



## **2011 INTERIM FINANCIAL REPORT**

A corporation with a capital of 4 446 949,50 euros  
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## Management report

### PRESENTATION OF EARNINGS FOR THE FIRST HALF OF 2011

#### I. Comments concerning the income statement

##### *Sales by activity*

<i>In thousands of euro</i>	30 June 2011	30 June 2010
Advertising	53 255	52 858
Payments	64 275	55 798
Sales	<b>117 530</b>	<b>108 656</b>

During the first half of the year 2011 total Group sales increased by 8% at 117 530 thousand euro. This performance is mainly due to the strong dynamism of the Payment activity and the sales upturn in the Advertising activity.

The Payment activity remains the most dynamic business unit of the Group and the first sales contributor within the Group:

- The Advertising segment demonstrated a growth upturn with a 1% growth in sales during the first half of the year compared to the same period in 2010. On a proforma stand point the activity posted a 4.3% growth over the first semester (some entities had been closed during 2010 while restructuring the Group international organization). During this first part of the year the Group benefited from the display market upturn and the positive development of the performance marketing solution.
- Thanks to the positive trend on the paid digital content market, specifically the online video game segment which represent the major part of the activity, the Payment activity continues to post sustainable growth at +15% compared to the same 2010 period. The international coverage expansion the payment solutions as well as the strengthening of the number of payment solutions available did participate to this activity dynamism.

Sales generated over own and operated Group websites increased by 14% thanks to the restructuring of the publishing assets that occurred during the second half of 2010 and as well as the very strong performances of jeuxvideo.com site that continues to progress and is sustainably established as one of the leading French Internet site (second French site the most visited per OJD Internet estat – June 2011) and mobile site. Thus the Publishing activity posted 7.0 million in sales over the first half of the year compared to 6.2 million euro over the same period in 2010.

Total consolidated gross profit comes at 38.2 million euro increasing by 4% compared to the first half of 2010 (36.7 million euro). Gross profit comes at 32% decreasing by two points compared to the 2010 first semester (34% in proforma). This decrease is due to a sales mix in favor of the Payment activity.

The Advertising activity posted a gross profit of 23.5 million euro (23.0 million euro in H1 2010). The gross margin is flat compared to last year first semester at 44%.

The Payment activity posted a gross profit of 14.6 million euro (13.7 million euro in H1 2010). With a 23% rate the gross margin of the Payment activity is slightly decreasing compared to the first half of the year 2010 (25%).

Operational expenses increase by 20% at 12.4 million euro compared to the first half of 2010 (10.3 million euro) this being essentially due to the development of the international Advertising and Payment activities and to the increase of the overall activity.

The decrease in payroll (15.8 million euro vs. 16.9 million euro in H1 2010) results from restructurings that occurred during the second half of the year 2010 over Advertising and Publishing entities.

Depreciations and amortizations of 1 million euro decreased compared to the first half of the year 2010.

The current operational profit before stock based compensation comes at 9.0 million euro posting a strong increase compared to the first half of the year (7.1 million euro).

The Group posted a net result of 5.1 million euro (compared to -63.3 million euro as of June 30, 2010). This result is computed as following:

- Current operating profit of 9.0 million euro ( compared to 7.1 million euro as of June 30, 2010)
- A non current result including the Stock based compensation costs of -1.0 million euro (compared to -63.3 million euro as of June 30, 2010, of which 62 million euro of asset write-offs)
- A financial result of -0.9 million euro (compared to -0.8 million euro as of June 30, 2010) mainly due to syndicated loan interests with respect to the financing of acquisitions
- An income tax of -2.2 million euro (compared to -6.7 million euro as of June 30, 2010, of which 3.7 million euro of non current income tax)

## **II. Internal developments and innovations**

During the first half of the year 2011, Hi-Media communicated on the following developments:

- With respect to the Payment activity:
  - o Launch of a virtual currency management script
  - o Launch of a payment solution dedicated to online video content
  - o Launch of subscription solution
- With respect to the Advertising activity:
  - o Launch of a dedicated European video offer with a large scope of advertising formats available over the internet sites and mobile sites of the ad network and this being across all countries where the Group is present in Europe

## **III. Important events since 30 June 2011**

Allopass has been granted the service payment provider agreement by *l'Autorité de Contrôle Prudentiel* as of August 23, 2011. HPME had already been granted a license of electronic money issuer in 2008 by the *CBFA* (Belgium Central Bank).

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**MAIN RISKS AND UNCERTAINTIES CHARACTERISING THE SECOND HALF OF 2011**

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The main risks to which the Group is exposed for the second half of 2011 are detailed in the section concerning "Risk factor" of the 2010 Annual Report filed with the Financial Markets Authority on 15 April 2011 and available on the company's internet site [www.Hi-media.com](http://www.Hi-media.com). The company is unaware of any other risks and uncertainties for the remaining six months of the financial year.

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**PROSPECTS**

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The advertising market progressively improves after two years of crisis. It tends to be in favor of performance marketing and special operations in a still complicated market. Nonetheless, innovation technologies, demographic and market trends are robust and offer significant growth perspectives for the online advertising market especially the graphical ad market. Thanks to its leading position across Europe with its 150 million users (Comscore, January 2011), Hi-Media Group is ideally placed to benefit from these structural trends.

The newly launch solutions (2010) such as the mobile ad network or the marketing performance are generating growth and offer strong perspectives.

Concerning the Payment business line, the trends over the Internet and especially in the Entertainment universe (video game, music...) and in the news/press universe offer with good growth perspectives for a player like Hi-Media that already generate more than 8 million transaction per month on these very specific segments. The Payment activity strongly increased especially over the mobile and international activity.

In line with the Group market share conquest strategy, the increasing weight of the international activity and of some clients at lower margins (French and International) will continue to negatively impact this activity gross margin.

This activity dynamism should be confirmed during the second half of the year, especially thanks to recently launched technological innovations developed in-house by Hi-Media technical teams: virtual currency script, payment solution for video content, geographical coverage expansion, subscription solutions. Furthermore, Allopas has been certified as a payment service provider by the French Central Bank *Autorité de Contrôle Prudentiel* (prudential control authority) during the summer allowing Allopas, among other things, to process credit card transactions.

During the first half of the year, the Group went through a strategic review with respect to its online payment assets. The analysis led with external advisors of which the strategic advisor Oliver Wyman and NIBC Bank underlined the high growth potential of the Payment activities of the Group across Europe in the digital content industry and more specifically in the online video game and news/press fields. In the current context where paid digital contents in the respective video game, video entertainment and news fields demonstrate very positive trends to reach an expected 25 billion euro mark in 2015 in Europe and in the United States (source : Oliver Wyman), Hi-Media board of directors decided that in the best interest of the shareholders, the company and the employees, it was essential to maintain the Payment activity within the Group perimeter and to go further in its integration with the other business units of the Group Advertising and Publishing.

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**TRANSACTIONS BETWEEN AFFILIATED PARTIES**

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The affiliated parties of Hi-media group correspond to the authorized agents, senior managers and directors of the group, as well as the companies in which they exercise control, joint control or notable influence, or hold a significant voting right.

**I. Compensation of management members**

The compensation includes the remuneration paid to the Chairman of the Board of Directors, the attendance fees paid to the directors and are not remunerated by the Company (6 directors) and the compensation paid to the Chief Operating Officer. The compensation and benefits relating to members of the management organs posted to the income statement amount to 654 thousand euro (against 514 thousand euro on 30 June 2010).

**II. Transactions with the subsidiaries**

Hi-media SA invoices its subsidiaries for holding expenses as well as for trademark expenses, eliminated in the consolidated financial statements.

### III. Other affiliated parties

During the first half of 2011, no significant operations were carried out with:

- shareholders holding a significant voting right in the Hi-media S.A. capital,
- members of the management organs, including the directors,
- entities over which one of the main senior managers exercises control, joint control, or notable influence, or holds a significant voting right.

## Group's summary consolidated financial statements

## Consolidated income statements for the half-years ending on 30 June 2011 and 30 June 2010

<i>In thousands of euro</i>	Notes	30 June 2011	30 June 2010
Sales	3	117 530	108 656
Charges invoiced by the media		-79 345	-71 957
<b>Gross profit</b>		<b>38 185</b>	<b>36 699</b>
Purchases		-12 387	-10 301
Payroll charges	4	-15 834	-16 869
Depreciation & Amortization		-961	-2 385
<b>Current operating profit (before stock based compensation)</b>		<b>9 003</b>	<b>7 144</b>
Stock based compensation	5	-960	-1 092
Other non-current income and charges	6	-63	-62 032
<b>Operating profit</b>		<b>7 980</b>	<b>-55 981</b>
Cost of indebtedness		-839	-1 016
Other financial income and charges		-48	225
<b>Earnings of consolidated companies</b>		<b>7 093</b>	<b>-56 771</b>
Share in the earnings of the companies treated on an equity basis		167	186
<b>Earnings before taxes of the consolidated companies</b>		<b>7 260</b>	<b>-56 585</b>
Income tax	7	-2 171	-2 980
Income tax on non recurring items	7	0	- 3 715
<b>Net income of the consolidated companies</b>		<b>5 089</b>	<b>-63 280</b>
Including minority interests		194	213
<b>Including Group Share</b>		<b>4 895</b>	<b>-63 493</b>

	Notes	30 June 2011	30 June 2010
Weighted average number of ordinary shares		43 999 442	43 970 813
Earnings per share, Group share (in euro)		0,11	(1,44)
Weighted average number of ordinary shares (diluted)		46 389 791	46 275 188
Diluted earnings per share, Group share (in euro)		0,11	(1,37)

## Consolidated balance sheets as of 30 June 2011 and 31 December 2010

<b>ASSETS - In thousands of euro</b>	<b>Notes</b>	<b>30 June 2011</b>	<b>31 Dec. 2010</b>
Net goodwill	8	121 419	121 419
Net intangible fixed assets	9	9 078	7 671
Net tangible fixed assets		1 952	1 609
Deferred tax credits	10	6 468	5 072
Other financial assets		1 933	2 029
<b>Non-current assets</b>		<b>140 850</b>	<b>137 800</b>
Customers and other debtors	11	76 320	83 513
Other current assets	12	27 951	23 622
Current financial assets		6	-
Cash and cash equivalents	13	15 079	14 770
<b>Current assets</b>		<b>119 356</b>	<b>121 904</b>
<b>TOTAL ASSETS</b>		<b>260 206</b>	<b>259 704</b>
<b>LIABILITIES - In thousands of euro</b>	<b>Notes</b>	<b>30 June 2011</b>	<b>31 Dec. 2010</b>
Share capital		4 447	4 447
Premiums on issue and on conveyance		123 975	123 975
Reserves and retained earnings		-23 859	34 423
Treasury shares		-2 105	-2 105
Consolidated net income (Group share)		4 895	-59 181
<b>Shareholders' equity (Group share)</b>		<b>107 353</b>	<b>101 558</b>
Minority interests		833	1 014
<b>Shareholders' equity</b>		<b>108 186</b>	<b>102 573</b>
Long-term borrowings and financial liabilities	14	27 015	14 978
Non-current provisions		794	828
Non-current liabilities	15	309	542
Deferred tax liabilities	10	552	572
<b>Non-current liabilities</b>		<b>28 670</b>	<b>16 919</b>
Short-term financial liabilities and bank overdrafts	14	21 238	33 638
Current provisions		-	-
Suppliers and other creditors		74 237	80 935
Other current debts and liabilities	16	27 875	25 640
<b>Current liabilities</b>		<b>123 350</b>	<b>140 213</b>
<b>TOTAL LIABILITIES</b>		<b>260 206</b>	<b>259 704</b>



Table of consolidated cash flows for financial year 2010 and for the half-years ending on 30 June 2011 and on 30 June 2010

<i>In thousands of euro</i>	Notes	30 June 2011	31 Dec. 2010	30 June 2010
Net income		5 089	-58 648	-63 280
<i>Ajustments for :</i>				
Depreciation of the fixed assets		1 417	4 050	2 555
Value losses		-	61 746	61 921
Investment income		-	-	-
Cost of net financial indebtedness		863	2 153	1 036
Share in associated companies		-167	-360	-186
Net income on disposals of fixed assets		451	34	-
Costs of payments based on shares	5	960	1 854	1 092
Tax charge or proceeds	7	2 171	9 395	6 695
Operating profit before variation of the operating capital need		10 785	20 224	9 833
Variation of the operating capital need		-3 410	-4 804	-6 342
Cash flow coming from operating activities		7 375	15 419	3 491
Interest paid		-1 204	-2 235	-864
Tax on earnings paid		-2 090	-2 085	-672
<b>NET CASH FLOW RESULTING FROM OPERATING ACTIVITIES</b>		<b>4 081</b>	<b>11 099</b>	<b>1 954</b>
Income from disposals of fixed assets		24	-	-
Valuation at fair value of the cash equivalents		-	23	11
Proceeds from disposals of financial assets		-50	58	-
Disposal of subsidiary, after deduction of cash transferred		-	-	-
Acquisition of a subsidiary		-	-7 733	-3 226
Acquisition of fixed assets	9	-3 216	-3 889	-2 230
Variation of financial assets		-111	-271	-271
Variation of suppliers of fixed assets		-31	-2	-72
Effect of the perimeter variations		-	-	-
<b>NET CASH FLOW COMING FROM INVESTMENT ACTIVITIES</b>		<b>-3 384</b>	<b>-11 813</b>	<b>-5 789</b>
Proceeds from share issues		-	22	22
Redemption of own shares		-	-	-
New borrowings	14	33 803	-	-
Repayments of borrowings	14	-36 572	-9 066	-2 268
Other Financial liabilities variation		1 541	5 796	-
Dividends paid		-377	-342	-342
<b>NET CASH FLOW COMING FROM FINANCING ACTIVITIES</b>		<b>-1 605</b>	<b>-3 591</b>	<b>-2 588</b>
Effect of exchange rate variations		-47	-441	-1 238
<b>NET VARIATION OF CASH AND OF CASH EQUIVALENTS</b>		<b>-955</b>	<b>-4 305</b>	<b>-7 660</b>
Cash and cash equivalents on January 1		14 739	19 485	19 485
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD <sup>(1)</sup></b>		<b>13 785</b>	<b>14 739</b>	<b>11 824</b>

<sup>(1)</sup> Positive cash flow reduced by bank overdrafts. Cf. note 14

Table showing the variation of consolidated shareholders' equity for the half years ending on 30 June 2010 and on 30 June 2011

<i>In thousands of euro</i>	Numbers of shares	Share capital	Additional paid-in capital	Treasury stock	Stock options and free shares reserves	Income and charges directly posted in shareholder's equity	Earnings and retained earnings	Shareholder's equity Group share	Shareholder's equity Minority interests	Total shareholder's equity
<b>1 Jan. 2010</b>	<b>44 269 995</b>	<b>4 427</b>	<b>123 348</b>	<b>-1 916</b>	<b>1 583</b>	<b>225</b>	<b>27 122</b>	<b>154 788</b>	<b>824</b>	<b>155 612</b>
Dividend paid to the minorities	-	-	-	-	-	-	-	-	-342	-342
Call exercise	109 500	11	20	-	-9	-	-	22	-	22
Shares redemptions <sup>(1)</sup>	-	-	-	-217	-	-	-	-217	-	-217
Stock options and free shares impact <sup>(2)</sup>	-	-	730	-	188	-	-	918	-	918
Income and charges directly posted in shareholder's equity	-	-	-	-	-	5 776	-	5 776	11	5 787
Net income of the period	-	-	-	-	-	-	-63 493	-63 493	213	-63 280
Total global income	-	-	-	-	-	5 776	-63 493	-57 717	224	-57 494
<b>30 June 2010</b>	<b>44 379 495</b>	<b>4 438</b>	<b>124 098</b>	<b>-2 133</b>	<b>1 762</b>	<b>6 001</b>	<b>-36 372</b>	<b>97 794</b>	<b>705</b>	<b>98 499</b>
Dividend paid to the minorities	-	-	-	-	-	-	-	-	-	-
Call exercise	90 000	9	0	-	-9	-	-	-	-	-
Shares redemptions <sup>(1)</sup>	-	-	-	28	-	-	-	28	-	28
Stock options and free shares impact <sup>(2)</sup>	-	-	-122	-	733	-	-	611	-	611
Income and charges directly posted in shareholder's equity	-	-	-	-	-	-1 186	-	-1 186	-11	-1 197
Net income of the period	-	-	-	-	-	-	4 313	4 313	320	4 633
Total global income	-	-	-	-	-	-1 186	4 313	3 127	309	3 436
<b>31 Dec. 2010</b>	<b>44 469 495</b>	<b>4 447</b>	<b>123 975</b>	<b>-2 105</b>	<b>2 486</b>	<b>4 815</b>	<b>-32 059</b>	<b>101 558</b>	<b>1 014</b>	<b>102 573</b>
Dividend paid to the minorities	-	-	-	-	-	-	-	-	-377	-377
Call exercise	-	-	-	-	-	-	-	-	-	-
Shares redemptions <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	-
Stock options and free shares impact <sup>(2)</sup>	-	-	-	-	938	-	-	938	-	938
Income and charges directly posted in shareholder's equity	-	-	-	-	-	-38	-	-38	-	-38
Net income of the period	-	-	-	-	-	-	4 895	4 895	194	5 089
Total global income	-	-	-	-	-	-38	4 895	4 857	194	5 051
<b>30 June 2011</b>	<b>44 469 495</b>	<b>4 447</b>	<b>123 975</b>	<b>-2 105</b>	<b>3 424</b>	<b>4 777</b>	<b>-27 165</b>	<b>107 353</b>	<b>833</b>	<b>108 185</b>

(1) As of June 30, 2011, Hi-media S.A. holds 239 153 treasury shares. Moreover within the framework of the liquidity contract, hi-media holds 113 653 of its own shares as of June 30, 2011.

(2) Cf. Note 18 in connection with the share subscription option plans and the allocations of free shares.

## Report on global net income for the half years ending on 30 June 2010 and on 30 June 2011

<i>In thousands of euro</i>	30 June 2011	30 June 2010
<b>Net result</b>	<b>5 089</b>	<b>(63 280)</b>
<b>Other elements of the global result</b>		
- Actuarial gain and losses related to post-employment benefits	-	-
- Hedge accounting on financial instruments	233	99
- Translation adjustments	-271	5 687
- Other	-	-
- Taxes on other elements of the global result	-	-
<b>Other elements of the global result, net of tax</b>	<b>(38)</b>	<b>5 787</b>
Group share	(38)	5 776
Minority interests	-	11
<b>Global result</b>	<b>5 051</b>	<b>(57 494)</b>

## Notes concerning the Group's summary consolidated interim financial statements

### Note 1. Accounting principles and methods

#### i. Preparation bases for the summary financial statements

The interim financial statements for the 1<sup>st</sup> half of 2011 are to be read as a complement to the audited consolidated financial statements for the financial year ending on 31 December 2010 as appearing in the reference document filed with the Financial Markets Authority (AMF) on 15 April 2011.

The interim consolidated financial statements as of 30 June 2011 are established in accordance with the accounting and valuation principles of the IFRS international accounting standards. Those international accounting standards consist of the IFRS (International Financial Reporting Standards), of the IAS (International Accounting Standards), as well as of their interpretations adopted by the European Union on 30 June 2011 (publication in the Official Journal of the European Union).

The interim consolidated financial statements for the half-year ending on 30 June 2011 have been prepared in accordance with the provisions of standard IAS 34 concerning "Interim financial information". The said statements include, for comparison purposes, the income statement for the 1<sup>st</sup> half of 2010 and the balance sheet dated 31 December 2010.

Hi-media group's consolidated financial statements include the financial statements of Hi-media S.A. and of its subsidiaries (the whole being designated as "the Group"), as well as the Group's holdings in its affiliated companies or companies under joint control. They are presented in thousands of euro.

The interim consolidated financial statements dated 30 June 2011 as well as the notes relating thereto have been established on the responsibility of the Board of Directors, and were closed out at its meeting held on 26 August 2011. They were the object of a limited examination by the auditors.

#### ii. Accounting principles and valuation methods

Hi-media group has applied the same accounting methods as in its consolidated financial statements for the financial year ending on 31 December 2010. It should be noted that:

a) The following new standards, amendments and interpretations must be applied but had no effect on the group's financial statements:

- Amendments to IAS 32 - Classification of subscription rights
- Amendments to IAS 24 Revised – Disclosures on related parties
- Amendments to IFRIC 14 – Prepayment of a Minimum funding requirement
- IFRIC 19 – Extinguishing financial liabilities with equity instruments

b) The following new standards, amendments and interpretations, published but not adopted by the EU on 30 June 2011 do were not applied early:

- Amendments to IAS 1 – Presentation of financial statements
- IAS 12 – Recovery of underlying assets
- IAS 19 Revised – Employee benefits
- IAS 28 Revised – Investments in associates and joint ventures
- IFRS 7 – Disclosures on transfer of financial assets
- IFRS 9 – Financial instruments
- IFRS 10 – Consolidated financial statements
- IFRS 11 – Joint arrangements
- IFRS 12 – Disclosure of Interests in other entities
- IFRS 13 – Fair value measurement

#### iii. Use of estimates and judgments

Preparation of the financial statements in accordance with the IFRS standards requires Management to take account of estimates and of assumptions for determination of the amounts to be posted with regard to certain assets, liabilities, income and charges, as well as of certain information provided in notes attached to the assets and liabilities, in particular :

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

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

The estimates and the underlying assumptions are continuously reconsidered. The impact of the changes in accounting estimates is directly entered in the accounting during the period of the change if it affects only said period, or during the period of change and in subsequent periods if they are also affected by the change.

**Note 2. Consolidation base****2.1. List of consolidated entites**

Corporate name	Country	% held directly and indirectly on 30/06/11	% held directly and indirectly on 31/12/10	Date of creation or of acquisition	Date of financial year closeout
<b><i>Companies created</i></b>					
Hi-media Belgium SPRL	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	Mexic	100%	100%	17.07.09	31.12
<b><i>Companies acquired</i></b>					
Hi-media Network 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	14%	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%	44%	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 (ex. AdLink Internet Media BV)	Netherlands	100%	100%	31.08.09	31.12
Hi-media Italy Srl (ex. AdLink Internet Media Srl)	Italy	100%	100%	31.08.09	31.12
Hi-media Network Internet España SL (ex. AdLink Internet Media S.L.U.)	Spain	100%	100%	31.08.09	31.12
Hi-media Ltd (ex. AdLink Internet Media Ltd.)	UK	100%	100%	31.08.09	31.12
Net:Dialogs GmbH	Germany	100%	100%	31.08.09	31.12

**Note 3. Sales**

Sales break down as follows by activity:

<i>In thousands of euro</i>	30 June 2011	30 June 2010
Advertising	53 255	52 858
Payments	64 275	55 798
<b>Sales</b>	<b>117 530</b>	<b>108 656</b>

**Note 4. Payroll charges**

The breakdown of the payroll charges between salaries, social security charges and provision for end-of-career indemnities look as follows:

<i>In thousands of euro</i>	30 June 2011	30 June 2010
Salaries	10 536	12 524
Social security charges	5 272	4 329
Provision for end-of-career indemnities	26	16
<b>Payroll charges</b>	<b>15 834</b>	<b>16 869</b>

The staff varied as follows :

	31 Dec. 2010	Incoming	Outgoing	30 June 2011
France	249	32	23	258
Foreign	254	79	107	226
<b>Staff</b>	<b>503</b>	<b>111</b>	<b>130</b>	<b>484</b>

**Note 5. Valuation of stock options and free shares**

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 euro</i>	30 June 2011	30 June 2010
Valuation of stock options and free shares	938	918
Fotolog Inc. retention plans	22	174
<b>Payments based on shareholders' equity instruments</b>	<b>960</b>	<b>1 092</b>

**Note 6. Other non-current income and expenses**

The non recurring expenses mainly result from charges incurred by the Allopass France process to be granted service payment provider, the strategic review led on the Payment activity and costs related to an external fraud. These amounts are mostly offset by a sale of shares proceeds. The cash effect of these items is in the cash flow resulting from operations in the cash flow statement.

**Note 7. Tax on earnings**

The tax charge breaks down as follows:

<i>In thousands of euro</i>	30 June 2011	30 June 2010
Current taxes	- 3 587	- 1 871
Deffered taxes	1 416	- 1 109
Deffered taxes (on non recurring items)	-	- 3 715
<b>Tax (charge)/Proceeds</b>	<b>- 2 171</b>	<b>- 6 695</b>
<i>Effective tax rate (%)</i>	30%	-12%



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

<i>in thousands of euro</i>	30 June 2011	30 June 2010
<b>Tax rate in France</b>	<b>33,33%</b>	<b>33,33%</b>
Theoretical tax (charge)/proceeds	-2 420	18 862
<i>Elements concerning the comparison with the effective rate:</i>		
Effect of non-current write-downs on assets	-	-25 683
Effect of change in rates	191	-372
Earnings charged to losses subject to carryover not previously recorded	-	163
Recognition of deferred tax credits on losses carried over	-	-
Difference of tax rate between the countries	-80	1 034
Permanent differences and other elements	139	-699
<b>Real tax (charge)/proceeds</b>	<b>- 2 171</b>	<b>-6 695</b>
<i>Effective tax rate</i>	30%	-12 %

The charge for the 1<sup>st</sup> half of 2011 current taxes consists mainly of the taxes on profits.

Hi-media France SA, Allopass SAS, Hi-Pi SARL, Mobile Trend SAS, Mobile Works SAS and Bonne Nouvelle Editions SARL have been consolidated for fiscal purposes.

**Note 8. Goodwill**

<i>In thousands of euro</i>	31 Dec. 2010	Forex	Increases	Decreases	30 June 2011
Goodwill	186 299	-	-	-	186 299
Depreciation	-64 869	-	-	-	-64 869
<b>Net goodwill</b>	<b>121 419</b>	-	-	-	<b>121 419</b>

**Note 9. Intangible fixed assets**

Activated charges with respect to specific developments are mainly:

- Development of new payment solutions for the Group Payment activity
- Development of back office and reporting technical platforms for the Group Payment activity
- Development of new functionalities of the *Hi-Media Performance* technical platform for the Group Advertising activity

<i>In thousands of euro</i>	30 June 2011	31 Dec. 2010
Software and licences	5 098	4 105
Trademarks	1 342	1 381
Customer relations	301	301
Fixed assets in progress	2 289	1 871
Other	48	12
<b>Total</b>	<b>9 078</b>	<b>7 670</b>

**Note 10. Deferred taxes**

- i. Recognized differed tax credit and liabilities

The details concerning the deferred taxes posted to earnings are presented in Note 7 above.

The sources of the net deferred tax credit and liabilities recognized as of June 30, 2011 are as follows:

<b>NET DEFERRED TAX CREDITS</b>		
<i>In thousands of euro</i>	30 June 2011	31 Dec. 2010
Tax loss carryovers	5 594	5 474
Intangible fixed assets	- 145	-154
Other timing differences	1 019	-248
<b>Deferred tax credits</b>	<b>6 468</b>	<b>5 072</b>

<b>NET DEFERRED TAX LIABILITIES</b>		
<i>In thousands of euro</i>	<b>30 June 2011</b>	<b>31 Dec. 2010</b>
Intangible fixed assets	860	856
Other timing differences	-308	-284
<b>Deferred tax liabilities</b>	<b>552</b>	<b>572</b>

ii. Unrecognized deferred tax credits

As of 30 June 2011, the unrecognized deferred tax credits consisted mainly of the following losses subject to indefinite carryover (on base):

- 19 310 k€ for Hi-Media USA Inc.
- 3 855 k€ for Hi-media Ltd
- 1 424 k€ for Hi-media Nederland BV
- 1 206 k€ for Hi-media Deutschland AG

Making a total of 26 551k€, representing an unrecognized deferred tax credit of 8 446 k€.

**Note 11. Trade and other receivable**

<i>In thousands of euro</i>	<b>30 June 2011</b>	<b>31 Dec. 2010</b>
Customers	78 080	85 682
Depreciation	- 1 760	-2 169
<b>Trade notes and accounts receivable</b>	<b>76 320</b>	<b>83 513</b>

The accounts receivable include the invoices transferred under a factoring contract concluded in 2010 by Hi-Media, for which the society has taken out credit insurance in advance, and hence has not transferred the credit risk to the Factor.

The amount of the receivables transferred on 30.06.11 came to 13 422 k€.

On the other hand, the contractual conditions of the factoring contracts (concluded in 2008) of Allopass SAS, Mobile Trend SAS and Mobile Works SAS make it possible to transfer the main risks and advantages connected with the transferred receivables, and hence to take them off the balance sheet.

The accounts receivable which are derecognized in this way in accordance with IAS 39 under the terms of factoring contracts come to 25.7 M€ as of June 30, 2011.

The cash available under these contracts comes to 2.5 M€ as of June 30, 2011.

**Note 12. Other current assets**

All of the other current assets are at less than one year.

The prepaid charges correspond mainly to the share of marketing charges invoiced for and overheads relative to the period after the 30 June 2011.

<i>in thousands of euros</i>	<b>31 June 2011</b>	<b>31 Dec 10</b>
Financial and corporate assets	11 559	12 969
Current accounts	238	238
Prepaid charges	2 033	1 824
Factor guarantee fund	2 099	2 138
Hi-pay available cash balance	3 217	2 827
Others	8 805	3 626
<b>Other current assets</b>	<b>27 951</b>	<b>23 622</b>

**Note 13. Cash and cash equivalents**

<i>In thousands of euro</i>	<b>30 June 2011</b>	<b>31 Dec. 2010</b>
"OPCVM" fund shares	1 359	1 002
Reserve at factor's	2 516	4 098
Liquid assets	11 204	9 670
<b>Cash and cash equivalents</b>	<b>15 079</b>	<b>14 770</b>

**Note 14. Borrowings and financial liabilities**

Hi-media signed a syndicated loan of 40 million euro in June 16, 2011.

This syndicated loan is computed as following:

- A first line of 31.6 million euro (Trench A)
- A second line of 8.4 million euro (Trench B)

Both lines have a duration of five years.

Trench A has been entirely called as of June 16, 2011, and has been used to:

- Reimbursed the 19.4 million euro remaining from the syndicated loan signed as of November 7, 2007 as well as the supplemental trench signed with a amendment to the initial contract as of August 31, 2009 dedicated finance the expenses incurred by the acquisition of AdLINK Internet Media and the costs linked to its restructuring
- Reimbursed the 12.2 million euro vendor loan that hand been settled for the purpose of the AdLINK Internet Media acquisition as of August 31, 2009.

Trench B should help the Group in financing investments and acquisitions. 2.2 million euro of it have been called during the first half of the year 2011.

<i>In thousands of euro</i>	<b>Balance sheet balance on 30 June 2011</b>		<i>Issue currency</i>	<i>Expiration</i>	<i>Effective rate</i>
	<i>Non- current</i>	<i>Current</i>			
Syndicated loan	27 015	6 210	EUR	2016	Eur3M + 1,5% à +2%
Financing connected with factoring	-	13 422	EUR	Indet.	Eur3M + 0,8 %
Accrued interest on debts	-	312	EUR	Indet.	variable
Bank overdrafts	-	1 294	EUR	2011	variable
<b>Total</b>	<b>27 015</b>	<b>21 238</b>			

The repayment of 36,6 million euro presented in the line "Repayments of borrowings" in the consolidated cash flow table as at June 30, 2011 essentially corresponds to the following flows:

- On June 16, 2011, repayment of the syndicated loan dated November 7, 2007, and the vendor loan dated August 31, 2009, amounting to 31.6 million euro
- Payment of the installment of the syndicated loan and changes in accrued interest not yet due in the amount of 5 million euro

Pursuant to the syndicated loan contract signed in June 2011, it has been concluded an interest rate swap fixed payer / variable recipient 3-month Euribor (due in June 2016) for a notional amount of 16 M€ (as a substitute of the previous rates concluded in February and July 2008, pursuant to the credit agreement dated October 2007).

#### **Note 15. Non current liabilities**

The non-current liabilities consist mainly of the fair value of the hedging financial instruments concluded in connection with the borrowing (cf. Note 14).

#### **Note 16. Other current debts and liabilities**

All other debts and liabilities are due at less than one year.

<i>In thousands of euro</i>	<b>30 June 2011</b>	<b>31 Dec. 2010</b>
Taxation and social liabilities	22 737	22 946
Debts on fixed assets	224	255
Prepaid income	353	543
Other liabilities	4 562	1 896
<b>Other current liabilities</b>	<b>27 875</b>	<b>25 640</b>

**Note 17. Segment information**

Operational sectors are presented according to the methods described in the 2010 annual report and correspond to the 3 operational poles to which resources are affected.

	Advertising		Micropayment		Publishing		Eliminations		Total	
	S1 11	S1 10	S1 11	S1 10	S1 11	S1 10	S1 11	S1 10	S1 11	S1 10
<b>Revenue</b>	<b>54 679</b>	<b>54 330</b>	<b>64 133</b>	<b>55 064</b>	<b>6 494</b>	<b>5 054</b>	<b>(7 776)</b>	<b>(5 792)</b>	<b>117 530</b>	<b>108 656</b>
<i>Of which own and operated websites</i>	<i>4 933</i>	<i>4 151</i>	<i>681</i>	<i>2 008</i>	<i>6 494</i>	<i>5 054</i>	<i>(5 067)</i>	<i>(5 053)</i>	<i>7 041</i>	<i>6 160</i>
<b>Gross profit</b>	<b>18 960</b>	<b>19 870</b>	<b>14 311</b>	<b>12 586</b>	<b>4 913</b>	<b>4 243</b>			<b>38 184</b>	<b>36 699</b>
<b>Operating profit by activity</b>	<b>4 598</b>	<b>5 286</b>	<b>5 971</b>	<b>6 054</b>	<b>2 014</b>	<b>(826)</b>			<b>12 583</b>	<b>10 514</b>
<i>Profitability rate</i>	<i>8 %</i>	<i>10 %</i>	<i>9 %</i>	<i>11 %</i>	<i>31 %</i>	<i>-16 %</i>			<i>11 %</i>	<i>10 %</i>
Restatement of the margin generated by the Publishing entities over the other entities in the group	(1 480)	(1 245)	(51)	167	1 531	1079			-	-
<b>Operating profit by restated activity</b>	<b>3 118</b>	<b>4 040</b>	<b>5 921</b>	<b>6 221</b>	<b>3 544</b>	<b>253</b>			<b>12 583</b>	<b>10 514</b>
<i>Profitability rate</i>	<i>6 %</i>	<i>7 %</i>	<i>9 %</i>	<i>11 %</i>	<i>55 %</i>	<i>5 %</i>			<i>11 %</i>	<i>10 %</i>
Unallocated income and charges excluding stock options and free shares									(3 579)	(3 370)
<b>Operating profit before valuation of stock options and free shares</b>									<b>9 003</b>	<b>7 144</b>
Valuation of stock options and free shares									(960)	(1 092)
Non current income and charges									(63)	(62 032)
<b>Operating profit</b>									<b>7 980</b>	<b>(55 980)</b>
Financial net income									(887)	(790)
Share of earnings, equity basis									167	186
Taxes									(2 171)	(6 695)
<b>Net income</b>									<b>5 089</b>	<b>(63 280)</b>
<b>Group share</b>									<b>4 895</b>	<b>(63 493)</b>

**Note 18. Stock option plan and allocations of free shares****18.1. Stock options**

	Plan no. 6	Plan no. 7	Plan no. 8	Plan no. 9	Plan no. 10	Total
Meeting date	21 Apr. 00	25 Apr. 03	25 Apr. 03	25 Apr. 03	24 Apr. 08	
Date of Board of Directors meeting	23 Oct. 01	26 May 03	10 Jul. 03	12 Jan. 05	19 Dec. 08	
Total number of shares allocated <sup>(1)</sup>	91 001	500 000	350 000	150 000	50 000	1 141 001
Total number of shares available for subscription	-	70 000	-	76 000	50 000	196 000
Including number of shares that could be acquired by authorized agents	-	50 000	-	-	-	50 000
Including number of shares that could be acquired by the ten leading employee	-	20 000	-	67 000	-	87 000
Beginning of exercise of the options	23 Oct. 03	26 May 05	10 Jul. 05	12 Jan. 07	19 Dec. 08	
Date of expiration	23 Oct. 11	25 May 13	10 Jul. 13	12 Jan. 15	14 May 18	
Subscription price (in euro) <sup>(2)</sup>	0,59	0,33	0,35	1,14	1,81	
Exercise procedures <sup>(3)</sup>	B	A	A	A	C	
Number of shares subscribed to on 30/06/10	-	430 000	350 000	47 500	-	827 500
Options cancelled during the period	-	-	-	-	-	
Remaining options	-	70 000	-	76 000	50 000	196 000

<sup>(1)</sup> Options allocated to the employees currently present in the company, the employees having left the company being unable to retain the benefit of such options.

<sup>(2)</sup> Subscription price of the options calculated on the day of award of the options and corresponding to the weighted average of the market prices during the last 20 trading sessions (for certain plans, a 5% reduction has been made).

<sup>(3)</sup> Procedure A: 100% of the options may be exercised at the end of a 2-year period following the meeting of the Board of Directors having allocated the said options.

Procedure B: 1/3 of the options may be exercised at the end of a 2-year period following the meeting of the Board of Directors having awarded the said options, then 1/3 the following year, and the remaining 1/3 four years after allocation.

Procedure C: 1/6 at the end of each quarter-year following the beginning time for exercise of the options.

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

	1 <sup>st</sup> half of 2011		2010	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Options in circulation at the opening	202 500	1,03	216 416	1,23
Options allocated during the period	-	-	-	-
Options exercised during the period	6 500	1,14	6 500	1,14
Options cancelled during the period	-	-	7 416	7,03
Options in circulation at the close	196 000	1,02	202 500	1,03
Options that could be exercised at the close	196 000	1,02	202 500	1,03

The parameters adopted for valuing the share 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 allocation date	0,36	0,36	1,45	0,06
Fair value of the plan on the allocation date	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%



**18.2. Allocation of free shares**

Pursuant to IFRS 2, the plans for allocation of free shares are valued on the basis of the Hi-media share price on the day of the meeting of the Board of Directors deciding on allocation of the said free shares.

	Plan no. 8	Plan no. 9	Plan no. 10	Plan no. 11	Plan no. 12	Plan no. 13	Plan no. 14
Meeting date	Nov. 2, 2005	Nov. 2, 2005	Nov. 2, 2005	Nov. 2, 2005	Nov. 2, 2005	Nov. 2, 2005	Nov. 2, 2005
Date of the Board of Directors' meeting	March 1, 2007	May 14, 2007	June 14, 2007	July 23, 2007	Nov. 8, 2007	Dec. 19, 2007	April 22, 2008
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 authorised 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 that can be definitively allocated 30 June 2011	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	March 1, 2009	May 14, 2009	June 14, 2009	July 23, 2009	Nov. 8, 2009	Dec. 19, 2009 Dec. 19, 2011	April 22, 2010
End of retention period	March 1, 2011	May 14, 2011	June 14, 2011	July 23, 2011	Nov. 8, 2011	Dec. 19, 2011	April 22, 2012
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	-	-	-	-	-	-	Oui
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	Plan n°22	Total
Meeting date	Apr 24, 08	Apr 24, 08	Apr 24, 08	Apr 24, 08	Apr 24, 08	Apr 24, 08	Apr 24, 08	Apr 24, 08	
Date of the Board of Directors' meeting	Jul 22, 08	Sept 24, 08	Dec 19, 08	Mar 13, 09	Nov 30, 09	Jul 19, 10	Déc 02, 10	Jan 26, 11	
Total number of shares allocated	40 000	1 350 000	89 000	5 000	346 000	15 000	55 000	80 000	2 739 000
Including the number of shares that can be subscribed to by the authorised agents	-	400 000	-	-	-	-	-	-	570 626
Including the number of shares that can be subscribed to by the leading ten employee allocatees	-	811 500	13 300	-	-	-	-	-	1 018 466
Number of cancelled shares	-	146 900	25 700	5 000	210 480	-	-	-	538 438
Number of shares that can be definitively allocated 30 June 2011	40 000	-	-	-	-	-	-	-	561 642
Number of shares that can be definitively allocated	-	1 203 100	63 300	-	135 520	15 000	55 000	80 000	1 563 920
End of acquisition period	Jul 22, 10	Jan 24, 11 Jul 24, 11 Sept 24, 12	Dec 19, 10	Mar 13, 11	Nov 30, 12 Nov 30, 13	Jul 19, 13	Dec 02, 13	Jan 26, 14	
End of retention period	Jul 22, 12	Jan 24, 13 Jul 24, 13 Sept 24, 12	Dec 19, 12	Mar 13, 13	Nov 30, 13	Jul 19, 14	Dec 02, 14	Jan 26, 15	
Share price on the date of the board meeting	4,25	3,1	1,74	1,97	4,68	4,4	3,28	3,97	
Non-transferability discount	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Fair value of the free share	3,52	2,33	1,38	1,58	3,58	3,54	2,39	2,98	

**Note 19. Off balance sheet commitments****19.1. Commitments received**

During the acquisition of the Mobile Trend group and of the online advertising network entities of the AdLink Internet Media AG group, Hi-Media benefits from a clause guaranteeing the liabilities.

Within the sale of AdLink Internet Media AG Group to Hi-media, United Internet undertakes not to increase its holding beyond 21% during two years after the operation, i.e. until August 31, 2011.

**19.2. Commitments given**

The lease signed May 15, 2008 concerning the premises of the French activities of the Group represents a commitment of 1.6M€ per year (not index linked) until December 15, 2017.

**19.3. Covenants**

The subscription of the syndicated loan, ferred into Note 14, induces the obligation for Hi-media to respect the covenants based on the following financial ratios, calculated according to the definitions of the banking contract:

- Ratio of financial debt R1 (Consolidated Net Debt/Consolidated EBITDA) less than or equal to 2.5
- Gearing Ratio R2 (Consolidated Net Debt/Consolidated Equity) less than or equal to 0.65

On June 30, 2011, Hi-media meets these both ratios.

**19.4. Pledges**

Within the framework of the syndicated credit line subscribed by Hi-Media (cf. Note " Borrowings and Financial debts above"), hi-media pledged, to the benefit of the participating credit institutions, the securities of its subsidiaries Allopas SAS, L'Odyssée Interactive SAS and Hi-Pi SARL as well as the Hi-media SA business.

**19.5. Litigations**

On the first half-year 2011, the pending litigations continued or finished without significant impact on the accounts.

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

**Events that have occurred since June 30, 2011**

Allopas obtained from the ACP (Prudential Controlling authority) its license "Establishment of Payment" on August 23, 2011. HMPE had received its license from the CBFA (Belgian Central Bank) of "e-money institution" in 2008.

## Statement by the person responsible for the interim financial report

I hereby attest that to my best knowledge, the summary financial statements presented in the 2011 semiannual financial report are established in accordance with the applicable accounting standards and give a fair representation of the property, financial situation and earnings of the company and of the set of companies included in the consolidation, and that the semiannual financial report offers a fair representation of the important events occurring during the first six months of the financial year and of their effect on the semiannual financial statements, of the main risks and uncertainties for the remaining six months of the financial year, and of the main transactions between affiliated parties.

Cyril Zimmermann

Chairman of the Board of Directors and Managing Director of Hi-media S.A.

## Statutory Auditors' Review Report on the half-yearly consolidated financial statements

For the six-month period ended 30 June 2011

To the Shareholders,

Following our appointment as statutory auditors by the Shareholders and in accordance with article L.451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Hi media S.A. for the six-month period ended 30 June 2011;
- the verification of information contained in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board. Our role is to express a conclusion on these financial statements based on our review.

### I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 - the standard of the IFRS as adopted by the European Union applicable to interim financial statements.

### II. Specific verification

We have also verified information given in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris La Défense, on the 30 August 2011

Courbevoie, on the 30 August 2011

KPMG AUDIT

Stéphanie Ortega

MAZARS

Jérôme de Pastors