

## ***Media release***

### **PubliGroupe: Strong growth in digital and international business – Decline in Swiss advertising market**

- **42.7% growth in digital and electronic media (92.3% including zanox); international business grows by 46.1% (72.2% including zanox)**
- **Revenue increases by 3.1%, 7.7% including zanox; like-for-like sales fall by 7.2%**
- **Media Sales successfully transformed, but results well below expectations so far in a difficult environment**
- **EBIT improves by 65.5 % to CHF 61.9 million thanks to profit on property disposal**
- **Net result falls 24.8 % to CHF 43.9 million**

Lausanne, 25 August 2008 – PubliGroupe recorded a mixed performance in the first six months of 2008. There were positive performances in key areas but a cloud was cast by the general economic downturn and by the unexpected -23% decline in revenues in the Swiss Media Sales business in June. This was due to the reluctance of many companies to advertise during the EURO 2008 football championship. As expected, the high potential Digital and Electronic Media markets and international business posted excellent growth of 42.7% and 46.1% respectively. The adjustment of financial structures at online marketing services provider zanox, in which PubliGroupe holds a 40% stake, has not yet been completed, so PubliGroupe's share of zanox's results are only consolidated in the half-year financial statements in terms of equity rather than in full. zanox's influence has therefore been stated separately. Thanks to the acquisitions made in 2007, PubliGroupe increased its consolidated revenues by 3.1 % to CHF 1.11 billion (CHF 1.07 billion), despite the decline in the Swiss advertising market; but if zanox's figures are included, the increase is 7.7 % and the revenue CHF 1.16 billion. Like-for-like revenue – i.e. only including the same companies as last year – was down by 7.2%.

**The Group's EBIT went up 65.5 % to CHF 61.9 million (CHF 37.4 million) thanks to exceptional income of CHF 42.5 million from a property sale. Excluding exceptional items and newly acquired companies, EBIT was CHF 11.6 million lower than for the same period last year. This fall is mainly due to the unsatisfactory performance of Media Sales. The financial result was also smaller owing to higher financing costs and a one-time profit on the sale of an investment stake in the previous year. These factors, plus higher taxes on real estate gains ultimately led to a 24.8% reduction in the net result to CHF 43.9 million.**

**"The decline in the Media Sales segment during the EURO 2008 football championship was unexpectedly sharp, but we are on the right course in other segments and in terms of strategy, as the performance of our high-potential markets very clearly shows," says CEO Hans-Peter Rohner in response to the first-half results. "As predicted we are reducing our reliance on print business and Swiss business to an increasing degree. The creation and development of Media Sales has taken up great resources and affected day-to-day business, but the new structures open up fresh opportunities for us, and I am confident that more dynamic sales and further efficiency gains will allow us to achieve better results in the second half of the year. We must hope, however, that a further deterioration in the economic environment does not negate our operational progress."**

#### **Rapid progress in the digitalization of Search & Find services**

Search & Find is growing successfully in the online directories market. The internet platforms that form part of the joint venture with Swisscom put in a very lively performance, with sales increasing by 19.4% in the first half-year. Online products already account for more than 40% of Search & Find's current advertising sales. This makes this business segment one of the strongest players in the high-potential internet advertising market in Switzerland. The 5.2% decline in revenues to CHF 47 million (CHF 49.6 million) results from the decision to move publication of the "2008 Yellow Pages" into the second half of this financial year, so the shortfall will be made up in the second half. Technical accounting factors related to the reorganization of online business at the end of last year within the joint venture between PubliGroupe and Swisscom meant that Search & Find's EBIT fell slightly in the first half of 2008 to CHF 20.4 million (2007 "restated": CHF 22.6 million). The performance of Search & Find's online activities confirms the wisdom of restructuring this business. The dynamic development of this sector will accelerate further this autumn with the relaunch of the jointly run new website [www.local.ch](http://www.local.ch).

**Exceptional factors influence the performance of Media Sales**

The restructuring and expansion of the Media Sales business segment is the largest reorganization project in the company's history. In spring, for example, its business units in Zurich moved under the same roof and all its business units across Switzerland and abroad started to bring their market presence together under the single, dynamic "publicitas" brand. These major changes involved various indirect costs and tied up a lot of resources, which inevitably had an effect on first half results. The serious -23% decline in the Swiss market in June 2008 could not have been predicted. This decline, which affected all media in Switzerland, reduced the Media Sales business segment's results by 4 to 5 million francs. Media Sales achieved total revenue of CHF 925 million in the first half year, a reduction of 7.1% on the previous year. Revenues generated in Switzerland fell by 8.1%, while international revenue remained stable. However, exchange rate differences led to a headline fall of 6.7%. These developments were also affected by the significant changes in contractual relationships in Switzerland, including in Basel. The gross margin is the clearest indicator of value creation, and this fell by 8.6% to CHF 144.9 million.

The Media Sales segment is working on the assumption that the market environment will be harder in the second half of the year, though the scale of the challenge is difficult to estimate. However, an additional cost optimization programme has already been initiated, and despite the challenges, Media Sales believes that results will be better in the second-half than in the first half of the year.

**Custom Publishing in transition**

The Custom Publishing business segment, which focuses mainly on corporate publishing and in-flight entertainment was strengthened at the start of this year by the acquisition of Swiss company Denon AG. It had a weaker first half-year, however, owing to the loss of a major contract in Asia last year. Revenues fell by 26.4% (-15.8% after exchange rate differences) to CHF 14.5 million, while EBIT decreased by 42.9% to CHF 1.2 million (CHF 2.1 million). In the meantime, some significant new orders have been won, including from Singapore Airlines and CNN Traveller, but in terms of revenue and earnings, the effect of some of these orders will only be felt in the 2009 accounts.

**Successful start for Digital & Marketing Services**

The internationally active Digital & Marketing Services business segment, which focuses on marketing and interactive services for advertisers and agencies, has very quickly found its feet and developed into an independent and successful part of the business. The new business segment, which includes the e-business company namics (Switzerland and Germany), the

marketing and media service provider SVBmedia (Netherlands) and the globally active online marketing services provider zanox, achieved revenue of CHF 122.7 million (previous year CHF 14.8 million) and EBIT of CHF 2.8 million (CHF 0.6 million) in the first six months of this year. The gross margin – the added value indicator – went up to CHF 26.7 million (CHF14.5 million).

zanox is only consolidated in the half-year results in terms of equity, rather than fully. If PubliGroupe's stake in the company were fully consolidated, the revenue achieved by Digital & Marketing Services would have risen to CHF 171.9 million and EBIT to CHF 5.1 million. Once the current alterations to financial structures are complete, two companies that operate jointly under the zanox brand and in which PubliGroupe or Axel Springer AG respectively hold a 65% controlling stake, will be operating on the international markets. PubliGroupe has majority control of the zanox company responsible for markets in Switzerland, France, Spain, Italy, Asia and Latin America. The company will be fully consolidated in PubliGroupe's accounts.

### **Cautiously optimistic outlook**

The Search & Find, Custom Publishing and Digital & Marketing Services business segments should continue their dynamic development. As long as operational progress is not negated by a further deterioration in the economy, Media Sales will be able to improve its results thanks to the added dynamism and efficiency created by the reorganization. The initial effects of the cost optimization programme, which should produce savings of more than CHF 10 million a year, will have a positive effect on the results for the second half. PubliGroupe expects to achieve better operational results in the second half than in the first six months of 2008.

**Key figures at 30.6.2008**

in millions of CHF	1st half year 2008			1st half year 2007			Change 2007-2008	
	IFRS	Pro forma excluding non-recurring items and before the 2008 changes in the consolidation scope		IFRS	Pro forma excluding non-recurring items 2007		IFRS	Pro forma
Revenue	<b>1'108.3</b>	(111.0)	997.3	<b>1'074.7</b>	1'074.7		<b>+ 3.1%</b>	- 7.2%
Gross margin	<b>212.9</b>	(13.9)	199.0	<b>216.0</b>	216.0		<b>- 1.4%</b>	- 7.9%
EBITDA	<b>51.6</b>	(43.9)	7.7	<b>24.4</b>	(4.8)	19.6	<b>+ 111.5%</b>	- 60.7%
Operating result (EBIT)	<b>61.9</b>	(43.7)	18.2	<b>37.4</b>	(7.6)	29.8	<b>+ 65.5%</b>	- 38.9%
Net financial result	<b>0.2</b>	3.5	3.7	<b>35.0</b>	(29.2)	5.8	<b>- 99.4%</b>	- 36.2%
Net result, share of PubliGroupe Ltd.	<b>43.9</b>	(30.6)	13.3	<b>58.4</b>	(32.4)	26.0	<b>- 24.8%</b>	- 48.8%
	<b>as of 30 June 2008</b>			<b>as of 30 June 2007</b>			Change 2007-2008	
Number of employees at the end of the period	3'055			2'884			+ 5.9%	

## Key figures with simulation of zanox target structure:

in millions of CHF	1st half year 2008			1st half year 2007	Change 2007-2008
	IFRS	zanox, share of PubliGroupe according to "Zielstruktur"	simulation with "Zielstruktur" zanox	IFRS	simulation with "Zielstruktur" zanox
Revenue	1'108.3	49.2	1'157.5	1'074.7	+ 7.7%
Gross margin	212.9	9.4	222.3	216.0	+ 2.9%
EBITDA	51.6	3.9	55.5	24.4	+ 127.5%
EBIT	61.9	2.3	64.2	37.4	+ 71.7%
Net result, share of PubliGroupe Ltd.	43.9	0.6	44.5	58.4	- 23.8%

**Segment information**

1st half year	Search & Find		Media Sales			Custom Publishing			Digital & Marketing Services			Corporate and others			
	2008	2007	2008	2007		2008	2007		2008	2007	2008	2007			
Revenue	-5.2%	47.0	49.6	-7.1%	925.0	995.9	-26.4%	14.5	19.7	-	122.7	14.8	+9.5%	22.0	20.1
Gross margin	-6.8%	38.5	41.3	-8.6%	144.9	158.6	+4.8%	6.6	6.3	+84.1%	26.7	14.5	+15.0%	16.9	14.7
EBITDA	-2.5%	7.8	8.0	-70.5%	3.9	13.2	-28.6%	1.5	2.1	-	2.9	0.8	-	35.5	0.3
Share in net result of associates	-12.6%	13.2	15.1	-50.0%	0.2	0.4	-	-	-	-	0.8	-	-17.9%	3.2	3.9
EBIT	-9.7%	20.4	22.6	-83.0%	1.8	10.6	-42.9%	1.2	2.1	-	2.8	0.6	-	35.7	1.5
Number of employees at the end of the period	+11.8%	576	515	-2.1%	1'842	1'882	+14.0%	106	93	+65.2%	337	204	+2.1%	194	190

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**The results as at 30.6.2008 (short report of 25 August 2008) are available at:**  
<http://www.publigroupe.com/en/media-relations/downloads/key-figures.html>

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