income tax

The tax charge breaks down as follows:

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Current taxes	-3 631	-3 540
Deferred taxes	-1 958	275
Taxes on non-recurring items	-3 806	-
Tax (charge)/Proceeds	-9 395	-3 265
<i>Effective tax rate (%)</i>	<i>-19 %</i>	<i>32 %</i>

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

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Tax rate in France	33.33 %	33.33 %
Theoretical tax (charge) / proceeds	16 334	-3 393
<i>Elements of comparison with the effective rate</i>		
Effect of impairments	-24 461	-
Earnings charged to unrecognized carryover losses	144	-
Recognition of deferred tax credits on losses carried over	-	746
Difference of tax rate among the countries	994	175
Effect of deferred taxes on unrecognized loss carryforwards	-1 700	-
Permanent difference and other elements	-307	-793
Taxes without basis	-482	-
Real tax (charge)/proceeds	-9 395	-3 265
<i>Effective tax rate</i>	<i>-19 %</i>	<i>32 %</i>

The charge for 2010 current taxes consists mainly of the taxes on profits.

As of 31 December 2010, the effective tax rate results mainly from:

- impairment of goodwill (see note 9),
- Deferred tax on unrecognized tax losses in the period
- taxes without basis
- permanent differences, particularly related to bonus shares issued.

Given the new provisional budgets for Hi-Media Group in the U.S. closed at 30 June 30, 2010, Hi-media no longer plans to generate sufficient taxable profits to use loss carryforwards of Hi-Media Group USA and has therefore cancelled previously recognized deferred taxes (see Note 9).

Hi-Media France SA, MobileTrend SAS, Mobile Works SAS, Hi-Pi SARL and Bonne Nouvelle Editions SARL have been consolidated for tax purposes.

Note 9. Goodwill

During the year, the group recorded the following in particular:

- Impairment of goodwill as described in the notes below
- Change in value of Fotolog Inc.'s goodwill denominated in dollars, to €3.8M.

<i>in thousands of euros</i>	31 Dec 09	Changes in currency	Changes in scope	Transfer	Increase	decrease	31 Dec 2010
Goodwill	179 974	3 795	-	-	1 352	-	186 288
Impairment	-9 969	-	-	-	-53 733	-	-64 869
Net goodwill	170 005	3 795	-	-	-52 381	-	121 419

9.1. Fotolog

The assumptions of Fotolog's growth in activity in the value test at 31 December 2009 (including growth rate in sales between 22% and 30% per annum over the period 2010-2013) took into account:

- Stable development in number of the website's users compared to 2009
- Signing of several key advertising contracts in Latin America and Europe
- Level of income from the Google contract, similar to that in 2009
- Creation of a conservation plan to relocate part of Fotolog's operations in Latin America
- Development of premium Goldcam subscriptions via the launch of a new service in partnership with an operator
- Growth in advertising markets in Latin America and Spain

During the first half of 2010, management had difficulty in achieving the objectives and plans as defined in 2009:

- The website's users and the number of active users declined steadily during the first half of 2010 and this decrease was sharp after March/April in Fotolog's two most important countries (Argentina and Chile), and cannot be explained solely by the earthquake in Chile in February 2010 led to an immediate drop in traffic that month.
- No additional advertising contract has been signed despite negotiations ongoing in early 2010. Some contracts for guarantees of income have not been renewed.
- The income level of Google fell sharply during the first half of 2010
- The relocation of certain operations of Fotolog in Latin America could not be performed according to plan
- The new "premium" GoldCam service which was expected to generate additional subscriptions, could not be launched as the telephone operators constantly postponed formal approval for the payment service which was to go through them.

These developments appear to be structural and long-lasting and thus would appear to hinder the growth objectives of Fotolog's website.

In June, and in view of various accumulated mishaps, management conducted an update of the projected budgets that now expect a decline in sales in 2010 and 2011 compared to last year, a continued reduction in marketing investment and business that have not produced the desired effect and a return to France of technical operations. An impairment test was then performed on this new basis that has demonstrated the need to perform an asset depreciation on Fotolog at June 30, 2010.

Impairment expenses for 2010 break down as follows:

- Goodwill €-45.1M
- Fotolog trademark €-3.4 M
- Website: €-2.1M
- Other assets: €-0.7M
- Deferred taxes: €-3.7M

9.2. Hi-Pi

The assumptions of Fotolog's growth in activity in the value test at 31 December 2009 (including growth rate in sales between +5 % and +65 % per annum over the period 2010-2013) took into account:

- Stable development in number of the website's users compared to 2009
- The growth of the advertising market in France

During the first half of 2010, viewership of Internet sites did not progressed sufficiently. Advertising revenues turned out lower than anticipated in the 2010 budget estimates. In June, management decided to reduce investments in Hi-Pi and proceeded to update budgets and forecasts and carry out an impairment test. This impairment test demonstrated the need to depreciate Hi-Pi's assets at 30 June 2010.

Impairment expenses for 2010 break down as follows:

- Goodwill €-1.4M
- Website: €-1.2M

9.3. Allopass USA

The assumptions of Fotolog's growth in activity in the value test at 31 December 2009 (including growth rate in sales between 1,100 % and +20 % per annum over the period 2010-2013) took into account:

- Development of the client portfolio in the U.S. (recruiting websites for which Allopass performs services for micro-payment)
- The development of connections with local operators to obtain better coverage of payment

During the first half of 2010, sales performance proved to be short of targets, competition is increasingly strong in this market. A downward revision of budget estimates was performed followed by an impairment test. This impairment test showed that Allopass USA's goodwill had to be completely written off at June 30, 2010.

Impairment expenses for 2010 break down as follows:

- Goodwill €-7.2M

9.4. Evaluation of the recoverable amount of goodwill at 31 December 2010

To check on value of goodwill, an impairment test was carried out on 31 December 2010 under the procedure established by the group. The procedure, relying mainly on the method of discounted future net cash flows, consists in determining the recoverable value of each entity generating its own cash flows.

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: going concern value,
- number of years for which the cash flows are estimated and projected to infinity: 4 years (2011-2014),
- long-term growth rate: 2.5% (2.5 % in 2009),
- discount rate for Europe: 7.8 % to 8.9 % (8.6 % in 2009),
- discount rate: 9.2 % (9 % in 2009),
- growth rate of sales: between +5 % and +25 % per year during the period 2011-2014,

The discount rate corresponds to the weighted average cost of capital. It has been calculated by the company on the basis of internal information for the debt and the shareholders' equity, and of analysts' data for the beta, the risk-free rate and the risk premium.

The long-term growth rate results from an average of the estimates of a representative sample of analysts' notes.

The result of the said depreciation tests did not lead on 31 December 2010 to recognition of any impairment losses in addition to those already recorded as at 30 June 2010.

Moreover a sensitivity analysis calculating the variation in key parameters (discount rate and long-term growth rate) did not point to any likely scenario in which the recoverable value of a CGU will become less than its book value. The results of the sensitivity analysis is presented below.

<i>in thousands of euros</i>	Discount rate		Growth rate to infinity	
	Rate used	Rate variation for the recoverable amount or the carrying value	Rate used	Rate variation for the recoverable amount or the carrying value
Hi-Media France	8.0 %	>200 pts	2.5 %	<- 150 pts
Hi-Media Belgium	8.0 %	>200 pts	2.5 %	<- 150 pts
Hi-Media Germany	8.0 %	>200 pts	2.5 %	<- 150 pts
Hi-Media Portugal	8.9 %	>200 pts	2.5 %	<- 150 pts
Hi-media Local (Sweden)	7.8 %	>200 pts	2.5 %	<- 150 pts
Hi-Media UK	8.2 %	+100 pts	2.5 %	<- 150 pts
Hi-Media Italy	8.9 %	>200 pts	2.5 %	<- 150 pts
Hi-media Netherlands	8.0 %	>200 pts	2.5 %	<- 150 pts
Hi-Media Spain	8.9 %	>200 pts	2.5 %	<- 150 pts
Allopass	8.0 %	>200 pts	2.5 %	<- 150 pts
Allopass USA	9.2 %	N/A	2.5 %	N/A
Fotolog	9.2 %	N/A	2.5 %	N/A
L'Odyssée Interactive	8.0 %	>200 pt	2.5 %	<- 150 pts
Hi-Pi / Bonne Nouvelle Editions	8.0 %	N/A	2.5 %	N/A

9.5. Net book value of goodwill assigned to each CGU

The net book value of goodwill allocated to each CGU is as follows:

<i>in thousands of euros</i>	31 Dec 2009	Changes in currency	Changes in scope	Transfer	Increase	Decrease	31 Dec. 2010
Hi-media France	8 689	-	-	-	319	-	9 008
Hi-Media Belgium	3 755	-	-	-	310	-	4 065
Hi-Media Germany	8 910	-	-	-	-	-	8 910
Hi-Media Portugal	82	-	-	-	-	-	82
Hi-media Local (Sweden)	15 174	-	-	-	-	-	15 174
Hi-Media France	763	-	-	-	222	-	984
Hi-Media Italy	4 761	-	-	-	-	-	4 761
Hi-media Netherlands	1 971	-	-	-	-	-	1 971
Hi-Media Spain	10 938	-	-	-	-	-	10 938
Advertising sector	55 043	-	-	-	852	-	55 895
Allopass	44 722	-	-	-	500	-	45 222
Allopass USA	6 710	524	-	-	-	-7 234	-
Payments sector	51 432	1 167	-	-	500	-7 234	45 222
Fotolog	41 863	3 271	-	-	-	-45 134	-
L'Odyssée Interactive	20 302	-	-	-	-	-	20 302
Hi-Pi	1 365	-	-	-	-	-1 365	-
Advertising sector	63 530	3 271	-	-	-	-46 499	20 302
Goodwill	170 005	3 795	-	-	1 352	-53 733	121 419

The final allocation of Adlink's goodwill took place on 31 August 2010.

Note 10. Intangible assets

Assets under construction arising during the period correspond to information technology developments leading to:

- the creation of new products related to new group's activities (e.g. sales performance in our Advertising segment),
- improvement of existing products (e.g. add-ons to the HiPay electronic wallet),
- the creation and improvement of back office management platforms to track and control our activities.

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

<i>in thousands of euros</i>	31 Dec 09	Currency translation	Transfert	Increase	Decrease	31 Dec 2010
Software and licenses	12 531	248	1 844	898	312	15 210
Brands	4 505	204	-	-	-	4 749
Customer relations	657	-	-	-	-	657
Construction in progress	817	-	-1 910	3 050	39	1 919
Other	622	-	31	11	83	580
Total	19 132	452	5	3 959	435	23 114

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

<i>en milliers d'euros</i>	31 Dec 09	Currency translation	Transfert	Increase	Decrease	31 Dec 2010
Software and licenses	5 009	39	-5	6 277	215	11 105
Brands	-	-	-	3 368	-	3 368
Customer relations	273	-	-	82	-	356
Construction in progress	-	-	-	70	34	48
Other	553	-	-	115	88	568
Total	5 835	39	-5	9 912	337	15 444

The net values of intangible assets have changed as follows:

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Software and licenses	4 105	7 323
Brands	1 381	4 574
Customer relations	301	384
Construction in progress	1 871	817
Other	12	200
Total	7 670	13 298

The net book value of intangible assets having an indefinite useful lives assigned to each CGU is as follows:

<i>in thousands of euros</i>			
CGU	Assets	31 Dec 2010	31 Dec 09
Allopass	Allopass trademark	384	384
L'Odyssée Interactive	jeuxvideo.com trademark	884	884
Hi-Media	Hi-Media trademark	113	73
Fotolog	Fotolog trademark	-	3 124
Total		1 381	4 465

Note 11. Property, plant and equipment

The gross value of property, plant and equipment has changed as follows:

<i>in thousands of euros</i>	31 Dec 09	Currency translation	Transfert	Increase	Decrease	31 Dec 2010
Fixtures & fittings	960	5	-144	144	2	962
Office and computer equipment	5 874	297	-19	286	51	6 388
Furniture	1 006	16	163	126	70	1 240
Total	7 840	318	-	556	124	8 589

The cumulative amortisation and depreciation of property, plant and equipment has changed as follows:

<i>en milliers d'euros</i>	31 déc. 2009	Var. change	Transfert	Aug.	Dim.	31 déc. 2010
Fixtures & fittings	183	1	23	161	48	319
Office and computer equipment	4 379	227	38	1 329	92	5 881
Furniture	474	10	-66	403	41	780
Total	5 037	237	-5	1 893	181	6 981

The net value of property, plant and equipment has changed as follows:

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Fixtures & fittings	643	777
Office and computer equipment	507	1 495
Furniture	460	531
Total	1 610	2 803

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 au-dessus.

The sources of the net deferred tax credit and liabilities recognized as of 31 December 2010 are as follows, presented on a net basis by taxation entity:

NET DEFERRED TAX CREDITS		
<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Tax loss carryovers	5 474	13 585
Intangible assets	-154	-2 151
Other timing differences	-248	-689
Deferred tax credits	5 072	10 744

NET DEFERRED TAX LIABILITIES		
<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Intangible assets	856	785
Other timing differences	-284	-157
Deferred tax liabilities	572	628

12.2. Unrecognized deferred tax credits

As at 31 December 2010, unrecognized deferred tax credits consisted mainly of the following losses carried over indefinitely (as base):

- € 19 175 k for Group Hi-Media USA Inc.
- €352 k for Bonne Nouvelle Editions S.A.R.L.
- € 170 k for Hi-media Deutschland AG
- € 1 125 k for Hi-media Deutschland AG
- €255 k for Hi-Pi S.A.R.L.
- € 2 864 k for Hi-media Deutschland AG
- €57 k for Allopass Mexico

for a total of €23 998 k, representing an unrecognised deferred tax credit of €7 863 k.

Note 13. Other financial assets

As at 31 December 2010, the other financial assets broke down as follows:

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Equity affiliates	1 030	670
Other securities	529	332
Deposits and sureties	470	606
Total	2 029	1 608

The other securities include, for €450 k of the Group's 9.35% stake in the company publishing the information website rue89.com. This holding is classified under assets available for sale.

Note 14. Trade and other receivables

All receivables are due within one year.

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Trade and invoice accruals	85 682	72 058
Depreciation	-2 169	- 2 140
Receivables and related accounts	83 513	69 918

The book value indicated above represents the maximum exposure to the credit risk for this item.

The invoices to be established correspond mainly to the retransfers to be received by the telephone operators, for the months of November and December, in connection with the "micro-payment" activity, which were not invoiced for as of 31 December 2010.

Trade receivables include invoices sold under factoring contracts when credit risk is not transferred to the factoring company. When transferring credit risk, the receivables sold are derecognised.

The anteriority of the trade receivables at the closing date breaks down as follows:

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Unmatured	70 018	56 099
0-30 days	5 083	4 444
31-120 days	4 525	6 344
120-360 days	2 482	1 689
More than one year	1 405	1 342
Receivables and related accounts	83 513	69 918

Impairment of trade receivables developed as follows during the year:

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Depreciation: balance on January 1	2 140	1 045
Period funding	349	260
Impairment loss	-320	-388
Change in scope	-	1 223
Depreciation: balance on December 31	2 169	2 140

The depreciation corresponds mainly to due receivables for which recoverability represents a risk as of 31 December 2010.

- i. Receivables transferred without transfer of credit risk

Factoring contracts concluded by Hi-Media SA, for which the company took out a pre-credit insurance, does not transfer credit risk to the factor.

The amount of receivables transferred without transfer of risk at 31 December 2010 amounted to € 12.0 million.

- ii. Receivables sold without credit risk transfer

The contractual terms of factoring agreements (concluded in 2008) for Allopass CNS, Mobile Trend SAS and Mobile Works SAS allow the transfer of significant risks and rewards related to receivables sold, and thus their derecognition of balance sheet.

Under IAS 39, receivables transferred to third parties (factoring 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 (note 1.9).

Credit risk is the risk of not recovering receivables. Under contracts deconsolidating Group entities, the credit risk is supported by the billing company, which means that the Group is no longer exposed to risks regarding the recovery and therefore the transfer is deemed without recourse.

Rate risk and payback period is the transfer of financial risk associated with the lengthening of the debt collection period and carrying costs relating thereto. Under contracts deconsolidating Group entities, the commission rate for a given assignment is adjusted solely according to EURIBOR and the time of settlement of the previous assignment. The financing commission is also paid at the beginning of the period and not subsequently modified.

Technical dilution is linked to non-payment of the debt by reason of default on the services rendered or commercial litigation. For each deconsolidating contract signed by the entities of the Group, the warranty does not cover general risks nor the risk of delayed payment; the guarantee fund is established to cover the debts (assets etc.) in a technical dilution.

The amount of receivables sold with credit risk transfer and derecognised under IAS 39 in connection with factoring contracts at 31 December 2010 amounted to € 24.5 million.

The cash available under these contracts amounted to € 4.1 million at December 31, 2010.

Note 15. Other current assets

All of the other current assets are due within one year.

The prepaid charges correspond mainly to the share of marketing charges invoiced for and overheads relative to the period after 31 December 2010.

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Financial and corporate assets	12 969	9 927
Current accounts	238	553
Prepaid charges	1 824	1 782
Factor guarantee fund	2 138	1 232
Hi-pay available cash balance	2 827	-
Other	3 626	906
Other current assets	23 622	14 400

The book value indicated above represents the maximum exposure to the credit risk for this item.

Note 16. Cash and cash equivalents

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
"OPCVM" fund shares	1 002	1 000
Reserve at the factor's	4 098	7 864
Liquid assets	9 670	10 621
Cash and cash equivalents	14 770	19 485

The book value indicated above represents the maximum exposure to the credit risk for this item.

Note 17. Shareholders' equity

For changes in shareholders' equity of the Group, see sur la page 8.

The par value of the Hi-Media share is 0.10 €.

Management of equity concerns the equity as defined by IFRS. It consists mainly in deciding on the level of the present or future capital as well as on payout of dividends.

The shareholders' equity breaks down into the share of minorities and the group share. The share of the minorities consists of the share held by non-group shareholders of L'Odysée Interactive and of Hi-Media Portugal. It varies mainly as a function of changes in those subsidiaries' reserves.

The group share shareholders' equity consists of the share capital of Hi-Media S.A., reduced by the internally held shares, and reserves and earnings accumulated by the group.

The group wishes to have the employees participate in the capital by issuance of stock options and restricted stock.

Note 18. Loans and borrowings

<i>in thousands of euros</i>	Balance sheet balance on 31 Dec. 2010		<i>Issue currency</i>	<i>Maturity</i>	<i>Effective rate</i>
	<i>Non-current</i>	<i>Current</i>			
Syndicated loan	14 911	9 178	EUR	2013	3-month Euribor + 1.1% à 1.75%
Adlink vendor loan		12 479	EUR	2011	3.7 % à 5.0 %
Financing connected with factoring		11 881	EUR	Undetermined	3-month Euribor + 0.5 %
Bank overdrafts		31	EUR	2009	fixed
Other Borrowings		134	EUR/USD	2011	fixed/variable
Total	14 911	33 704			

18.1. Syndicated loan

On 7 November 2007 Hi-Media obtained a syndicated line of credit amounting to €41.5 M.

That credit line breaks down into one line of 14 million euros (tranche A1), lasting five years, and another line amounting to 27.5 million euros (tranche A2), lasting six years.

Tranche A1 and tranche A2 had been drawn on in full.

Tranche A1 made it possible to repay the loan of 5 million euros taken out on 30 June 2006 and to partially refinance the price of acquisition of Hi-Media Local AB, formerly Medianet.

Tranche A2 enabled the group to finance the acquisition of Fotolog and of Mobile Trend group, and launch new projects.

In an amendment to the loan agreement of €41.5 M from 7 November, 2007, the Group established specific funding to finance the cost of acquisition of AdLink Media Deutschland shares and restructuring costs associated with this operation. The funding for a period of 4 years (tranche A3) amounts to € 6 million.

The following were concluded pursuant to the loan agreement signed in October 2007:

- an initial interest rate swap fixed payer/variable recipient 3-month Euribor starting in February 2008 (due in February 2012) for a notional amount of €9.8 M,
- a second interest rate swap fixed payer /variable recipient 3-month Euribor starting in July 2008 (due in July 2013) for a notional amount of €13.7 M.

The efficiency tests conducted have shown that hedge accounting could be applied to these two swaps from the second half of 2010. Thus the change in fair value of these swaps was recorded in less equity in exchange for a non-current debt (see Note 20).

18.1. AdLink vendor loan

On August 31, 2009, Hi-Media acquired AdLink display business. Under the terms of the memorandum of agreement the purchase price was subject to a deferred payment in the form of a vendor loan of € 12.2 million. This vendor credit, for which the deadline was set for June 30, 2011 is repayable at maturity and bears an annual interest of 3.7% over the first 12 months and 5% over the remaining period. In the event that Hi-Media decides to conduct a capital increase before the end of the vendor loan, AdLink AG has agreed to subscribe (by offsetting the debt which becomes due) to the capital increase (see 25.1 Off-balance sheet assets).

18.2. Financing connected with factoring

The receivables sold under the factoring agreement without the credit risk transfer are not recognized (see Note 14 Trade and other receivables). In consideration of the funding received from the sale of these receivables, the Group recognizes a financial debt. This debt has no contractual maturity; it increases with the sale of receivables and decreases when they are settled by debtors.

Note 19. Non-current provisions**19.1. Details concerning non-current provisions**

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Provisions for risks and expenses	346	608
End-of-career benefits	482	374
Non-current provisions	828	982

19.2. Staff benefits

The evaluation of commitments is determined by the projected credit unit method.

Commitments have been calculated in accordance with the provisions of the advertising collective agreement of Hi-Media and Hi-Pi, the Syntec collective agreement for the Odyssey Interactive, Mobile Trend and Allopass and journalists' collective agreement and the collective agreement for specialized press for BNE.

The trend of the provision relative to the group's retirement commitments is as follows:

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Present value of the obligations as at 1 January	374	87
Cost of services rendered and financial cost	89	27
Actuarial losses/(gains) recognized in equity	19	17
Change in scope	-	243
Present value of obligations as at 31 December	482	374

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

	2010	2009	2008
Present rate	4.45%	4.75%	5.00 %
Rate of future increase in salaries	2.50%	2.50%	2.50 %
Retirement age (Executives)	65 years	65 years	65 years
Retirement age (Non-Executives)	62 years	62 years	62 years
Life table	INSEE F 2006	INSEE F 2005	INSEE F 2005

Note 20. Non-current liabilities

Non-current liabilities consist mainly of the fair value of hedging instruments entered into in connection with the borrowing (see Note 18).

Note 21. Other current debts and liabilities

All other debts and liabilities are due within one year.

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 09
Taxation and social liabilities	22 946	17 190
Debts on assets	255	192
Prepaid income	543	451
Other liabilities	1 896	6 054
Other current liabilities	25 640	23 887

Note 22. Pro forma financial information**22.1. Preliminary note**

According to AMF (French financial market authority) Instruction 2007-05 dated 2 October, 2007 under section 222-2 of AMF General Regulations, providing pro forma financial information is necessary should there be a significant change in the situation of an issuer after a particular transaction, such as a change of over 25% of one or more indicators of its activity.

The pro forma financial information pertains to the consolidated income statement at December 31, 2009.

The pro forma income statement that follows is presented in thousands of euros and reflects the effect of the acquisition of the AdLink's media group on Hi-Media's income statement as if it had been done on 1 January, 2009.

The pro forma income statement:

- is presented for illustrative purposes only and is not necessarily indicative of operating results or financial position of the Group resulting from the acquisition, as they have been presented if the acquisition transaction had been achieved by 1 January 2009;
- is not indicative of future operating results or the future financial situation of the Group resulting from the acquisition;
- is based on preliminary estimates and assumptions deemed reasonable by Hi-Media;

22.2. Conventions used

The pro forma income statement at December 31, 2009 is established as if the acquisition had taken place on 1 January 2009 based on Hi-Media's audited consolidated financial statements at 31 December and AdLink's media subsidiaries audited or reviewed accounts at 31 December, 2009.

The functional currencies of the acquired entities may be different from the euro, the income statements in question were then translated at the average exchange rate observed over the period.

22.3. Pro forma consolidated income statements

<i>in thousands of euros</i>	31 Dec 2010	31 Dec 2009 PF
Turnover	221 531	204 936
Expenses invoiced by the media	-146 471	-132 240
Gross margin	75 572	72 696
Purchases	-22 523	-25 645
Personnel expenses	-33 567	-29 487
Transfers to and write-backs from depreciation and provisions	-3 466	-4 915
Operating profit (before valuation of stock options and bonus shares)	16 016	12 649
Valuation of stock options and bonus shares	-1 854	-2 216
Other non-current income and expenses	-62 157	-3 724
Operating profit	-47 995	6 709
Cost of debt	-2 053	-2 079
Other financial income and expenses	534	34
Income of consolidated companies	-49 613	4 664
Share in the earnings of associates	360	372
Earnings before tax of consolidated companies	-49 253	5 036
Taxes	-5 590	-3 257
Taxes on non-recurring items	-3 806	
Net income from consolidated companies	-58 648	1 779
Minority interests	533	
Including Group share	-59 181	1 779

Note 23. Segment information**23.1. Earnings by activity**

	Advertising		Micropayments		Publishing		Eliminations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Turnover	112 732	79 928	111 338	94 647	12 375	10 457	(14 400)	(12 710)	222 044	172 323
<i>Including Group websites</i>	7 791	7 981	3 551	4 724	12 375	10 457	(9 596)	(7 725)	14 121	15 437
Gross margin	41 415	31 196	24 526	22 564	9 632	9 291			75 573	63 051
Operating profit by activity	12 925	14 000	10 506	10 595	372	(744)			23 802	23 852
<i>Profitability rate</i>	11%	18 %	9%	11 %	3%	-7 %			11%	14 %
Restatement of the margin generated by publishing entities in other Group entities	(2 337)	(2 394)	(488)	(376)	2 826	2 771			-	-
Restated operating results by activity	10 587	11 606	10 017	10 219	3 197	2 027			23 802	23 852
<i>Profitability rate</i>	9%	15 %	9%	11%	26%	19 %			11%	14 %
Unallocated income and charges excluding stock options and restricted stock									(7 785)	(7 336)
Operating profit before valuation of stock options and restricted stock									16 017	16 516
Valuation of stock options and bonus shares									(1 854)	(2 216)
Other non-current income and expenses	(208)		(160)		(61 589)				(62 157)	(2 520)
Operating profit									(47 994)	11 780
Financial net income									(1 619)	(1 968)
Share of earnings, equity basis									360	372
Taxes									(9 395)	(3 265)
Net income									(58 648)	6 920
Group share									(59 181)	6 495

23.2. Total assets

	Advertising		Micropayments		Publishing		Eliminations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Total assets, net	155 337	144 148	124 636	98 596	29 945	86 916	(50 214)	(27 630)	259 704	302 280

Hi-Media SA, while presenting mainly related assets of the business of advertising sales, also supports the infrastructure of the holding company. The related assets have been left in the advertising space sales sector.

23.3. Turnover by geographical area

	France		Rest of the world		Eliminations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Turnover	209 994	159 279	78 373	52 660	(66 323)	(39 616)	222 044	172 323

Note 24. Stock option plan and allocations of bonus shares**24.1. Stock options**

	Plan n°1	Plan n°2	Plan n°3	Plan n°4	Plan n°5	Plan n°6	Plan n°7	Plan n°8	Plan n°9	Plan n°10	Total
Meeting date	30 June 99	21 Apr. 00	21 Apr. 00	21 Apr. 00	21 Apr. 00	21 Apr. 00	25 Apr. 03	25 Apr. 03	25 Apr. 03	24 Apr. 08	
Date of the Board of Directors' meeting	30 June 99 17 Nov. 99	4 May 27 June 00	14 Sept. 00	2 Nov. 00	13 Dec 00	23 Oct. 01	26 May 03	10 July 03	12 Jan. 05	19 Dec 08	
Total number of shares allocated ⁽¹⁾	152 475	37 210	70 734	27 400	37 037	91 001	500 000	350 000	150 000	50 000	1 465 857
Total number of shares available for subscription	-	-	-	-	-	-	70 000	-	82 500	50 000	202 500
Including the number of shares that can be subscribed to by the authorized agents	-	-	-	-	-	-	50 000	-	-	-	50 000
Including the number of shares that can be subscribed to by the leading ten employee allocatees	-	-	-	-	-	-	20 000	-	67 000	-	87 000
Beginning time for exercise of the options	1 July 04	5 May 02	15 Sept. 02	3 Nov. 02	14 Dec 02	23 Oct. 03	26 May 05	10 July 05	12 Jan. 07	19 Dec 08	
Date of expiration	30 June 09	4 May 10	14 Sept. 10	2 Nov. 10	13 Dec 10	23 Oct. 11	25 May 13	10 July 13	12 Jan. 15	14 May 18	
Subscription price (in euros) ⁽²⁾	0.01	8.06	9.93	8.20	5.31	0.59	0.33	0.35	1.14	1.81	
Exercise procedures ⁽³⁾	A	B	B	B	B	B	A	A	A	C	
Number of shares subscribed to on 31/12/2010	22 879	-	-	-	-	-	430 000	350 000	41 000	-	843 879
Options cancelled during the period	-	2 850	-	1 700	2 866	-	-	-	-	-	7 416
Remaining options	-	-	-	-	-	-	70 000	-	82 500	50 000	202 500

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

⁽²⁾ Subscription price of the options calculated at grant date of options corresponding to the weighted average price during the last 20 sessions, on which a discount of 5% was applied.

⁽³⁾ Condition A: 100% of the options may be exercised following a period of 2 years after the Board of Directors meeting that allocated the options.

Condition B: 1/3 of the options may be exercised after a period of 2 years following the Board meeting that allocated the options, then 1/3 the following year, and the remaining third 4 years after the allocation.

Condition C: 1/6 at the end of each quarter following the starting time for exercising the options.

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

	2010		2009	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Options in circulation at the opening	216 416	1.23	255 732	1.19
Options allocated during the period	-	-	-	-
Options exercised during the period	6 500	1.14	34 316	1.01
Options cancelled during the period	7 416	7.03	-	-
Options in circulation at the close	202 500	1.03	216 416	1.23
Options exercisable at closing	202 500	1.03	216 416	1.23

The parameters used for valuation of the stock option plans granted after 7 November 2002 are as follows:

Date of the Board of Directors' meeting	26 May 03	10 July 03	12 Jan. 05	19 Dec 2008
Number of options allocated	500 000	350 000	150 000	50 000
Fair value of an option on the date of allocation	0.36	0.36	1.45	0.06
Fair value on the date of allocation	179 424	125 034	217 270	3 000
Exercise price of the option	0.33	0.35	1.14	1.81
Anticipated volatility of the option price	212%	208%	184%	51%
Anticipated lifetime	4 years	4 years	4 years	2 years
Dividend expected on the options	-	-	-	-
Option lapse rate adopted	-	-	-	-
Risk-free interest rate adopted	3.11%	2.80%	2.94%	3.51 %

24.2. Allocations of free shares

	Plan n°1	Plan n°2	Plan n°3	Plan n°4	Plan n°5	Plan n°6	Plan n°7
Meeting date	2 Nov. 05	2 Nov. 05	2 Nov. 05	2 Nov. 05	2 Nov. 05	2 Nov. 05	2 Nov. 05
Date of the Board of Directors' meeting	22 Dec 05	20 Jan. 06	23 Feb. 06	13 July 06	11 Sept. 06	2 Nov. 06	28 Dec. 06
Total number of shares allocated	154 000	94 000	275 600	144 500	143 000	10 000	60 000
Including the number of shares that can be subscribed to by the authorized agents	-	7 500	168 000	10 000	100 000	-	-
Including the number of shares that can be subscribed to by the leading ten employee allocatees	-	37 500	38 000	47 500	-	10 000	30 000
Number of cancelled shares	22 000	7 000	10 800	9 000	4 000	-	1 000
Number of shares definitively allocated as of 31 Dec. 2010	132 000	87 000	264 800	135 500	139 000	10 000	59 000
Number of shares that can be definitively allocated	-	-	-	-	-	-	-
End of acquisition period	22 Dec. 07	20 Jan. 08	23 Feb. 08	13 July 08	11 Sept. 08	2 Nov. 08	28 Dec. 08
End of retention period	22 Dec. 09	20 Jan. 10	23 Feb. 10	13 July 10	11 Sept. 10	2 Nov. 10	28 Dec. 10
Share price on the date of the board meeting	6.05	7.75	9.99	7.03	7.63	6.36	7.33
Non-transferability discount	-	-	-	-	-	-	-
Fair value of the free share	6.05	7.75	9.99	7.03	7.63	6.36	7.33

	Plan n°8	Plan n°9	Plan n°10	Plan n°11	Plan n°12	Plan n°13	Plan n°14
Meeting date	2 Nov. 05	2 Nov. 05	2 Nov. 05	2 Nov. 05	2 Nov. 05	2 Nov. 05	2 Nov. 05
Date of the Board of Directors' meeting	1 March 07	14 May 07	14 June 07	23 July 07	8 Nov. 07	19 Dec. 07	22 Apr. 08
Total number of shares allocated	510 000	8 000	14 500	15 000	28 500	103 000	80 000
Including the number of shares that can be subscribed to by the authorized agents	170 626	-	-	-	-	-	-
Including the number of shares that can be subscribed to by the leading ten employee allocatees	138 666	-	-	-	5 000	40 000	10 000
Number of cancelled shares	121 358	-	3 000	-	7 000	34 000	30 000
Number of shares definitively allocated as of 31 Dec. 2010	388 642	8 000	11 500	15 000	21 500	57 000	50 000
Number of shares that can be definitively allocated	-	-	-	-	-	12 000	
End of acquisition period	1 March 09	14 May 09	14 June 09	23 July 09	8 Nov. 09	19 Dec. 09 19 Dec. 11	22 Apr. 10
End of retention period	1 March 11	14 May 11	14 June 11	23 July 11	8 Nov. 11	19 Dec. 11	22 Apr. 12
Share price on the date of the board meeting	6.70	7.15	7.38	7.52	6.94	5.45	5.20
Non-transferability discount	-	-	-	-	-	-	yes
Fair value of the free share	6.70	7.15	7.38	7.52	6.94	5.45	4.28

	Plan n°15	Plan n°16	Plan n°17	Plan n°18	Plan n°19	Plan n°20	Plan n°21	Total
Meeting date	24 Apr. 08	24 Apr. 08	24 Apr. 08	24 Apr. 08	24 Apr. 08	24 Apr. 08	24 Apr. 08	
Date of the Board of Directors' meeting	22 July 08	24 Sept. 08	19 Dec 08	13 March 09	30 Nov. 09	19 July 10	02 Dec. 10	
Total number of shares allocated	40 000	1 350 000	89 000	5 000	346 000	15 000	55 000	3 540 100
Including the number of shares that can be subscribed to by the authorized agents	-	400 000	-	-	-	-	-	856 126
Including the number of shares that can be subscribed to by the leading ten employee allocatees	-	811 500	13 300	-	-	-	-	1 181 466
Number of cancelled shares	-	29 000	20 000	-	-	-	-	298 158
Number of shares definitively allocated as of 31 Dec. 2010	40 000	-	-	-	-	-	-	1 418 942
Number of shares that can be definitively allocated	-	1 321 000	69 000	5 000	346 000	15 000	55 000	1 823 000
End of acquisition period	22 July 10	24 Jan. 11 24 July 11 24 Sept. 12	19 Dec. 10	13 March 11	30 Nov. 12 30 Nov. 13	19 July 13	02 Dec. 13	
End of retention period	22 July 12	24 Jan. 13 24 July 13 24 Sept. 12	19 Dec. 12	13 March 13	30 Nov. 13	19 July 10	02 Dec. 14	
Share price on the date of the board meeting	4.25	3.10	1.74	1.97	4.68	4.40	3.28	
Non-transferability discount	yes	yes	yes	yes	yes	yes	yes	
Fair value of bonus share	3.52	2.33	1.38	1.58	3.58	3.54	2.39	

Note 25. Off-balance sheet commitments**25.1. Off-balance sheet assets**

In connection with the acquisitions of Mobile Trend and AdLink Internet Media AG's online advertising networks, Hi-Media enjoys a clause guaranteeing liabilities.

In connection with the transfer of AdLink Internet Media AG to Hi-Media, United Internet has undertaken to not increase its stake beyond 21% for the two years following the operation, or until 31 August 2011.

In the event that Hi-Media decides to conduct a capital increase before the end of the "vendor loan" AdLink AG has agreed to take out (by offsetting the debt which becomes due) to the capital increase under the following conditions:

- if the share issue price is less than or equal to €3.63, AdLink AG has agreed to acquire the shares not subscribed by the public within the limits of the principal amount of its debt.
- if the capital increase is carried out whilst maintaining preferential subscription rights and if the issue price of shares is higher than €3.63, AdLink AG has agreed to subscribe to this capital increase up to its preferential subscription rights and within the limits of the principal amount of its debt.

25.2. Off-balance sheet liabilities

The lease signed 15 May 2008 concerning the premises housing the French operations of the Group represents a commitment of €1.6 million per year (non-indexed) until 15 December 2017.

In addition, Hi-Media has a long-term lease for a portion of its computer equipment. This contract represents an annual rental fee (undiscounted) of €290 k.

25.3. Covenants

Conclusion of the syndicated credit line mentioned in Note 18au-dessus requires Hi-Media to respect covenants based on the following financial ratios:

- Ratio of debt R1 (consolidated net debt/consolidated EBITDA) less than or equal to 3
- Gearing ratio R2 (consolidated net debt/consolidated equity) less than or equal to 1.1
- Ratio of debt service coverage by net cash flow R3 (consolidated net cash flow/debt service) greater than or equal to 1.1

At 31 December 2010, Hi-Media met the first two ratios. Because of non-recurring disbursements made, in particular those related to acquisitions, the debt coverage ratio through cash flow was not met this year. Hi-Media has obtained an agreement from its banks on this.

25.4. Pledges

As part of the syndicated credit facility underwritten by Hi-Media (see Note 18 Loans and borrowings

)As part of the syndicated credit facility underwritten by Hi-Media. Hi-Media secured the benefit of participating credit institutions and securities of its subsidiaries Allopas SAS, and Odyssey Interactive SAS and Hi-Pi SARL, and the goodwill of Hi-Media SA.

25.5. Disputes

In July 2007, Allopas and Eurovox (now merged into Allopas SAS) were subject to a tax adjustment on the 2005 and 2006. At 31 December, 2009, the amount was paid. The cost of this remedy should be covered by the guarantee liabilities entered into in connection with the acquisition of Eurovox. Hi-Media assigned the guarantors in October 2010 and the procedure is underway.

There is a dispute between Hi-Media and the former partners of a company acquired by Hi-Media. That dispute bears on the conditions concerning payment of the additional price provided for in the acquisition contract. Hi-Media was fined €43 k at first instance and appealed that decision. This dispute was the subject of a transaction dated 18 October, 2010.

Hi-Media is currently in dispute with an editor. This dispute concerns the contract and its termination in July 2006.

Allopass is currently involved in a dispute with one of its partner in its micro-payment business.

Some industrial tribunal customers 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 judgement of the justification for the plaintiffs' demands.

Note 26. Events that have occurred since 31 December 2010

Hi-Media SA has signed an agreement for the sale of an 11% stake in Hi-Midia Brasil. The participation of Hi-Media in the company's capital will be reduced to 14% post-operation. The MoU refers to suspensive conditions have not been lifted yet.

Note 27. Transactions between affiliated parties

27.1. Compensation of members of management bodies

The fees include remuneration of the Director General, the Deputy CEO and fees paid to directors are not paid by the Company (6 officers). Compensation and benefits for members of governing bodies amounted to € 1,030 k at 31 December 2010 (of which € 351 K for the charge relating to the valuation of shares for 2010) compared to €1064 k at 31 December 2009.

27.2. Transactions with the subsidiaries

Hi-Media SA charges its subsidiaries ad-serving costs, holding costs (management fees), brand fees and personnel expense, which are eliminated in the consolidated accounts.

27.3. Other affiliated parties

During 2010, no other significant transactions have been conducted with:

- shareholders holding a significant amount of voting rights in the capital of Hi-Media S.A.,
- members of the management bodies, including the directors,
- entities over which a senior executive has control, joint control, or significant influence, or in which they have significant voting rights.