

Media Release

PubliGroupe returns to profitability

Lausanne, 30 August 2010 - PubliGroupe is showing increasing signs of recovery: For the first half of 2010 the Group has reported an operating result (EBIT) of CHF 12.4 million (2009: CHF -3.5 million) and a net result of CHF 27.1 million (2009: CHF -8.5 million). Figures are also in the black before taking non-recurring items into account: operating profit was CHF 7.9 million (2009: CHF -12.3 million) and net income CHF 7.5 million (2009: CHF -12.5 million). The recovery is based on substantial additional cost savings, a significantly reduced operating loss in Media Sales as well as acquisitive and organic growth in online services. The return to profitable growth was achieved thanks to progress made on all PubliGroupe's different strategic initiatives. Positive results are also expected for the full year.

EBIT and net result positive in the first half

- Consolidated sales declined by 10.6% to CHF 714 million and the gross margin by 6.9% to CHF 153 million, mainly due to a lower sales volume in the print-related activities of Media Sales
- EBIT rose to CHF 12.4 million, compared with CHF -3.5 million in 1HY 2009, and the net result improved to CHF 27.1 million from CHF -8.5 million in 1HY 2009
- Additional cost savings of CHF 27 million in 1HY 2010
- Media Sales limits its operating loss to CHF -3.1 million after CHF -14.4 million in 1HY 2009 thanks to strict cost control and improved results in the area of electronic media and on the international markets
- Online businesses, including joint-venture companies and acquisitions, grew by 38.4% to CHF 313.8 million
- Funds generated through divestment of non-strategic assets are being invested in growth markets and used to reduce debt
- Bank borrowing was reduced from CHF 165 million on 31 December 2009 to CHF 120 million on 30 June 2010.

Transformation process further strengthens Group

- Media Sales: the deployment of the new business model in Switzerland is progressing as planned and should allow the segment to achieve a sustainable turnaround in 2011
- Online activities have been enhanced by two acquisitions in the business segment Digital & Marketing services combined with targeted initiatives in the business segment Search & Find

Outlook for the full year 2010

- Prospects for 2010 as a whole are also positive, with operational results reflecting the group's still moderate but continuing recovery

Positive results – both before and after extraordinary items

PubliGroupe's operational and financial performance has returned to positive territory thanks to additional cost savings of CHF 27 million, improved results at Media Sales, as well as organic and acquisitive growth in the Group's successful online services. Group EBIT for the first half of 2010 stood at CHF 12.4 million, up from last year's CHF -3.5 million. Net profit was CHF 27.1 million compared with a loss of CHF -8.5 million for the first half of 2009. After eliminating non-recurring items, EBIT reached CHF 7.9 million (2009: CHF -12.3 million) and net profit stood at CHF 7.5 million (2009: CHF -12.5 million). One-time charges totalled CHF 5.3 million and included goodwill impairment of CHF 1.8 million as well as risk-related expenses and provisions of CHF 3.5 million. The one-time income of CHF 24.9 million stems from book gains on the sale of participations in Basler Zeitung Medien and Edipresse as well as real estate sold in Baden. The resources from the sale of these items are being invested in growth markets, and in particular in reducing the company's debt, which increased when Zanox Group was acquired. Bank borrowings were reduced from CHF 165 million to CHF 120 million.

Expanding PubliGroupe's position in the Swiss and European online markets

The sales volume generated in the online market by all subsidiaries, including minority participations in joint-venture companies, amounted to CHF 313.8 million, which represents an increase of 38.4% (or 43.8% at constant exchange rates) on the first half of 2009. In the business segment Search & Find, PubliGroupe is continuing to build up its local search activities, particularly in the context of its successful joint-venture with Swisscom. Strengthened by two acquisitions in the first half of 2010, the business segment Digital & Marketing Services now has all the capabilities in place to expand its position in the market for performance-based online marketing services in Switzerland and key European markets.

Sustainable turnaround of Media Sales expected for 2011

The transformation of the Media Sales business model with respect to the sale of advertising space in the Swiss press is well underway. As part of this new business model, Media Sales has already been cooperating successfully with all titles of the NZZ Group since 1 January 2010. The business segment is also developing its digital platform for the management of advertising orders and is offering its new modular service portfolio to all players in the industry. A sustainable turnaround is expected for 2011.

Solid basis for further Group development

The consistent implementation of the strategic initiatives will continue at all four levels: (1) The streamlining of Group structures, which yielded additional savings of CHF 27 million during the first half of 2010, is set to continue. The targeted full year savings of CHF 38 million within Media Sales and the central structures of the group should be achieved, as announced in March 2010. (2) The sale of non-operational assets, such as certain non-strategic participations in publishing houses and commercial real estate which is no longer used by Group companies, is proceeding with the sale of a building in Lausanne scheduled for this autumn. The funds from divestments of non-strategic assets are being used both to (3) invest in online growth markets and to reduce debt. PubliGroupe has the necessary means to ensure the development of its business: The Group's equity stood at CHF 418.3 million at the end of the reporting period. This represents an increase of CHF 1.5 million over 31 December 2009 and is equal to 46.6% of total assets. (4) Finally, ongoing strategic initiatives in Media Sales should further improve the performance of this business segment and allow it to achieve a turnaround in 2011.

Outlook 2010

The economy seems to have been through the worst and is now making a hesitant recovery, but structural change within the advertising market continues. Traditional media remain under pressure while interactive media and online marketing services are gaining market share. The implementation of operational and strategic initiatives has helped to mitigate the effects of the economic crisis since its onset in summer 2008 and has enabled a return to profitability during the course of the first half-year of 2010. The outlook for the full year is positive and the company's recovery looks set to continue. However, the base effect will probably mean that improvements in the second half will be more modest than the ones recorded in the first half. They will also depend on the overall recovery of the economy.

Development of the business segments

Media Sales recorded a drop in sales from CHF 656.3 million to CHF 585.4 million (-10.8%). The decline in sales is attributable to the press activities of Media Sales in Switzerland, which fell by 18% to CHF 435.5 million. The main reason for this drop was the cessation of exclusive cooperation agreements with three publishing houses, the main one being Edipresse, which took effect on 31 December 2009. Adjusted for this effect, the decrease in this business was only 5.9% (-10.3% in the first quarter, -1.4% in the second quarter), which is consistent with the volatile but stabilizing general market trend. Media Sales reduced its operating loss to CHF -3.1 million (1HY 2009: CHF -14.4 million) supported by stringent cost management and improved results in the electronic media market, including in particular the successful turnaround of the cinema advertising sector, and international markets. The internet advertising specialist Web2com was moved into Digital & Marketing Services with a view to developing a comprehensive range of integrated online services in this segment. Media Sales international, which is heavily dependent on the finance and luxury goods sectors, saw sales increase by 4% (6.8% at constant currency exchange rates) as a result of improved Asian (+24%) and U.S. (+21%) markets, although sales in Europe declined by 4%. The deployment of the new business model is making strides and should bring about the turnaround of the entire Media Sales business segment in the year 2011.

Custom Publishing's sales fell in the first half of 2010 by 20.5% to CHF 10.1 million. The sector, which remains highly dependent on print products, was able to reduce its operating loss to CHF -1 million (first half 2009: CHF -1.8 million) and is realigning its activities in Asia and Switzerland.

Search & Find was able to nearly offset a 10% decline in its print products thanks to 19% growth in online products. Overall advertising sales of the joint-venture with Swisscom Directories fell by 1.3%. The segment sales grew by 7.9% to CHF 46.3 million due to changes in sales responsibilities and the altered treatment of the online revenues between the joint-venture units. This has little impact on the gross margin which was down slightly by 2.2% to CHF 31.6 million. EBIT was CHF 10.5 million after CHF 11.5 million in the prior year period. The slight decline is attributable to the development cost for new online services, relating particularly to the new Swiss real estate platform, www.home.ch. Search & Find has enjoyed success for over ten years with its joint-venture partner Swisscom Directories. PubliGroupe und Swisscom decided in July to expand the range of services on offer and unlock important cost and development synergies by establishing a more closely integrated joint management and more direct decision-making and organisational structures.

This will enable the joint-venture partners to exploit in a targeted way the high potential offered by the local search market, which is currently characterised by rapid technological developments and increasing competition from national and international rivals. In France, the print-related activities of Search & Find suffered as a result of the recession while the online business developed favourably.

Digital & Marketing Services strengthened its position in online performance-marketing services with two acquisitions: Digital Window, which was integrated into the international Zanox Group (a joint-venture of PubliGroupe/47.5% and Axel Springer/52.5%), acquired UK company Buy.at in March 2010. The Zanox Group achieved sales of CHF 241.7 million in the first six months of 2010, establishing itself as the European market leader in the industry. In May 2010, PubliGroupe acquired a 75% stake in Swiss company Instanz. The key strength of Instanz lies in its ability to deploy all online channels (display, search, affiliate marketing) in an optimal way. Because the 47.5% participation of the Zanox group is not fully consolidated, the sales figures show a decline of -15.2% to CHF 74.1 million. This is mainly attributable to lower billing volumes for traditional media services at the Dutch subsidiary SVBmedia. Digital & Marketing Services, on the other hand, is showing fast growth in the online marketing services business. Excluding sales by the Zanox group, online business has grown by 16.2%. Including Zanox Group, there was growth of 42% to CHF 269 million. The EBIT of Digital & Marketing Services of CHF 2 million reflects a large operational improvement on the same period last year when EBIT was CHF 4.5 million and included a non-recurring book gain of CHF 3.8 million from the increased stake in Zanox. With the two acquisitions, plus Group companies Namics AG, the leading e-business service provider in Switzerland and Germany, and Web2com AG (transferred from Media Sales), Digital & Marketing Services now has all the capabilities required to meet the growing demand in Switzerland and key European markets for performance-based online marketing services even more effectively.

Key figures

in millions of CHF	1st half year 2010			1st half year 2009			Change 2009-2010	
	IFRS	Pro forma excluding non- recurring items		IFRS	Pro forma excluding non- recurring items		IFRS	Pro forma
Revenue	714.1	-	714.1	798.4	-	798.4	- 10.6%	- 10.6%
Gross margin	153.4	-	153.4	164.8	-	164.8	- 6.9%	- 6.9%
EBITDA	4.0	-6.3	-2.3	-4.9	-11.3	-16.2		- 85.8%
Operating result (EBIT)	12.4	-4.5	7.9	-3.5	-8.8	-12.3		
Net financial result	16.4	-16.1	0.3	-3.8	4.8	1.0		- 70.0%
Net result, share of PubliGroupe Ltd.	27.1	-19.6	7.5	-8.5	-4.0	-12.5		
Number of employees at the end of the period	2'377			2'797			- 15.0%	

Segment information

in millions of CHF

	Media Sales		Custom Publishing			Search & Find			Digital & Marketing Services			Corporate and others			
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	
Revenue	-10.8%	585.4	656.3	-20.5%	10.1	12.7	+7.9%	46.3	42.9	-15.2%	74.1	87.4	+43.6%	5.6	3.9
Gross margin	-8.4%	93.5	102.1	-14.0%	4.3	5.0	-2.2%	31.6	32.3	-2.0%	24.5	25.0	+48.5%	4.9	3.3
EBITDA	-	0.5	-11.7	-50.0%	-0.7	-1.4	-	-	3.4	-89.7%	0.4	3.9 *	-	3.8	0.9
Depreciation and amortisation	-31.0%	-2.0	-2.9	-25.0%	-0.3	-0.4	+11.1%	-1.0	-0.9	+11.1%	-1.0	-0.9	-7.7%	-1.2	-1.3
Impairment loss	-	-1.8	-	-	-	-	-	-	-2.5	-	-	-	-	-	-
Share in result of associates	-	0.2	0.2	-	-	-	-	11.5	11.5	+73.3%	2.6	1.5	-	1.4	-2.9
EBIT	-78.5%	-3.1	-14.4	-44.4%	-1.0	-1.8	-8.7%	10.5	11.5	-55.6%	2.0	4.5 *	-	4.0	-3.3
Number of employees at the end of the period	-19.4%	1321	1639	-15.6%	92	109	-8.8%	547	600	-4.3%	355	371	-19.2%	63	78

* Including the negative goodwill of CHF 3.8 million arising on the increase of interest in Zanox.de AG (from 40.0% to 47.5%).

2010 intersegment transfers:

- web2com transferred from Media Sales to Digital & Marketing Services
- pixedia IT entity transferred from Corporate and others to Media Sales

2009 comparative figures have been restated consequently.

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The 2010 half-year report and the interim financial report are available at:
<http://www.publigroupe.com/en/media-relations/downloads/key-figures.html>

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