

# PubliGroupe

Condensed consolidated interim  
financial statements for the period  
ending 30 June 2010



## Consolidated balance sheets

in millions of CHF

	Notes	as of 30 June 2010	as of 31 December 2009
<b>Assets</b>			
Cash and cash equivalents		77.9	58.0
Marketable and available-for-sale securities	(8)	13.2	65.8
Accounts receivable		239.7	301.2
Current tax asset		8.1	3.9
Accrued income and prepaid expenses		107.2	80.7
Assets held for sale	(9)	5.9	25.3
<b>Current assets</b>		<b>452.0</b>	<b>534.9</b>
Investment properties		51.3	52.7
Owner-occupied properties	(9)	24.9	30.3
Equipment		15.4	17.1
Intangible assets		40.2	37.2
Investments in associates	(10)	248.2	255.8
Financial assets	(11)	56.8	24.8
Deferred tax assets		9.1	7.2
<b>Non-current assets</b>		<b>445.9</b>	<b>425.1</b>
<b>Total assets</b>		<b>897.9</b>	<b>960.0</b>
<b>Liabilities and equity</b>			
Short-term debts	(12)	27.0	65.0
Accounts payable		185.5	200.1
Current tax liabilities		3.5	3.0
Accrued expenses and deferred income		95.5	94.3
Short-term provisions		9.9	10.5
<b>Current liabilities</b>		<b>321.4</b>	<b>372.9</b>
Long-term debts	(12)	98.2	103.2
Deferred tax liabilities		17.4	15.9
Long-term provisions		6.9	7.5
<b>Non-current liabilities</b>		<b>122.5</b>	<b>126.6</b>
<b>Total liabilities</b>		<b>443.9</b>	<b>499.5</b>
Share capital		2.5	2.5
Treasury shares	(19)	(51.1)	(53.2)
Reserves		466.9	467.5
<b>Equity, shareholders of PubliGroupe Ltd</b>		<b>418.3</b>	<b>416.8</b>
Non-controlling interests		35.7	43.7
<b>Total equity</b>		<b>454.0</b>	<b>460.5</b>
<b>Total liabilities and equity</b>		<b>897.9</b>	<b>960.0</b>

## Consolidated interim income statements

in millions of CHF

	Notes	1st half year 2010	1st half year 2009
Revenue		714.1	798.4
Purchases		(526.2)	(598.8)
Sales reductions		(34.5)	(34.8)
<b>Gross margin</b>		<b>153.4</b>	<b>164.8</b>
Personnel expenses		(124.1)	(140.6)
General and administrative expenses		(37.8)	(44.3)
Other income and expenses	(13)	12.5	15.2
<b>EBITDA</b>		<b>4.0</b>	<b>(4.9)</b>
Depreciation and amortisation		(5.5)	(6.4)
Impairment loss	(14)	(1.8)	(2.5)
Share in result of associates	(15)	15.7	10.3
<b>Operating result (EBIT)</b>		<b>12.4</b>	<b>(3.5)</b>
Financial income	(16)	18.6	3.8
Financial expenses	(17)	(2.2)	(7.6)
<b>Financial result</b>		<b>16.4</b>	<b>(3.8)</b>
<b>Result before income tax</b>		<b>28.8</b>	<b>(7.3)</b>
Income tax expense	(18)	(1.5)	(0.3)
<b>Result</b>		<b>27.3</b>	<b>(7.6)</b>
Result attributable to:			
- Non-controlling interests		0.2	0.9
<b>- Shareholders of PubliGroupe Ltd</b>		<b>27.1</b>	<b>(8.5)</b>

### Earnings per share

Basic earnings per share (in CHF)	11.48	(3.71)
Diluted earnings per share (in CHF)	11.48	(3.71)

## Consolidated interim statements of comprehensive income

in millions of CHF

	1st half year 2010	1st half year 2009
<b>Result</b>	<b>27.3</b>	<b>(7.6)</b>
Translation differences	(17.1)	6.8
Net change in fair value of available-for-sale financial instruments transferred to profit or loss	(8.1)	-
Effective portion of changes in fair value of cash flow hedges	(1.0)	-
Other comprehensive income *	(26.2)	6.8
<b>Total comprehensive income</b>	<b>1.1</b>	<b>(0.8)</b>
Total comprehensive income attributable to:		
- Non-controlling interests	0.2	0.9
- Shareholders of PubliGroupe Ltd	0.9	(1.7)

\* There is no income tax relating to components of other comprehensive income.

## Consolidated interim statements of changes in equity

in millions of CHF

	Footnotes	Share capital	Treasury shares	Additional paid-in capital	Translation reserve	Fair value reserve	Hedging reserve	Retained earnings	Equity, shareholders of PubliGroupe Ltd	Non-controlling interests	Total equity
<b>Balance as of 1 January 2009</b>		<b>2.5</b>	<b>(88.6)</b>	<b>5.3</b>	<b>(26.3)</b>	-	-	<b>538.4</b>	<b>431.3</b>	<b>79.3</b>	<b>510.6</b>
Total comprehensive income	1)				6.8	-	-	(8.5)	<b>(1.7)</b>	0.9	(0.8)
Increase in additional paid-in capital				0.1					<b>0.1</b>		0.1
Share-based compensation	2)		8.0					(6.5)	<b>1.5</b>		1.5
Dividends	3)		27.4					(30.2)	<b>(2.8)</b>		(2.8)
Disposal of subsidiaries involving changes in non-controlling interests									-	0.7	0.7
Dividends paid to non-controlling interests									-	(34.5)	(34.5)
<b>Balance as of 30 June 2009</b>		<b>2.5</b>	<b>(53.2)</b>	<b>5.4</b>	<b>(19.5)</b>	-	-	<b>493.2</b>	<b>428.4</b>	<b>46.4</b>	<b>474.8</b>
<b>Balance as of 1 January 2010</b>		<b>2.5</b>	<b>(53.2)</b>	<b>5.4</b>	<b>(26.4)</b>	<b>8.1</b>	<b>(0.6)</b>	<b>481.0</b>	<b>416.8</b>	<b>43.7</b>	<b>460.5</b>
Total comprehensive income	4)				(17.1)	(8.1)	(1.0)	27.1	<b>0.9</b>	0.2	1.1
Increase in additional paid-in capital				0.1					<b>0.1</b>		0.1
Share-based compensation	2)		2.1					(1.6)	<b>0.5</b>		0.5
Acquisition of subsidiaries involving changes in non-controlling interests	5)								-	0.9	0.9
Acquisition of non-controlling interests									-	(0.2)	(0.2)
Dividends paid to non-controlling interests									-	(8.9)	(8.9)
<b>Balance as of 30 June 2010</b>		<b>2.5</b>	<b>(51.1)</b>	<b>5.5</b>	<b>(43.5)</b>	-	<b>(1.6)</b>	<b>506.5</b>	<b>418.3</b>	<b>35.7</b>	<b>454.0</b>

1) The amounts of CHF -8.5 million and CHF 6.8 million represent the amounts of result and translation differences disclosed in the statement of comprehensive income, net of non-controlling interests of CHF 0.9 million result.

2) See note 19

3) See notes 19 and 20

4) The amounts of CHF 27.1 million, CHF -17.1 million, CHF -8.1 million and CHF -1.0 million represent the amounts of result, translation differences, net change in fair value of available-for-sale financial instruments transferred to profit or loss and effective portion of changes in fair value of cash flow hedges disclosed in the statement of comprehensive income, net of non-controlling interests of CHF 0.2 million result.

5) See note 23

## Consolidated interim cash flow statements

in millions of CHF

	Notes	1st half year 2010	1st half year 2009
Result		27.3	(7.6)
Adjustments for non-cash items	(21)	(30.0)	(7.4)
Dividends paid to non-controlling interests by group companies		(8.9)	(34.5)
Dividends received	(22)	9.0	43.4
Interest received		0.5	0.5
Interest paid		(1.8)	(3.2)
Taxes paid		(6.5)	(8.8)
Use of provisions		(3.0)	(1.7)
Working capital changes		(16.9)	(9.0)
<b>Cash flows from operating activities</b>		<b>(30.3)</b>	<b>(28.3)</b>
Acquisitions of tangible assets		(1.2)	(4.2)
Disposals of tangible assets	(13)	12.6	0.7
Acquisitions of intangible assets		(1.3)	(0.7)
Disposals of marketable securities		0.4	-
Acquisitions of subsidiaries, net of cash acquired	(23)	(5.3)	(1.1)
Acquisitions of associates		-	(0.1)
Disposals of subsidiaries, net of cash disposed of	(24)	-	6.9
Disposals of associates	(13)	21.7	0.2
Investments in financial assets		(6.9)	(0.1)
Divestments of financial assets	(25)	75.3	14.4
<b>Cash flows from investing activities</b>		<b>95.3</b>	<b>16.0</b>
Increase /(decrease) in bank debts		(45.0)	(31.7)
Capital contribution from non-controlling interests		0.1	-
Sale of treasury shares (Share-based compensation)	(19)	0.2	0.6
Acquisition of non-controlling interests		(0.2)	-
Increase in additional paid-in capital		0.1	0.1
Dividend paid to shareholders of PubliGroupe Ltd	(20)	-	(2.8)
<b>Cash flows from financing activities</b>		<b>(44.8)</b>	<b>(33.8)</b>
Effect of exchange rates		(0.3)	1.4
<b>Change in cash and cash equivalents</b>		<b>19.9</b>	<b>(44.7)</b>
<b>Cash and cash equivalents as of 1 January</b>		<b>58.0</b>	<b>81.4</b>
<b>Cash and cash equivalents as of 30 June</b>		<b>77.9</b>	<b>36.7</b>

# Notes to the condensed consolidated interim financial statements

## 1. Reporting entity

PubliGroupe Ltd (PubliGroupe or “the Company”) is a public limited holding company (société anonyme) under Swiss law with its head office in Lausanne, Switzerland. PubliGroupe’s core activity is the sale of advertising space in Switzerland and abroad.

The condensed consolidated interim financial statements for the six months ended 30 June 2010 include PubliGroupe and its subsidiaries (together “the Group”) as well as its interests in associates.

## 2. Statement of compliance

The unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 (Interim Financial Reporting) as issued by the International Accounting Standards Board (IASB). They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2009.

## 3. Basis of presentation

The condensed consolidated interim financial statements are presented in millions of Swiss francs (CHF) with one decimal. They have been prepared on a historical cost basis except for certain financial instruments which are stated at fair value. Non-current assets and disposal groups held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

Preparation of consolidated interim financial statements requires a number of judgements, estimates and assumptions to be made that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expenses. Significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2009.

The accounting principles and methods of computation are the same as those applied to the consolidated financial statements as of 31 December 2009 with the exception of the following:

As from 1 January 2010, PubliGroupe has applied IFRS 3 revised – Business Combinations. The scope of the standard has been enlarged. Business combinations are now accounted for by applying the acquisition method. The Group measures goodwill as the aggregate of the fair value of the consideration transferred and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain will be recognised immediately in profit or loss. All consideration transferred by the acquirer is recognised at fair value including contingent consideration. Any subsequent change to a contingent consideration liability is recognised in profit or loss. The non-controlling interests are measured at fair value or calculated based on the proportionate interest in the fair value of the net assets acquired on a transaction-by-transaction basis. Transaction costs, other than those associated with the issue of debt or equity securities, incurred in connection with business combinations are not included in the cost of the acquirer. The adoption of revised IFRS 3 impacted the accounting for and disclosure of the acquisition in April 2010 of Instanz AG für Kommunikation.

As from 1 January 2010, PubliGroupe has applied IAS 27 revised – Consolidated and Separate Financial Statements. It deals with the accounting for changes in ownership interests in subsidiaries after control is obtained, the accounting for the loss of control of subsidiaries and the allocation of profit and loss to controlling and non-controlling interests in subsidiaries. With the application of IAS 27 revised, the term “minority interests” has changed to “non-controlling interests” for the purposes of the Group’s consolidated financial statements. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised. The adoption of revised IAS 27 impacted the accounting for the acquisition in January 2010 of additional shares in MediaConnect S.A.

The other new, revised or amended standards and interpretations that are effective for the 2010 reporting year were not applicable to the Group or did not have a significant impact on the consolidated interim financial statements.

#### **4. Scope of consolidation**

As of 30 June 2010, the scope of consolidation was modified as follows:

Acquisition:

- 29 April 2010: acquisition of 75% interest in Instanz AG für Kommunikation. Since that point of time, the company is fully consolidated. See also note 23.

Change in ownership percentages:

- 1 January 2010: increase from 67% to 100% interest in MediaConnect S.A. The company merged with pixedia S.A. in April 2010.

Disposal:

- 8 February 2010: disposal of the entire 37% interest in the associate National Zeitung und Basler Nachrichten AG.

As of 30 June 2009, the scope of consolidation was modified as follows:

Changes in ownership percentages:

- 4 March 2009: increase from 40.75% to 41.05% interest in Fantastic Zero GmbH for EUR 0.1 million (CHF 0.1 million). The company is still consolidated by using the equity method.
- 6 March 2009: PubliGroupe and Axel Springer, both partners in Zanox.de AG, decided to give up the original plan of creating two entities that could be consolidated by each partner on a majority basis. As a result, the shareholding percentages in Zanox.de AG were adjusted to reflect the economic effects of the originally planned structure. PubliGroupe has increased its interest in Zanox.de AG by 7.5% to 47.5% (formerly 40.0%) for an amount of EUR 0.7 million (CHF 1.0 million). In consequence, Axel Springer reduces its interest in Zanox.de AG to 52.5% (previously 60%). The company is still consolidated by using the equity method.

Disposals:

- 1 January 2009: disposal of 51% interest in Shanghai Publicitas City Media Advertising Co Ltd
- 1 January 2009: disposal of 49% interest in Beijing Publicitas City Media Advertising Co Ltd
- 20 January 2009: disposal of 100% interest in Stadtanzeiger AG
- 27 March 2009: disposal of 35% interest in Aktiengesellschaft des Winterthurer Stadtanzeiger AG

## 5. Segment reporting

In 2010, the composition of the reportable segments was modified due to changes to the internal organisation:

- pixedia S.A. was transferred from the segment “Corporate and others” to the segment “Media Sales”.
- web2com AG was transferred from the segment “Media Sales” to the segment “Digital & Marketing Services”.

In order to reflect these changes, the comparative period has been restated. The major financial effects of these reclassifications in 2009 concerned total segment revenue. Segment revenue of “Corporate and others” and “Media Sales” decreased by respectively CHF 11.4 million and CHF 2.0 million and segment revenue of “Digital & Marketing Services” increased by CHF 3.8 million, thus reducing the inter-segment eliminations by CHF 9.6 million. The significant changes in “Corporate and others” and in eliminations are due to pixedia S.A. which works mainly for the segment “Media Sales”. Its revenue is now eliminated within the segment “Media Sales”. The effects on segment results are not material.

### 1st half year 2010

in millions of CHF

	Search & Find	Media Sales	Custom Publishing	Digital & Marketing Services	Corporate and others	Eliminations	Total
Revenue from third parties	46.1	584.8	9.8	71.5	1.9	-	714.1
Inter-segment revenue	0.2	0.6	0.3	2.6	3.7	(7.4)	-
<b>Total segment revenue</b>	<b>46.3</b>	<b>585.4</b>	<b>10.1</b>	<b>74.1</b>	<b>5.6</b>	<b>(7.4)</b>	<b>714.1</b>
Gross margin	31.6	93.5	4.3	24.5	4.9	(5.4)	153.4
<b>EBITDA</b>	<b>-</b>	<b>0.5</b>	<b>(0.7)</b>	<b>0.4</b>	<b>3.8</b>	<b>-</b>	<b>4.0</b>
Depreciation and amortisation	(1.0)	(2.0)	(0.3)	(1.0)	(1.2)	-	(5.5)
Impairment loss	-	(1.8)	-	-	-	-	(1.8)
Share in result of associates	11.5	0.2	-	2.6	1.4	-	15.7
<b>Operating result (EBIT)</b>	<b>10.5</b>	<b>(3.1)</b>	<b>(1.0)</b>	<b>2.0</b>	<b>4.0</b>	<b>-</b>	<b>12.4</b>
Interest income	-	0.3	-	-	0.7	(0.3)	0.7
Interest expenses	-	(0.2)	-	(0.1)	(2.2)	0.3	(2.2)
Other financial results	-	(0.1)	(0.1)	-	18.1	-	17.9
<b>Financial result</b>	<b>-</b>	<b>-</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>16.6</b>	<b>-</b>	<b>16.4</b>
<b>Result before income tax</b>	<b>10.5</b>	<b>(3.1)</b>	<b>(1.1)</b>	<b>1.9</b>	<b>20.6</b>	<b>-</b>	<b>28.8</b>
Income tax expense	0.1	(0.3)	0.1	(0.1)	(1.3)	-	(1.5)
<b>Result</b>	<b>10.6</b>	<b>(3.4)</b>	<b>(1.0)</b>	<b>1.8</b>	<b>19.3</b>	<b>-</b>	<b>27.3</b>
Result attributable to:							
- Non-controlling interests	-	0.2	-	-	-	-	0.2
<b>- Shareholders of PubliGroupe Ltd</b>	<b>10.6</b>	<b>(3.6)</b>	<b>(1.0)</b>	<b>1.8</b>	<b>19.3</b>	<b>-</b>	<b>27.1</b>
Number of employees at the end of the period	547	1'321	92	355	63	-	2'377

## 1st half year 2009 (restated)

in millions of CHF

	Search & Find	Media Sales	Custom Publishing	Digital & Marketing Services	Corporate and others	Eliminations	Total
Revenue from third parties	42.6	655.4	12.0	86.5	1.9	-	798.4
Inter-segment revenue	0.3	0.9	0.7	0.9	2.0	(4.8)	-
<b>Total segment revenue</b>	<b>42.9</b>	<b>656.3</b>	<b>12.7</b>	<b>87.4</b>	<b>3.9</b>	<b>(4.8)</b>	<b>798.4</b>
Gross margin	32.3	102.1	5.0	25.0	3.3	(2.9)	164.8
<b>EBITDA</b>	<b>3.4</b>	<b>(11.7)</b>	<b>(1.4)</b>	<b>3.9</b>	<b>0.9</b>	<b>-</b>	<b>(4.9)</b>
Depreciation and amortisation	(0.9)	(2.9)	(0.4)	(0.9)	(1.3)	-	(6.4)
Impairment loss	(2.5)	-	-	-	-	-	(2.5)
Share in result of associates	11.5	0.2	-	1.5	(2.9)	-	10.3
<b>Operating result (EBIT)</b>	<b>11.5</b>	<b>(14.4)</b>	<b>(1.8)</b>	<b>4.5 *</b>	<b>(3.3)</b>	<b>-</b>	<b>(3.5)</b>
Interest income	0.5	0.8	-	-	0.2	(0.6)	0.9
Interest expenses	(0.3)	-	-	(0.2)	(2.4)	0.6	(2.3)
Other financial results	-	(0.6)	0.1	-	(1.9)	-	(2.4)
<b>Financial result</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>(0.2)</b>	<b>(4.1)</b>	<b>-</b>	<b>(3.8)</b>
<b>Result before income tax</b>	<b>11.7</b>	<b>(14.2)</b>	<b>(1.7)</b>	<b>4.3 *</b>	<b>(7.4)</b>	<b>-</b>	<b>(7.3)</b>
Income tax expense	(1.7)	1.9	0.1	(0.1)	(0.5)	-	(0.3)
<b>Result</b>	<b>10.0</b>	<b>(12.3)</b>	<b>(1.6)</b>	<b>4.2 *</b>	<b>(7.9)</b>	<b>-</b>	<b>(7.6)</b>
Result attributable to:							
- Non-controlling interests	0.8	0.1	-	-	-	-	0.9
<b>- Shareholders of PubliGroupe Ltd</b>	<b>9.2</b>	<b>(12.4)</b>	<b>(1.6)</b>	<b>4.2 *</b>	<b>(7.9)</b>	<b>-</b>	<b>(8.5)</b>
Number of employees at the end of the period	600	1'639	109	371	78	-	2'797

\* 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%).

## 6. Translation of foreign currencies

The table below shows the main exchange rates used to translate balance sheet and income statement items to Swiss francs:

Exchange rates		1st half year 2010 Average rates	1st half year 2009 Average rates	30.06 2010 Closing date rates	31.12 2009 Closing date rates
AUD	1	0.9627	0.8073	0.9237	0.9264
CAD	1	1.0424	0.9412	1.0317	0.9817
CNY	100	15.8930	16.4850	15.9450	15.0900
EUR	1	1.4238	1.5066	1.3261	1.4834
GBP	1	1.6498	1.6928	1.6240	1.6626
HKD	100	13.9430	14.5300	13.8907	13.2820
INR	1	0.0237	0.0228	0.0232	0.0221
SGD	1	0.7770	0.7560	0.7755	0.7348
USD	1	1.0838	1.1264	1.0815	1.0300

## 7. Seasonality

The associate Swisscom Directories AG, included in the reportable segment Search & Find, is subject to strong seasonal effects; a significant portion of its earnings are generated in the first half of the year. The fully consolidated companies in the Search & Find segment also experience seasonal effects, though in this case earnings are stronger in the second half of the year.

Other segments have no notable seasonal cycles.

## 8. Marketable and available-for-sale securities

The decrease in this position is mainly due to the disposal of the Edipresse SA securities. They were reclassified as current assets as of 31 December 2009 as their disposal was highly probable. The gain on this transaction is presented as "financial income" (see also note 16). The cash received on this transaction is presented as "divestment of financial assets" in the cash flow statement (see also note 25).

## 9. Assets held for sale

As of 30 June 2010, this position is made up of an owner-occupied property that PubliGroupe contractually agreed to sell in the last quarter of 2010. In the income statement, the revenue and expenses are still reported in the usual lines.

The investment property presented as held for sale as of 31 December 2009 was sold in June 2010. See also note 13.

As of 31 December 2009, this position also included the 37% interest in National Zeitung und Basler Nachrichten AG which was disposed of on 8 February 2010. See also note 13.

## 10. Investments in associates

The change in investments in associates as of 30 June 2010 is mainly due to dividends received for CHF 8.4 million. National Zeitung und Basler Nachrichten AG was disposed of during this reporting period.

During 2009, the changes in investments in associates were as follows:

- acquisition: 47.5% in DW-Holding GmbH,
- increase in ownership: 7.5% in Zanox.de AG,
- increase in ownership in Fantastic Zero GmbH,
- disposals: Beijing Publicitas City Media Advertising Co. Ltd and Aktiengesellschaft des Winterthurer Stadtanzeiger,
- reclassification: National Zeitung und Basler Nachrichten AG was reclassified as asset held for sale further to the decision of the Board of Directors to dispose of this associate,
- dividends received: CHF 64.5 million.

<b>11. Financial assets</b>	<b>as of 30 June</b>	<b>as of 31</b>
in millions of CHF	<b>2010</b>	<b>December</b>
		<b>2009</b>
Available-for-sale securities	13.8	10.4
Loans to third parties	29.2	4.0
Loans to associates	3.8	0.1
Allowance for doubtful loans	(1.2)	(1.1)
Uncommitted net assets of employer's foundations	10.7	10.9
Contribution reserves available in employee benefit plans	0.5	0.5
<b>Total</b>	<b>56.8</b>	<b>24.8</b>

The increase in Available-for-sale securities is mainly due to the purchase in June 2010 of 7.5% interest in Rhone-Media SA for CHF 2.5 million. As of 30 June 2010, the fair value still equals the purchase price.

The increase in loans to third parties is mainly due to the fact that the consideration received in exchange of the disposal of the Edipresse SA securities was partly cash (CHF 35.4 million) and partly in the form of a loan of CHF 26.0 million with a maturity of three years. The interest rate is 3%. See also note 25. As of 31 December 2009, the decrease in this position was due to the reclassification as other receivables of a loan granted to an editor (CHF 38.4 million). This loan was repaid during the first half of 2010. See also note 25.

The increase in the loans to associates is due to a loan granted to Digital Window Ltd (GBP 2.1 million, CHF 3.5 million) with a maturity date in June 2012 and an interest rate of 8.5%. The loan was granted in relation with the acquisition of 100% interest in Perfiliate Ltd by Digital Window Ltd. Another loan of EUR 0.1 million (CHF 0.2 million) was granted to DW-Holding GmbH. The interest rate is EuroLibor +1% with no fixed term. As of 31 December 2009, the decrease in this position was due to the reimbursement of a loan of CHF 11.1 million.

## 12. Debts

The decrease in short-term debts from CHF 65.0 million to CHF 27.0 million is due for CHF 45.0 million to the repayment of investment bank facilities as a result of the disposals of available-for-sale securities and assets held for sale (see points 8 and 9 above). The increase by CHF 7.0 million is due to the reclassification of a long-term loan as short-term debt further to the signing of an agreement to sell a pledged property (see note 9).

The decrease in long-term debts results from the above-mentioned reclassification to short-term debt which is partially offset by the increase in interest rate swap liabilities (by CHF 1.0 million).

### 13. Other income and expenses

in millions of CHF

	1st half year 2010	1st half year 2009
Real estate income	3.1	3.6
Gain on disposal of tangible assets	5.9	0.2
Gain on disposal of subsidiaries and associates	3.1	7.5
Various income	0.4	3.9
<b>Other income</b>	<b>12.5</b>	<b>15.2</b>
<b>Other expenses</b>	<b>-</b>	<b>-</b>
<b>Total net</b>	<b>12.5</b>	<b>15.2</b>

The gain on disposal of tangible assets is mainly due to the sale of an investment property presented as “asset held for sale” as of 31 December 2009. The cash received (CHF 11.8 million) for this transaction is presented as “disposals of tangible assets” in the cash flow statement.

The gain on disposal of subsidiaries and associates represents the gain of CHF 3.1 million realised on the disposal of 37% interest in National Zeitung und Basler Nachrichten AG presented as “asset held for sale” as of 31 December 2009. The cash received (CHF 21.7 million) is presented as “disposals of associates” in the cash flow statement. As of 30 June 2009, this caption was mainly made up of the negative goodwill of CHF 3.8 million realised on the acquisition of 7.5% interest in Zanox.de AG, the gain of CHF 7.4 million realised on the sale of Stadtanzeiger AG and rental income of CHF 3.6 million.

### 14. Impairment test of goodwill

PubliGroupe analysed whether there were any indicators (internal or external) that goodwill might be impaired since 31 December 2009.

Four cash-generating units (CGUs), i.e. Mediascope Publicitas (India) Private Ltd, Publicitas APR Inc., SVBmedia Group B.V. and Instanz AG für Kommunikation, have not been tested for impairment because there were no indicators of impairment and they are still profitable. In addition, the impairment tests 2009 (not applicable to Instanz AG für Kommunikation as it was acquired in 2010) showed that the recoverable amounts of the CGUs were above their carrying amounts.

The other CGUs to which goodwill has been allocated have been tested for impairment. The recoverable amount of each CGU was determined based on its value in use calculated by the discounted cash flow (DCF) method. The figures for future cash flows are based on an updated version of cash flow forecasts for 2011-2015 which was approved by the management. Growth assumptions are based on our expectations of market growth and on measures taken in accordance with Group strategy. Growth rates presented below for end of June 2010 relate to cash flow forecasts 2011-2015 (respectively to cash flow forecasts 2010-2014 for December 2009). Cash flows beyond 2015 assume zero growth.

The assumptions were as follows:

in millions of CHF	Assumptions					
	Carrying amount of goodwill		Growth rate of revenue		Pre-tax discount rate	
	as of 30.06.2010	as of 31.12.2009	as of 30.06.2010	as of 31.12.2009	as of 30.06.2010	as of 31.12.2009
Publicitas Cinecom & Media AG	5.1	6.1	-17%	13%	13%	13%
Publicitas Radiotele AG	-	0.8	2%	3%	14%	14%
Mediascope Publicitas (India) Private Ltd	1.5	1.5	N/A	7%	N/A	20%
Publicitas APR Inc.	1.4	1.5	N/A	8%	N/A	16%
ATB-Bégécom SAS	0.2	0.2	0%	15%	18%	18%
SVBmedia Group B.V.	12.1	13.6	N/A	8%	N/A	13%
Denon Group	3.9	4.0	6%	4%	14%	14%
Instanx AG für Kommunikation	4.5	-	N/A	N/A	N/A	N/A
Other companies	0.6	0.5	-	-	-	-
<b>Total</b>	<b>29.3</b>	<b>28.2</b>				

\* The CGUs with assumptions marked as not applicable (N/A) have not been tested for impairment as of 30 June 2010.

For ATB-Bégécom SAS and Denon Group, the forecasted discounted cash flows were higher than the carrying amount. As a result, no impairment loss had to be recognised for those companies. However, for Publicitas Cinecom & Media AG and Publicitas Radiotele AG, as the forecasted discounted cash flows could not cover the carrying amount, impairment losses of respectively CHF 1.0 million and CHF 0.8 million had to be recognised. These impairment losses reflect the fact that the sale forecasts envisaged at the time of the acquisitions are not achievable in the short-term. The negative growth rate of Publicitas Cinecom & Media AG is due to the loss of a major contract as from 2011.

As of 30 June 2009, all goodwill except the one of Publicitas Cinecom & Media AG were tested for impairment. For all the companies, except ATB-Bégécom SAS, the forecasted discounted cash flows were higher than the carrying amount. As a result, no impairment loss had to be recognised for those companies. However, for ATB-Bégécom SAS, as the forecasted discounted cash flows could not cover the carrying amount, an impairment loss of CHF 2.5 million had to be recognised. This impairment loss reflected the fact that the sale forecasts envisaged at the time of the acquisition were not achievable in the short-term.

A reasonably possible change in the assumptions made for the calculation of the recoverable amount of the CGU as of 30 June 2010 (before the impairment losses of the period) would have the following effects:

In the case of Publicitas Cinecom & Media AG, an increase of 1% of the growth rate would have allowed the recoverable amount to equal the carrying amount and no impairment loss would have been recognised. In the case of an increase of the discount rate by 1%, the impairment loss would have been CHF 1.3 million (instead of CHF 1.0 million recognised in the condensed consolidated interim financial statements).

For ATB-Bégécom SAS and Denon Group, a change in growth rate by 1% would lead the recoverable amounts of the CGUs to equal the carrying amounts. With an increase of the discount rate by 1%, the recoverable amounts of the CGUs would still exceed the carrying amount with respectively CHF 0.5 million and CHF 0.4 million.

## 15. Share in result of associates

As of 30 June 2010, the increase in this position is due to the fact that the press participations incurring losses as of 30 June 2009 made profits or were disposed of. It is also due to the increasing profit encountered by Zanox.de AG and Digital Window Ltd.

As of 30 June 2009, the decrease in this position was mainly due to the fact that the press participations incurred losses (CHF 2.8 million) during the period.

## 16. Financial income

The increase in financial income is mainly due to the gain (CHF 15.9 million) realised on the disposal of the Edipresse SA securities (see also note 8).

## 17. Financial expenses

The change in financial expenses is due to the fact that as of 30 June 2009, an impairment loss was recognised on the available-for-sale Edipresse SA securities (CHF 4.8 million).

## 18. Taxes

The income tax expenses for the period from 1 January to 30 June are based on the best estimate of the tax rate that will be applied to the full-year result.

## 19. Treasury shares

As part of the share based payment plan of PubliGroupe key management, 2'311 shares (2009: 14'888 shares) were sold for CHF 0.2 million (2009: CHF 0.6 million) during the first half of 2010. Thus the treasury shares in the equity were reduced by CHF 0.9 million (2009: CHF 5.6 million). Personnel expenses of CHF 0.1 million (2009: CHF 0.6 million) were recognised in the income statement.

During this period 2'174 treasury shares (2009: 6'540) were handed over to the directors and 1'194 to one member of the Executive Committee (2009: nil), thus reducing the treasury shares in equity by CHF 0.8 million and CHF 0.4 million (2009: CHF 2.4 million and nil). General and administrative expenses of CHF 0.1 million (2009: CHF 0.1 million) and personnel expenses of CHF 0.1 million (2009: nil) had to be recognised in the income statement.

In 2010 as in 2009, no treasury shares were bought.

In addition in 2009, 73'797 treasury shares were distributed as a dividend (see point 20), thus reducing the treasury shares in equity by CHF 27.4 million.

In 2010 as in 2009 no options were exercised.

## 20. Dividend

The Company's Annual General Meeting held on 27 April 2010 decided that the result be carried forward and no dividend distributed.

In the previous year, the Company's Annual General Meeting held on 29 April 2009 voted to distribute a dividend of CHF 3.50 per share, mainly in treasury shares. The total dividend amounted to CHF 7.9 million. It was paid in 73'797 treasury shares and in cash (CHF 2.8 million paid for Swiss withholding tax and broken lots).

## 21. Adjustments for non-cash items

in millions of CHF

	Notes	1st half year 2010	1st half year 2009
Share in result of associates		(15.7)	(10.3)
Increase in provisions		3.5	0.8
Release of provisions		(1.4)	(0.5)
Share-based compensation	(19)	0.4	0.9
Loss on disposal of tangible assets		-	0.1
Gain on disposal of tangible assets	(13)	(5.9)	(0.1)
Gain on disposal of subsidiaries and associates	(13)	(3.1)	(7.5)
Depreciation and amortisation		5.6	6.4
Impairment loss	(14)	1.8	2.5
Financial result, excluding realised exchange differences		(16.7)	3.4
Income tax expense		1.5	0.3
Other non-cash expenses		-	0.4
Other non-cash income		-	(3.8)
<b>Total adjustments for non-cash items</b>		<b>(30.0)</b>	<b>(7.4)</b>

## 22. Dividends received

This position is made up of dividends received from associates for CHF 8.4 million (2009: CHF 41.7 million) and of dividends received on marketable securities and available-for-sale securities for CHF 0.6 million (2009: CHF 1.7 million).

## 23. Acquisitions of subsidiaries, net of cash acquired

As of 29 April 2010, PubliGroupe obtained control in Instanz AG für Kommunikation, a company pioneer in "Online Performance Marketing", by acquiring 75% of the shares and voting interest in the company. This acquisition will enable the Digital & Marketing Services segment to broaden its offering in performance-based business models.

The fair values of net assets recognised at the acquisition date are the following:

in millions of CHF	1st half year 2010	1st half year 2009
Accounts receivable	1.0	-
Other current assets	1.0	-
Property, plant & equipment	0.1	-
Intangible assets	3.0	-
Accounts payable	(0.5)	-
Deferred tax liabilities	(0.6)	-
Other liabilities	(0.3)	-
Net assets	3.7	-
Attributable to non-controlling interests	(0.9)	-
Net assets acquired	2.8	-
Goodwill on consolidated companies	4.5	-
<b>Consideration transferred</b>	<b>7.3</b>	<b>-</b>
Cash and cash equivalents acquired	(0.7)	-
Consideration payable	(3.6)	-
<b>Cash outflows on acquisitions of subsidiaries in the current period</b>	<b>3.0</b>	<b>-</b>
Payments from previous year acquisitions	2.3	1.1
<b>Total cash outflows on acquisitions of subsidiaries</b>	<b>5.3</b>	<b>1.1</b>

The carrying amount of assets and liabilities determined according to IFRSs just before the acquisition took place do not differ materially from the fair values shown above, except for intangible assets not previously recognised (CHF 3.0 million, see below), deferred tax liabilities related to the intangible assets recognised (CHF 0.6 million) and goodwill (CHF 4.5 million).

The acquired receivables consist of trade receivables for a gross contractual amount of CHF 0.9 million and of other receivables of CHF 0.2 million. An allowance of CHF 0.1 million has been considered for receivables that are not expected to be collected. The fair value equals the carrying amount.

Transaction costs for CHF 0.1 million were expensed as "general and administrative expenses" in the consolidated interim income statement. They relate to external legal fees and due diligence costs.

In the two months to 30 June 2010, Instanz AG für Kommunikation contributed to the Group revenue for CHF 0.5 million and to the result attributable to the shareholders of PubliGroupe Ltd for CHF -0.1 million. If this acquisition had taken place on 1 January 2010 and assuming that the fair value adjustments would have been the same as at the acquisition date, the management estimates that Group revenue would have been CHF 1.7 million higher and that the result attributable to the shareholders of PubliGroupe Ltd would have remained the same.

### **Non-controlling interests**

The non-controlling interests represent CHF 0.9 million at the acquisition date. They have been measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

### **Goodwill**

The goodwill is attributable mainly to the skills and technical talent of Instanz's workforce and to the synergies expected to be achieved from integrating the company into the segment Digital & Marketing Services. Customer relationship and technology were recognised separately from goodwill as intangible assets (see above). None of the goodwill recognised is expected to be deductible for income tax purposes.

### **Consideration transferred**

The total consideration transferred is CHF 7.3 million. It is made up of cash payments of CHF 4.2 million on which CHF 3.7 million have been paid at the acquisition date and CHF 0.5 million will be deferred until thirty days after the auditor's report of the company has been issued. The consideration transferred includes discounted contingent consideration of CHF 3.1 million.

### **Contingent consideration**

PubliGroupe has agreed to pay the selling shareholders additional consideration up to a maximum of CHF 4.5 million. This contingent consideration consists of two components:

- CHF 2.0 million are based on quantitative performance indicators. The management estimates that this target will be fully reached. The discounted contingent consideration represents CHF 1.9 million with a discount rate of 1.2%.
- CHF 2.5 million are based on EBIT targets and earn-out table. If the average EBIT of 2010 and 2011 equals CHF 2.0 million, then the full amount is due. As the management considers that the average EBIT can only reach CHF 1.6 million, the consideration represents CHF 1.2 million (same amount with discount rate of 1.2%).

In addition, a performance discount will reduce the two consideration components described above if the objectives of average growth of gross profit and size of the biggest client are not met. The management considers that there will not be any performance discount.

In 2009, cash outflows represented payments for Publicitas Radiotele AG and Publicitas APR Inc earn outs.

<b>24. Disposals of subsidiaries, net of cash disposed of</b> in millions of CHF	<b>1st half year 2010</b>	<b>1st half year 2009</b>
Current assets	-	(2.3)
Current liabilities	-	2.5
Net assets disposed of	-	0.2
Attributable to non-controlling interests	-	(0.7)
(Profit)/loss from disposals	-	(7.5)
<b>Consideration received</b>	<b>-</b>	<b>(8.0)</b>
Cash and cash equivalents disposed of	-	1.1
<b>Total cash inflows on disposals of subsidiaries</b>	<b>-</b>	<b>(6.9)</b>

There was no disposal of subsidiary as of 30 June 2010.

In 2009, the cash inflow represented mainly the cash received from the disposal of Stadtanzeiger AG less the cash of the company sold.

## 25. Divestments of financial assets

This position is made up of the reimbursement of loans from third parties of CHF 39.7 million (2009: CHF 3.3 million). It includes also the partial payment for the disposal of Edipresse SA securities of CHF 35.4 million (2009: nil). The deferred payment of CHF 26.0 million is presented as a loan in the condensed consolidated interim financial statements (see also note 11). In 2009, there was also a reimbursement of loan from associates for CHF 11.1 million.

## 26. Contingent liabilities and contingent assets

As of 30 April 2010, the Federal administrative court (the first instance appeal court) confirmed the decision of Swiss competition authorities, COMCO, to impose a penalty of CHF 2.5 million to PubliGroupe for abuse of dominant position. PubliGroupe appealed to Federal court and recognised a provision of CHF 2.5 million in the condensed consolidated interim financial statements as of 30 June 2010.

There were no other changes in contingent liabilities or contingent assets since 31 December 2009.

## 27. Events subsequent to the balance sheet date

None.

## 28. Publication of the condensed consolidated interim financial statements

The PubliGroupe condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 25 August 2010.

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