

# 2008 results

Operating result positive overall in 2008

Advertising markets and Media Sales-Publicitas hit hard by the financial and economic crisis

Amortizations of goodwill and financial assets explain the net loss of CHF 42.1 million

Lausanne, 13 March 2009

**The downturn on the advertising markets is severely impacting the group subsidiaries and participations active in the conventional media segment, especially in the press**

The Media Sales result is down against the background of an 11.7% reduction of sales. This in turn means that group sales are 1.9% lower.

The worsening results and prospects of certain subsidiaries, especially in Media Sales, are necessitating goodwill amortizations totalling CHF 33.8 million, to be set against the EBIT.

The fall in the stock market value of group participations in Edipresse (19.9% of the capital) and Tamedia (1.4% of the capital) is leading to value adjustments which are having an adverse effect of CHF 44.7 million on the financial result.

These items explain PubliGroupe's net loss of CHF 42.1 million in 2008.

**The EBIT (operating result) is positive at CHF 40 million (2007: CHF 68.9 million), despite goodwill amortizations totalling CHF 33.8 million**

This figure is supported by results of the Search & Find (EBIT of CHF 37.6 million) and Digital & Marketing Services (EBIT of CHF 6.8 million) segments which, while also experiencing tough economic conditions, are still achieving strong growth in the digital domain. It has also benefited from a pre-tax profit of CHF 42.9 million on the sale of real estate assets.

The Custom Publishing (EBIT of 1.2 million) segment is reporting positive results which still have only a modest impact on the group as a whole. Media Sales reports a balanced operating result before goodwill amortizations which bring its EBIT down to CHF -28.8 million.

**The economic situation continues to worsen and is affecting the advertising markets, the media and PubliGroupe. It is bringing about even faster structural changes in the branch**

In this environment of recession, PubliGroupe is adapting its Media Sales cost structure and business model to the evolving markets, cutting central costs, focusing on priority markets by abandoning or reducing development projects on remote markets with a high risk profile such as China and actively pursuing the development of its different business areas in the digital field which continues to grow and is changing the PubliGroupe profile a little more with each year that passes.

2009 will be another difficult year, but PubliGroupe will be able to draw on the strength of Search & Find in a period of economic downturn, growth in the digital online domain in all its business areas and, in the longer term, on a new Media Sales dynamic created by a renewed business model. Its positive operating cash flow (2008: CHF 43.8 million) and strong balance sheet support this strategy.

**Dividend of CHF 3.50 per share (2007: CHF 13) paid in the form of PubliGroupe shares and partly in cash to cover the 35% withholding tax liability**

The Board of Directors will be proposing to the next General Meeting from 29 April the payment of a dividend, essentially in the form of PubliGroupe shares.

## Key figures

	2008		2007		Change 2007-2008	
	IFRS	Pro forma excluding non-recurring items	IFRS	Pro forma excluding non-recurring items	IFRS	Pro forma
in millions of CHF						
Revenue	2'120.6	-	2'120.6	2'161.2	-	- 1.9%
Gross margin	446.3	-	446.3	456.8	-	- 2.3%
EBITDA	67.7	(41.5)	26.2	55.9	(12.1)	+ 21.1%
Operating result (EBIT)	40.0	(10.3)	29.7	68.9	(12.1)	- 47.7%
Net financial result	(54.8)	52.4	(2.4)	34.6	(31.3)	3.3
Net result, share of PubliGroupe Ltd.	(42.1)	46.2	4.1	73.1	(43.4)	29.7
Number of employees at the end of the period	3'003		2'973			+ 1.0%

# General comments

## **The sudden nature of the crisis is unprecedented**

The financial market crisis which burst upon us at the end of the summer and the immediate onset of recession had a highly detrimental effect on the advertising markets. This crisis is also occurring at a time when the whole media branch is experiencing major structural upheavals brought about by the growing importance of interactive communication which is generating heightened competition and exerting pressure on prices across the board. The conventional media, especially the press, were immediately hit hard by this situation and confronted with a substantial downturn in their advertising revenue. Only a few areas of online communication, especially those geared to performance marketing, are managing to develop and win bigger market shares.

## **The origin of the deficit for 2008 is concentrated primarily on the Media Sales environment**

The different activity areas of PubliGroupe have also experienced highly contrasting developments with a double digit fall in the field of conventional media sales and growth rates also running into two figures in the field of interactive commercial communication.

As a result, the crisis is mainly affecting the Media Sales segment which has seen its "ordinary" operating result cut to zero (CHF 0.1 million) and is having to write down substantial goodwill (CHF 28.9 million) on its cinecom (cinema business) and Radiotele (radio business) subsidiaries. Confronted with the same environment, group participations in Swiss publishing have also seen a fall in their results and the stock market value of PubliGroupe participations in Swiss public media companies (Edipresse and Tamedia) has declined considerably, leading to substantial value adjustments which are affecting the financial result by some CHF 44.7 million. Last but not least, the revised growth targets on the Chinese markets are necessitating a partial writedown of the 10% minority participation in the City Media advertising management group and 17% in Huashang Interactive Media, leading to a further financial charge of CHF 7.7 million. Amortization of goodwill and financial assets in the Media Sales environment is therefore imposing a total charge of CHF 81.3 million and is at the origin of the net loss of CHF 42.1 million reported by PubliGroupe in 2008.

## **PubliGroupe has taken a whole series of measures to cut costs, reduce risks and renew the Media Sales business model to make it more dynamic and better able to operate on markets which are undergoing major changes**

Firstly, a cost cutting plan was put in place in the early summer of 2008 and has been constantly intensified ever since. It mainly affects the group's central structures and Media Sales. Structural reductions have brought savings of CHF 25 million in 2008 and the current target for 2009 is a further saving of more than CHF 20 million. These plans are being constantly reviewed in the light of the trend of business.

Secondly, Media Sales has reduced its exposure to risks presented by remote emerging markets by scaling down its infrastructures in continental China. The group shares in two joint ventures, whose activities were proving slow to get off the ground in Beijing and Shanghai, were accordingly taken over by its Chinese partner, the City Media advertising management group in early 2009. At the same time, PubliGroupe stepped up its participation in City Media from 10% to 12%. As stated earlier, this participation, together with the 17% shareholding interest in the Chinese Huashang Interactive Media group, has been partially written down (financial charge of CHF 7.7 million).

Finally, an in-depth review of the Media Sales business model has been put in hand and is already leading to an action plan designed to adapt this sector to the structural changes which can be foreseen on the market.

## **Search & Find, Digital & Marketing Services and Custom Publishing have achieved positive performance and are supporting the Group EBIT which stands at CHF 40 million (-41.9%)**

Search & Find, together with Digital & Marketing Services, are contending with the crisis successfully, thanks to substantial progress made in the online services field.

Search & Find (EBIT of CHF 37.6 million) is holding up well in face of the economic downturn and offsetting the slowdown in printed directories (-5.5%) by strong growth of online activities (+22.7%). Two major projects in this sector have been implemented with a relaunch on a wider basis of the www.local.ch portal, in cooperation with the Swisscom Directories joint venture partner and the launch in France of the www.local.fr portal. They make the division a major player in the online search tools sector on the local markets. The integration of the Bégécom group in France was held up by obstacles largely of a social nature; these have now been resolved. However, the delay is having a temporary adverse effect on the results of this company on which a goodwill amortization (CHF 3.6 million) was also made.

The companies making up Digital & Marketing Services (EBIT of CHF 6.8 million) continue to develop their services focusing on improved performance of their clients' commercial communication. namics, which specialises in consulting and development of e-business solutions, has consolidated its leadership in Switzerland and its position as an important player in Germany with 8.3% growth. SVBmedia, the Dutch marketing and media services company acquired in December 2007, is contributing to the strong development of this sector.

The online marketing services provider zanox, in which PubliGroupe has a 40% interest, reported sales of CHF 322 million thanks to 23.5% growth and an EBITDA of CHF 29.7 million (+42.4%). Consolidated by the equity method, only the group share of its net result (CHF 3.6 million) appears in the income statement of Digital & Marketing Services.

At the original acquisition date, Axel Springer and PubliGroupe agreed to create a cross-holding structure with two regional zanox subsidiaries, such that each partner would be able to fully consolidate one of the two companies. After examining this model in more detail and considering the very positive results achieved to date under the current structure, the two partners decided to dispense with the original plan of creating the planned business units, preferring instead to continue managing zanox on a joint basis. Axel Springer and PubliGroupe believe that zanox can better exploit the growth opportunities available at the present time as a single company under joint management. As a result of this decision, the shareholding percentages in ZANOX.de AG will be adjusted to reflect the economic effects of the originally planned structure. With effect from 2009, Axel Springer holds 52.5% of zanox (formerly 60%), while PubliGroupe holds 47.5% (formerly 40%).

Custom Publishing (EBIT of 1.2 million) is turning in modest results which are nevertheless in line with forecasts, thanks to Emphasis in Asia and Denon in Europe.

These three sectors contribute an aggregate EBIT of CHF 45.6 million which, combined with a pre-tax profit of CHF 42.9 on the sale of real estate assets, enabled PubliGroupe to achieve an EBIT of CHF 40 million, despite goodwill amortizations totalling CHF 33.8 million. The latter have no effect on the liquidity situation. The group's operating cash flow therefore stands at CHF 43.8 million.

On a like for like basis, excluding non-recurring items (such as goodwill amortizations and profits on the sale of assets), the EBIT is CHF 29.7 million. The decline is admittedly considerable (-47.7%) because of the lower results of Media Sales, but the figure remains strongly positive.

**Continuing double digit growth in the digital field is making the group an important player in this sector – This area already represents 14% of the gross margin reported by the group. The group is in a state of continuous evolution which is gradually changing its profile**

Allowing for all its business areas, PubliGroupe reported sales worth CHF 123 million in 2008 on the provision of services linked directly to the digital/online field, up 23% on 2007.

The strategy pursued for several years is beginning to make PubliGroupe a leading player in the digital sector on the Swiss market where it already achieves sales worth CHF 83 million.

In 2008, PubliGroupe therefore already achieved 14% of its gross margin in these sectors which continue to grow and win new market shares in a challenging economic environment.

These figures do not include sales worth CHF 322 million (+23.5%) by the online marketing services provider zanox in which PubliGroupe has a 40% interest (47.5% with effect from 2009) and which is still growing by over 30% in the early part of 2009.

The fact that the press advertising share of the gross margin has fallen below the threshold of 58% merely underlines this fundamental change of profile.

**The Media Sales business model is changing**

The media industry is undergoing major structural changes which are taking place even faster because of the economic situation. Inter-media competition is growing with the arrival of new players from the Internet world; media groups are diversifying their offering and experiencing a trend towards concentration. Prices are under pressure.

In this fast-changing world, Publicitas wants to position itself clearly as a partner of the media for the promotion and sale of their advertising offer, whatever form this may take. The press sector remains very important and the allmedia strategy is being continued. The sale of on-line media, television, radio and cinema will be continued in a targeted manner in cooperation with their operators.

The business model is set to undergo far-reaching changes. Publicitas will offer the benefit of its sales force and order management systems to the media via a flexible and transparent range of services comprising a choice of different modules. Remuneration for Publicitas services will no longer be based solely on turnover in the form of commissions, but also on a scale of charges for individual products or transactions, depending on the particular services required. The media owners will therefore no longer have to choose between either an exclusive management contract or a commission agreement; both will gradually disappear. They will of course find in the new offering the equivalent of the services from which they benefit today; however, they will enjoy much greater flexibility in the choice and level of the services that they wish to use.

This new offer will be proposed in Switzerland as the current contracts will expire. In the meantime the current contracts will be fully respected.

Publicitas intends to continue the development of an open digital platform for the management and transmission of advertising orders. This platform is an open interface between the advertisers who place orders and the media and it will be offered to all the players on this particular market.

This business model clarifies the position of Publicitas as a partner of the media. The flexibility and modularity of the new service offering will help to make it more dynamic on a sound and transparent and economic foundation.

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**The economic situation continues to worsen and is adversely affecting the advertising markets, the media and PubliGroupe. It is bringing about even faster structural changes in the branch**

2009 will be another difficult year, especially for Media Sales, which remains heavily exposed to continuing cuts in advertising expenditure in the conventional media. PubliGroupe will emerge from this recession thanks to the strength of Search & Find in a period of weak economic performance, continuing growth and development of all its business areas in the digital/online field and, in the longer term, a new Media Sales dynamic brought about by a new business model adapted to structural changes in the branch.

For the time being, PubliGroupe will continue to adapt the cost structure of Media Sales to the new market conditions and to reduce its central costs, with the current target of achieving savings over CHF 20 million in 2009 after an initial cost reduction of around CHF 25 million in 2008. These plans are being constantly reviewed in the light of the trend of business.

The favourable operating cash flow (2008: CHF 43.8 million) and strong balance sheet are supporting this strategy.

The participation in zanox should continue to benefit from the attraction for advertisers at a time of crisis of a business model in which performance-based remuneration is prominent.

As to its participations in Edipresse and Tamedia, PubliGroupe is convinced that their present valuations reflect neither their intrinsic value nor their development potential. On the other hand, divestment might be envisaged in the long term perspective.

**Board of Directors**

As already indicated, Mr Philippe Pidoux, Chairman of the Board since 1995, is coming to the end of his term of office and will retire at the next Ordinary General Meeting. In order to replace him, the Board will propose that the Group CEO, Mr Hans-Peter Rohner, be elected to the Board, with a view to then appointing him chairman. Elected in 2008, Mr Etienne Jornod has indicated his decision to retire for personal reasons at the next General Meeting. Subject to the election of Mr Rohner and the re-election of Mr Peter Brunner and Mr Jean-Pierre Jeannet, the board will therefore have seven members in future.

**Dividend**

At the next General Meeting on 29 April, the Board of Directors will be proposing the payment of a dividend of CHF 3.50 gross per share, to be paid essentially in the form of PubliGroupe shares and partly in cash to cover the 35% withholding tax liability on the dividend. The PubliGroupe shares which are to be distributed come from the portfolio of treasury shares. No capital increase will therefore be required. The shares will be distributed in a ratio which will depend on the average closing price of the last five trading days before the General Meeting. Fractions will be paid out in cash and there will be no trading of rights.

# Segment Information

in millions of CHF

	Search & Find		Media Sales			Custom Publishing			Digital & Marketing Services			Corporate and others			
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007			
Revenue	+2.9%	136.6	132.8	-11.7%	1'735.5	1'966.4	-18.7%	30.5	37.5	-	217.5	34.4	-3.1%	40.6	41.9
Gross margin	+0.6%	108.9	108.2	-11.9%	276.1	313.5	+5.7%	12.9	12.2	+67.0%	53.1	31.8	-4.4%	30.1	31.5
EBITDA	-4.3%	28.7	30.0	-77.8%	4.4	19.8	-58.1%	1.8	4.3	-	5.1	2.3	-	27.7	(0.5)
Depreciation and amortisation	+55.6%	(1.4)	(0.9)	-30.3%	(4.6)	(6.6)	-	(0.6)	(0.1)	-	(1.9)	(0.4)	+6.9%	(6.2)	(5.8)
Impairment loss	-	(4.8)	(0.9)	-	(28.9)	(0.2)	-	-	-	-	-	-	-	(0.1)	-
Share in net result of associates	-22.6%	15.1	19.5	+50.0%	0.3	0.2	-	-	-	-	3.6	(0.1)	-78.3%	1.8	8.3
EBIT	-21.2%	37.6	47.7	-	(28.8)	13.2	-71.4%	1.2	4.2	-	6.8	1.8	-	23.2	2.0
Number of employees at the end of the period	+4.9%	598	570	-5.6%	1'747	1'851	+85.0%	111	60	+19.4%	363	304	-2.1%	184	188

## Search & Find

Search & Find supplies and sells tools to facilitate searches for persons, companies, products and services targeting local markets. Its offering comprises printed, Internet and mobile telephony supports. Consulted over 300 million times a year, these products put advertisers in touch with purchasers. 85% of these consultations in fact result in a contact by telephone or email and 74% lead up to an order.

Search & Find is strongly placed in Switzerland with its joint venture partner Swisscom Directories and is number 2 on the French market. With its very strong position in printed products and prestigious brands such as Yellow Pages and local, Search & Find is successfully pursuing a strategy of expansion in online products which already account for 37% of its sales today in terms of new orders taken.

Search & Find has once again proved the resilience of the joint venture products in face of a weak economy. Its sales were up by 2.9% at CHF 136.6 million, thanks to the success of online products (+22.7%), so offsetting the downturn (-5.5%) in printed products and the integration of the French company Bégécom. Its EBITDA is down by CHF 1.3 million (-4.3%) because of substantial development charges for production and sales tools. With an EBIT of CHF 37.6 million, Search & Find is the group's strongest pillar. Its 21.2% fall against 2007 is explained by a goodwill amortization charge of CHF 4.8 million and the CHF 4.4 million reduction of the group share in the result of the affiliated company (49%) Swisscom Directories and of its Local.ch S.A. subsidiary, which has undertaken major IT and online development projects. The goodwill amortization is attributable essentially to Bégécom, acquired in 2007, whose integration into the group and reorganisation have been delayed by obstacles largely of social nature, now resolved, and by a residual amortization on The Guide Company.

## Swiss market

In Switzerland, Search & Find is part of a joint venture with Swisscom Directories which covers all local, Yellow Page and White Pages printed products together with the Internet. The 370 staff members of the Search & Find sales force in Switzerland are responsible for marketing all of these products.

The printed products of the joint venture are circulated in more than 8.5 million copies to all of the 4 million or so households and professional addresses in Switzerland. Available to all their potential users, they have a substantial penetration rate (30%) with advertisers. Their advertising revenue reached CHF 129.7 million in 2008.

Since October 2008, the www.local.ch portal has been fully updated and brings together under a single roof the entire online offering of the joint venture. This strengthening and broadening of the service was immediately rewarded by an increase in traffic which reached 330,000 daily visits at the end of the year, reflecting an increase in the market share sufficient to enable local.ch to aim for the number one ranking on the Swiss market. This new dynamic is further strengthening online sales which already experienced a growth rate of 22.7% over the year as a whole and, at CHF 42 million, now account for 24% of the JV's advertising sales. This trend makes the joint venture and Search & Find one of the key Internet players in Switzerland.

Sales achieved by Search & Find with its own printed directories, i.e. 95 "LOCAL" and 7 "Yellow Pages" circulated in over 4 million copies were down by 6.5%, at CHF 86 million. Commissions on sales of Swisscom Directories' printed and online products reached CHF 17.4 million.

The Guide Company achieved sales worth CHF 1.7 million and at the end of 2008 transferred its principal product, "City Guide Zurich", to LTV Yellow Pages Ltd. which is continuing to market this publication. In future, the company will therefore not pursue any activity. Fundgrueb and Autobörse generated sales worth CHF 1.7 million.

### French market

Search & Find has been active on the French market since 1997 with the Amitel company which is present in Eastern France. In November 2007, acquisition of the Bégécom group extended this activity to Lyon and to the South and West of France; this acquisition therefore enabled Search & Find to achieve a national dimension on the local markets and, in October 2008, to launch a new Internet portal [www.local.fr](http://www.local.fr) covering the whole of France.

With its 44 directories circulated in 3.4 million copies, Search & Find France achieved sales worth CHF 17.1 million (2007: CHF 9.7 million) thanks to the integration of Bégécom. Growth stands at 12.2% for online products.

The adaptation of Bégécom to the management principles of Amitel and to the current market requirements was held back mainly by social problems. These obstacles have now been resolved, but they did cause a substantial delay in the implementation of the company's business plan with resulting goodwill amortization of CHF 3.6 million against 2008. The strategic dimension of this acquisition and, in particular, its necessary contribution to the success of the [local.fr](http://www.local.fr) project remains intact.

### **Media Sales**

Under the single Publicitas brand, Media Sales brings together all the group entities dedicated to the sale of the media advertising offer in Switzerland and in 22 other countries.

This new organisation was put in place on 1 January 2008. It is the outcome of a large scale reorganisation involving the introduction of an all-new visual identity, an "all media" sales culture and the combination on a single site in Zurich of entities previously spread out between five localities in the Zurich conurbation. Reorganisation on this scale brought about by a partially renewed management staff inevitably uses up resources and disturbs routine business operations.

This process was about to be completed at the end of the first half when the economic situation began to deteriorate and the advertising markets to slow down. The sudden worsening of the economic situation generated by the financial crisis which burst upon us at the end of the summer immediately had major repercussions for the advertising markets, especially for the press, which remains the main medium sold by Media Sales. Sales figures began to fall by over 10% month on month, so accelerating the structural changes already under way, accompanied by increased inter-media competition and strong pressure by advertisers on prices.

Confronted with this situation, Media Sales took immediate measures to cut its costs. Already down by CHF 22 million (-7.5%) in 2008, operating costs are now due to be reduced by a further CHF 20 million in 2009. Cost reductions affect the administrative structures first and foremost, leaving the sales forces unchanged as far as possible. The range of measures taken also includes the cessation of development projects on markets which are not regarded as a priority in periods of crisis, especially China, to bring about a drastic reduction of exposure to future risks.

Media Sales has also undertaken an in-depth review of its business model which it wishes to adapt to the background conditions prevailing in the media world and in that of advertising as we emerge from the crisis. The first conclusions of this analysis and their implications for the Media Sales strategy are described on page 3.

In this context, sales by Media Sales were 11.7% lower (-10.4% at constant exchange rates). The downturn is 7% for the first half and 17% for the second. The adverse trends are affecting all the markets to differing degrees. This is equivalent to a reduction of the gross margin by CHF 37.4 million (-11.9%) which is not being offset by an initial cost reduction of CHF 22 million (-7.5%). The sales downturn is also affecting the companies acquired in recent years to extend the activities of Media Sales to the electronic media as part of the all media strategy, i.e. Cinecom and Radiotele. The delay in their business plans at the end of 2008 in the cinema and radio sectors and the review of their future prospects require goodwill amortizations: these represent a non-recurring charge of CHF 28.9 million affecting the 2008 Media Sales EBIT which stands at CHF -28.8 million. Without this charge, EBIT would break even at CHF 0.1 million.

### Swiss market

Sales are down by 12% overall; the reduction was 8.1% for the first half and 16.2% for the second.

Sales achieved in press advertising – CHF 1,335 million – are down by 11%, 2% of which are explained by changes in the portfolio of representations (Basler Zeitung and Landbote Winterthur marketed from 2008 on a non-exclusive basis). The downturn affects all regions and all categories of advertising. Commercial advertising is 9.9% lower under the influence of industries such as telecommunications, mass retailing, finance and motor vehicles which cut their press advertising expenditure substantially. Job vacancies, which had been experiencing double digit growth rates since 2005, slackened from June onwards and ended the year 8.2% lower. Real estate advertising, down for several years because of the migration of this sector to the Internet and the growing scarcity of properties for sale or rent, continued to decline at the rate of 25.4%. Occasional advertising, which had been boosted in 2007 by Federal elections, was also down by 13.9%.

Online advertising sold by Media Sales in Switzerland, including classified advertising on the Internet, reached CHF 16 million (-10%). Measures are being taken to make the sales more dynamic within the segment because this performance falls short of the results reported by the market as a whole.

Television advertising sales – CHF 41 million – were 7% higher thanks to market share gains achieved with new channels represented, especially 3+.

Radio advertising – CHF 6 million – fell sharply (-63%) following the loss of contracts.

Cinema advertising sales – CHF 23 million – were 7% lower, hit by the trend of the national market (-17%) while local markets stood up well with 13% growth.

### International markets

On the international markets, overall sales are down by 11.7% (-4.2% at constant exchange rates) and reached CHF 367 million. Sales in the digital sector represent CHF 31 million, up by 54%.

In Europe, sales are down by 10.2% (-4.5% at constant exchange rates). This downturn worsened in the last quarter as the recession led major advertisers to cancel or reduce their advertising orders. Performance varies from country to country, the best results being obtained in England, Spain and Switzerland while France, Germany and Italy weakened more significantly. Many initiatives were taken on all the markets to develop online activities bringing 64% higher sales in this promising field.

In the Americas, sales were 17.3% lower (-7.8% at constant exchange rates). 5% resulted from the decision taken to focus the activities of the North American network on the transnational sector and to give up domestic activities which had never been capable of development on bases that could remain strong in the long-term. The US network is also being affected by the recession but is ready to bounce back with structures which have been lightened, so almost restoring financial balance. Online sales also took off, growing by 490%.

The Asia-Pacific region also saw a 12.4% (-0.6% at constant exchange rates) reduction of sales. The trend is +6.2% in India, -2% in China and -12.9% in Australia. In continental China, new market prospects and the desire to reduce risks in Media Sales were followed by a review of the development strategy on the national market. The two joint ventures created in Shanghai and Beijing with the Chinese City Media advertising management group were taken over entirely by that group in early 2009. On the same occasion, PubliGroupe increased its shareholding in City Media from 10% to 12%.

### Custom Publishing

Custom Publishing develops and creates customised professional media solutions for airlines (inflight entertainment) and other companies or institutions. With the Emphasis group, this segment is strongly established in Asia in the inflight entertainment sector, by which is meant both information and entertainment on board aircraft. Acquired in February 2008, the Swiss Denon group is the bridgehead from which PubliGroupe is planning to launch the extension of Custom Publishing in Europe.

Custom Publishing is systematically focusing its services on the printed and audiovisual media and also on the web.

Custom Publishing sales were down by 18.7% at CHF 30.5 million in 2008 following a reduction of revenues at Emphasis by 41.4%; this has not been offset by the contribution made by the Denon group which for its part reported sales (over 11 months) of CHF 8 million.

The Custom Publishing EBIT reached CHF 1.2 million, down CHF 3 million because of the lower results of Emphasis in the corporate publishing sector. Denon has not yet had a significant impact on the result of the segment.

### Emphasis

The 41.4% downturn of the Emphasis group is explained by a "Corporate Publishing" activity which has not yet been able to offset the non-renewal in the summer 2007 of the contract for publication of the Cathay Pacific inflight magazine. Thanks to the sharing of expertise with Denon, Emphasis won the contract for the publication of "CNN Traveller" for Europe and the Asia-Pacific region with effect from 2009. Offices have been opened in London and Singapore to establish closer ties with its new clients. These new contracts are putting the company back on track for dynamic growth, but have not yet had an immediate impact on revenues as some contracts do not take effect until 2009.

On the other hand, the "video entertainment" activity of Emphasis developed well with 12.4% growth.

### Denon

Denon has been successfully integrated into the group. Active primarily in corporate publishing for customer magazines, house journals and other brochures, Denon also produces websites, films

and videos including some circulated on the web. Close cooperation has been established with other group member companies, especially with the production of video sequences on the Internet for clients of [www.local.ch](http://www.local.ch).

### Digital & Marketing Services

This business segment is a major source of strategic growth and development for the group.

Digital & Marketing Services is a marketing and technology service provider which enhances the performance and return on investment of its clients' marketing campaigns, especially in the digital and interactive world.

The range of services offered to customers is based on avant-garde technological solutions including:

- optimisation of communication budgets and analysis of their performance;
- opening and supply of multiple communication and distribution channels remunerated on a performance-related basis, together with transactions generated by them;
- consulting on, and creation of, e-business solutions.

This segment comprises the following companies

- *namics*, an active provider of e-business consulting services in Switzerland and Germany;
- *SVBmedia*, acquired by PubliGroupe in December 2007 and active in marketing and media services in The Netherlands;
- and the interest (40% in 2008) in *zanox*, a group which is active in the field of affiliate and search marketing with subsidiaries in 11 countries and a presence in over 30. Acquired jointly with Axel Springer in June 2007, *zanox* is consolidated by the equity method as an affiliated company. The PubliGroupe interest has been increased to 47.5% in March 2009 (see explanations on page 3).

Online marketing and e-business services which give priority to performance-related remuneration models and offer a good yield on investment are doing well, despite the onset of recession.

*namics* and *zanox* are therefore posting strong growth in 2008, which has been confirmed in the early part of 2009. *SVBmedia*, which provides a full range of media marketing services, has had to contend with a reduction of advertising budgets by its clients, the number of whom remains stable.

Digital & Marketing Services reported sales of CHF 217.5 million, a gross margin of CHF 53.1 million and an EBIT of CHF 6.8 million. This includes the PubliGroupe share of the net result of *zanox* (CHF 3.6 million), consolidated by the equity method.

### *namics*

*namics* is the leading Swiss company in the field of e-business consultancy and is developing on the German market. Its 277 staff members work at sites in Zurich, Zug, St. Gallen, Frankfurt, Munich and Hamburg.

*namics* advises its clients on the definition and implementation of their own Internet business models (e-business solutions) and on ways of making their Internet communication more visible and effective. The company also specialises in the design and production of websites. The company grew by 8.3% in 2008, increasing its sales to CHF 39.2 million. Growth stood at 6.2% on the Swiss market and 12.5% on the German market.

SVBmedia

SVBmedia offers its marketing and media services to the medium-sized enterprise segment in The Netherlands. Its 81 employees work in Amsterdam, Rotterdam, Eindhoven and Apeldoorn. The company offers a broad range of services comprising media planning, placing and administration of orders for all media.

Its turnover reached CHF 178.4 million in 2008, distributed between press (63%), electronic media and online (32%) and posters (5%).

zanox

zanox is developing and operating an interactive platform which brings advertisers into contact with a network of publishers of partner websites (affiliates). The platform enables advertisers to effectively acquire targeted clients through the network of partner sites and to perform transactions with them. It enables website publishers to benefit from

their traffic by making space available to zanox advertising clients on a dynamic basis. The business model is founded on performance, the websites and zanox being remunerated by the quality of the contacts and transactions obtained by advertisers. The zanox platform assures monitoring of traffic, transactions and commissions due on sales. Other services round off this central model.

zanox has been reporting double digit growth since its creation in Berlin in 2000. In 2008, growth stood at 23.5% with sales reaching CHF 322 million and an EBITDA of CHF 29.7 million (+42.4%). zanox is continuing to grow at a rate of more than 30% in the early part of 2009. As the participation in zanox is consolidated by the equity method, only the PubliGroupe share of its net result (CHF 3.6 million) appears in the income statement of Digital & Marketing Services.

**Comments – Key figures for the group**

Sales reached CHF 2,120.6 million (2007: CHF 2,161.2 million). They are down by 1.9% because of Media Sales at which turnover was 11.7% lower in all, i.e. 12% on the Swiss market and 11.2% internationally. The fall would have been even greater without the 23% growth of business in the digital fields and acquisitions from which Digital & Marketing Services (+533%) is the main beneficiary. Search & Find has advanced by 2.9%, thanks to its growth in the online sector (+22.7%), which offsets the decline (-5.5%) of printed products and to the contribution of the French Bégécom company. Custom Publishing is down (-18.70%) following the loss of a substantial contract in the 2nd half of 2007, which has not yet been offset by the acquisition of Denon in February 2008 and the new contracts with effect from 2009.

The group's gross margin, which corresponds to its added value, stands at CHF 446.3 million (-2.3%). A constantly rising share of this added value is achieved outside the print field; that process is gradually bringing about a fundamental change in the company's profile.

Consolidated EBIT stands at CHF 40 million (2007: CHF 68.9 million). This includes two major items of a non-recurring nature: firstly, goodwill amortization amounting to CHF 33.8 million and, secondly, exceptional profits on the sale of real estate assets amounting to CHF 42.9 million. On a like for like basis, excluding non-recurring items, it stands at CHF 29.7 million, i.e. a reduction of 47.7% against the previous year, due essentially to a substantial fall in Media Sales results.

The Media Sales EBIT has been severely penalised by the 11.7% fall in advertising revenue which has reduced its ordinary operating result to zero (CHF 0.1 million) and necessitated goodwill amortizations (CHF 28.9 million) for its subsidiaries active in the electronic media, cinema and radio which were acquired in recent years; its EBIT therefore stands at CHF -28.8 million.

Search & Find reported an EBIT of CHF 37.6 million (2007: CHF 47.7 million), again penalised by goodwill amortization totalling CHF 4.8 million affecting the French Bégécom company, which experienced a transitional year, and the Zurich-based The Guide Company, whose product, the "Zurich Guide", has been integrated into LTV Pages Jaunes SA. Its EBITDA is just CHF 1.3 million (-4.3%) less than the figure achieved last year, so proving its resilience in face of the cyclical downturn.

Digital & Marketing Services has increased its EBIT to CHF 6.8 million thanks to the growth of namics and the integration of SVBmedia. It includes the group share (CHF 3.6 million) of the result of the zanox group consolidated as an affiliated company (40% PubliGroupe), which reported sales worth CHF 322 million and an EBITDA of CHF 29.7 million in 2008. This business segment has not required any goodwill amortization.

Custom Publishing reported an EBIT of CHF 1.2 million, down CHF 3 million against the previous year because of the loss of a major contract in 2007, which has not yet been fully compensated. This business segment has not required any goodwill amortization; on the contrary, it has invested in further development in Singapore and London after winning new contracts.

The Corporate and others segment, which comprises the group's IT companies, its shareholding interests in publishing, real estate and central services, reported an EBIT of CHF 23.2 million, including a pre-tax profit of CHF 42.9 million on the sale of real property assets.

The financial result is adversely affected to the tune of CHF 44.7 million by adjustments resulting from the fall in the stock market value of participations in Edipresse (19.9% of the capital) and Tamedia (1.4% of the capital), and in the amount of CHF 7.7 million by writedowns on other financial assets, essentially group shareholding interests of less than 20% in China. The cost of debt servicing is also higher. The financial result is therefore down at CHF -54.7 million. In 2007 (CHF 34.6 million), it had benefited from a non-recurring gain of nearly CHF 29 million on the sale of a 4.5% interest in the 24/7 Real Media company.

The net loss after tax (group share) stands at CHF -42.1 million. Excluding the non-recurring items included in this figure, the group net result would be positive at CHF 4.1 million.

The equity, share of PubliGroupe Ltd, amounts to CHF 431.3 million and represents 39.1% of the balance sheet. The equity decreased by CHF 164.7 million due to the net loss 2008 of CHF 42.1 million, to the dividend 2007 paid in 2008 of CHF 29.7 million and to other entries recognised directly in equity as required by IFRS. The latter includes CHF -28.9 million of translation differences, CHF -29.9 million of fair value adjustment of available for sale (AFS) financial instruments and CHF -35.0 million of net change in treasury shares.

## Consolidated income statements

in millions of CHF

	2008	2007
Revenue	2'120.6	2'161.2
Purchases	(1'575.5)	(1'588.8)
Sales reductions	(98.8)	(115.6)
<b>Gross margin</b>	<b>446.3</b>	<b>456.8</b>
Personnel expenses	(316.6)	(312.2)
General and administrative expenses	(107.7)	(104.5)
Other income and expenses	45.7	15.8
<b>EBITDA</b>	<b>67.7</b>	<b>55.9</b>
Depreciation and amortisation	(14.7)	(13.8)
Impairment loss	(33.8)	(1.1)
Share in net result of associates	20.8	27.9
<b>Operating result (EBIT)</b>	<b>40.0</b>	<b>68.9</b>
Financial income	6.3	42.6
Financial expenses	(61.0)	(8.0)
<b>Net financial result</b>	<b>(54.7)</b>	<b>34.6</b>
<b>Result before income tax</b>	<b>(14.7)</b>	<b>103.5</b>
Income tax expense	(15.1)	(14.8)
<b>Net result of continuing operations</b>	<b>(29.8)</b>	<b>88.7</b>
Net result from discontinued operations	-	(5.7)
<b>Net result</b>	<b>(29.8)</b>	<b>83.0</b>
Net result attributable to :		
- Minority interests	12.3	9.9
<b>- Shareholders of PubliGroupe Ltd.</b>	<b>(42.1)</b>	<b>73.1</b>
<b>Earnings per share</b>		
Basic earnings per share (in CHF)	(18.33)	30.48
Diluted earnings per share (in CHF)	(18.33)	30.46

## Consolidated balance sheets as of 31 December

in millions of CHF

	2008	2007
<b>Assets</b>		
Cash and cash equivalents	81.4	87.1
Marketable securities	8.8	23.2
Accounts receivable	318.4	391.4
Current tax asset	2.0	0.8
Accrued income and prepaid expenses	72.1	70.0
Assets held for sale	-	39.8
<b>Current assets</b>	<b>482.7</b>	<b>612.3</b>
Investment properties	65.9	19.4
Owner-occupied properties	31.6	58.9
Equipment	20.2	15.7
Intangible assets	49.2	80.5
Investments in associates	321.5	347.8
Financial assets	127.0	193.6
Deferred tax assets	3.7	4.8
<b>Non-current assets</b>	<b>619.1</b>	<b>720.7</b>
<b>Total assets</b>	<b>1'101.8</b>	<b>1'333.0</b>
<b>Liabilities and equity</b>		
Short-term debts	185.0	180.1
Accounts payable	260.4	280.5
Current tax liabilities	6.1	8.4
Accrued expenses and deferred income	101.1	112.7
Short-term provisions	5.7	5.8
Liabilities held for sale	-	14.9
<b>Current liabilities</b>	<b>558.3</b>	<b>602.4</b>
Long-term debts	3.8	32.4
Deferred tax liabilities	19.7	23.6
Long-term provisions	9.4	12.0
<b>Long-term liabilities</b>	<b>32.9</b>	<b>68.0</b>
<b>Liabilities</b>	<b>591.2</b>	<b>670.4</b>
Share capital	2.5	2.5
Treasury shares	(88.6)	(57.5)
Reserves	517.4	651.0
<b>Equity, shareholders of PubliGroupe Ltd.</b>	<b>431.3</b>	<b>596.0</b>
Minority interests	79.3	66.6
<b>Total equity</b>	<b>510.6</b>	<b>662.6</b>
<b>Total liabilities and equity</b>	<b>1'101.8</b>	<b>1'333.0</b>

## Consolidated cash flow statements

in millions of CHF

	2008	2007
Net result of continuing operations	(29.8)	88.7
Adjustments for non-cash items	60.1	(34.7)
Dividends paid to minority shareholders by group companies	(7.9)	(1.0)
Dividends received	16.7	17.3
Interest received	3.7	4.0
Interest paid	(6.8)	(1.7)
Taxes paid	(15.7)	(14.0)
Use of provisions	(4.7)	(3.2)
Working capital changes	28.2	5.9
<b>Cash flows from operating activities</b>	<b>43.8</b>	<b>61.3</b>
Acquisitions of tangible assets	(19.0)	(6.9)
Disposals of tangible assets	66.4	0.6
Acquisitions of intangible assets	(1.8)	(2.1)
Disposals of marketable securities	-	7.9
Acquisitions of subsidiaries, net of cash acquired	(14.0)	(18.8)
Acquisitions of associates	(11.6)	(147.5)
Disposals of subsidiaries, net of cash disposed of	2.9	-
Disposals of associates	-	4.7
Investments in financial assets	(15.8)	(12.1)
Divestments of financial assets	14.9	40.6
Taxes paid	(6.1)	-
<b>Cash flows from investing activities</b>	<b>15.9</b>	<b>(133.6)</b>
Increase in bank overdrafts	5.0	135.0
Contribution from minority shareholders	0.5	-
Repayment of financial leases	-	(0.2)
Acquisitions of treasury shares	(42.3)	(12.7)
Disposals of treasury shares	5.8	3.0
Increase in share capital	0.3	0.7
Dividend paid to shareholders of PubliGroupe Ltd.	(29.7)	(28.8)
<b>Cash flows from financing activities</b>	<b>(60.4)</b>	<b>97.0</b>
Cash flows from discontinued operations *	-	(0.1)
Cash and cash equivalents from discontinued operations *	-	-
Effect of exchange rates	(5.0)	(0.5)
<b>Change in cash and cash equivalents</b>	<b>(5.7)</b>	<b>24.1</b>
<b>Cash and cash equivalents as of 1 January</b>	<b>87.1</b>	<b>63.0</b>
<b>Cash and cash equivalents as of 31 December</b>	<b>81.4</b>	<b>87.1</b>

\* Except for these two lines, the consolidated statements of cash flows present the continuing activities.

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The tables on pages 9 to 11 of this publication have been taken from the audited financial report.

The complete financial report is available for downloading from 13 March 2009 at the following Internet address:  
<http://www.publigroupe.com/en/media-relations/downloads/key-figures.html>

The complete annual report may be downloaded from 7 April 2009 at the following Internet address:  
<http://www.publigroupe.com/en/media-relations/downloads/annual-reports-semi-annual-reports.html>

The Annual General Meeting of PubliGroupe will be held at 2 pm on 29 April 2009, at the Pathé Flon multiplex in Lausanne. An invitation to attend will be sent to shareholders on 7 April 2009.

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