

PubliGroupe

2009 results



2009 results

2009 results were seriously affected by the crisis on the advertising market, notably press advertising which experienced an unprecedented fall

The operating loss was limited to CHF -4.5 million thanks to massive cost-cutting and the positive results reported by the business activities expanding in growth markets – net loss reduced to CHF -20.9 million (2008: CHF -42.1 million)

Lausanne, 19 March 2010

- **Unprecedented fall (-25.3%) of the business activities linked to press advertising which lie at the origin of the deficit reported by the group on some of its results: the Media Sales and Custom Publishing segments are operating at a loss.**
- **Continuous growth of online marketing services (+7.3% / +22% taking account of minority interests) is having an increasingly positive impact on the group's results and cash flow: the Search & Find and Digital Marketing segments are in profit.**
- **As a result, consolidated sales are down 24.1% at CHF 1.6 billion, giving rise to a reduction of the gross margin by 18.9% (i.e. CHF 84.2 million).**
- **The steep deterioration of the operating result observed since the onset of the crisis in 2008 was halted during the second half of 2009 thanks to the restructuring and cost-cutting effects within Media Sales and the central structures of the Group totaling CHF 55.1 million in 2009, before non-recurring restructuring costs of CHF 10.8 million. The measures initiated should lead to further savings of CHF 38 million in 2010.**
- **The operating loss (EBIT) has therefore been held down to CHF -4.5 million, despite a fall in the group's gross margin by CHF 84.2 million, largely attributable to Media Sales. The net loss stood at CHF -20.9 million (2008: CHF -42.1 million).**
- **Non-recurring costs (CHF 27 million) exceed non-recurring gains overall (CHF 21.6 million). Excluding these non-recurring items which have a negative effect on the group's results, the EBIT stood at CHF -3.2 million (2008 comparable: CHF 29.7 million) and the net result is CHF -15.5 million (2008 comparable: CHF 4.1 million).**
- **PubliGroupe is continuing its process of transformation. 2010 will see strategic advances and a modest improvement of its results which will be boosted increasingly by non-press activities.**
- **Investments will focus on the development of internal and external growth of Search & Find and Digital & Marketing Services, together with the transformation of Media Sales.**
- **As was the case in 2009, disposals of non-strategic assets will further reduce group debt. In the space of just twelve months, this debt has already been cut from CHF 185 million to CHF 165 million, while safeguarding solid bases for the group's further development.**
- **The appointment of two new directors with competencies matching the group's strategic priorities will be proposed to the annual general meeting: Kjell Aamot and Andreas M. Schönenberger.**
- **In view of the operating loss, no dividend will be proposed to the annual general meeting.**

Key figures

	2009			2008			Change 2008-2009	
	IFRS	Pro forma excluding non- recurring items		IFRS	Pro forma excluding non- recurring items		IFRS	Pro forma
in millions of CHF								
Revenue	1'609.1	-	1'609.1	2'120.6	-	2'120.6	- 24.1%	- 24.1%
Gross margin	362.1	1.0	363.1	446.3	-	446.3	- 18.9%	- 18.6%
EBITDA	7.9	(6.9)	1.0	67.7	(41.5)	26.2	- 88.3%	- 96.2%
Operating result (EBIT)	(4.5)	1.3	(3.2)	40.0	(10.3)	29.7	-	-
Net financial result	(3.3)	3.4	0.1	(54.7)	52.4	(2.3)	-	-
Net result, share of PubliGroupe Ltd.	(20.9)	5.4	(15.5)	(42.1)	46.2	4.1	-	-
Number of employees at the end of the period	2'618			3'003			- 12.8%	

Segment reporting

in millions of CHF

	Media Sales			Custom Publishing			Search & Find			Digital & Marketing Services			Corporate and others		
	2009		2008	2009		2008	2009		2008	2009		2008	2009		2008
	Revenue	-25.3%	1'295.9	1'735.5	-19.3%	24.6	30.5	-4.2%	130.8	136.6	-28.5%	155.6	217.5	-23.6%	31.0
Gross margin	-26.1%	204.1	276.1	-23.3%	9.9	12.9	-7.3%	101.0	108.9	-7.0%	49.4	53.1	-18.9%	24.4	30.1
EBITDA	-	(26.0)	4.4	-	(2.3)	1.9	-7.7%	26.5	28.7	+45.1%	7.4	5.1	-91.7%	2.3	27.7
Depreciation and amortisation	-23.9%	(3.5)	(4.6)	+16.7%	(0.7)	(0.6)	+28.6%	(1.8)	(1.4)	+5.3%	(2.0)	(1.9)	-19.4%	(5.0)	(6.2)
Impairment loss	-	-	(28.9)	-	(2.7)	-	-	(5.5)	(4.8)	-	-	-	-	-	(0.1)
Share in result of associates	-66.7%	0.1	0.3	-	-	-	-25.8%	11.2	15.1	-	4.2	3.6	-	(6.7)	1.8
EBIT	-	(29.4)	(28.8)	-	(5.7)	1.2	-19.1%	30.4	37.6	+41.2%	9.6 *	6.8	-	(9.4)	23.2
Number of employees at the end of the period	-18.1%	1'430	1'747	-9.9%	100	111	-1.3%	590	598	-10.2%	326	363	-6.5%	172	184

* including the negative goodwill of CHF 4.0 million arising on the increase of interest in Zanox.de AG (from 40.0% to 47.5%).

General comments

Environment

The crisis is accelerating structural changes of the advertising and media markets.

Since the summer of 2008, the world economy has been enduring the consequences of the most severe crisis of the past 50 years.

The advertising markets have been hit hard by this recession; as a result, advertising budgets have been shrinking, while the influence of interactive communication via the fixed and mobile Internet continues to grow.

Information circulation channels (media) are becoming increasingly numerous and are having to share an advertising market which is declining across the board.

For the media, the outcome is keener competition, fragmentation of the audience and intensified pressure on prices. The traditional media which depend upon national advertising, in particular advertising for the finance, luxury, travel and services sectors, are the most exposed. The less exposed traditional media are those which live by regional/local advertising, for which the decision-making centres remain within the area of circulation of the media concerned. Interactive media are growing strongly.

Media consumption habits are also changing. Consumers want information 24/7 and use different sources, depending on the time of day and the prevailing circumstances: press, radio, television, fixed and mobile Internet. Media consumption is increasing, but the audience is becoming fragmented throughout the day. To illustrate this trend, the number of newspaper readers is rising while the relative importance of the press in the consumption of media is diminishing. Media groups are endeavouring to enhance the use of their content throughout the day by embracing multimedia techniques.

The majority of advertisers are also confronted with a difficult economic environment and the need to cut their costs. They are contracting their communication budgets and negotiating media prices. They are also encountering a complex and growing number of channels at their disposal to reach their own clients. They are therefore looking for solutions which are more effective and bring the best possible verifiable return on their investments. In this context, online marketing solutions paid for depending on results (qualified contacts or transactions), or performance marketing, are meeting with growing success.

Internet performance marketing focuses on transactions with the client. Players in this sector, paid as a function of the transactions generated for their clients, not only participate in the growth of the online advertising market but also in the very substantial increase in the volume of e-commerce transactions.

Advertising markets: evolution in 2009

In this environment of crisis and structural change, the trends observed in 2009 on the international and Swiss markets are similar, even if they may vary in scale from one market to the other. On the Swiss market for example, the pressure on prices is particularly strong:

- The press industry is losing ground all over the world. Publication of well-known titles has ceased in the USA and other countries and concentration is taking place throughout the industry. In Switzerland, the overall decline of the press is estimated at 20.4%. The hardest hit newspapers are the big national or regional dailies: they are being overwhelmed by the fall of national advertising, especially in the financial sector, price pressure and less job vacancy advertising. Here, the decline may be well above average. The local press, which mainly lives off regional/local advertising, is better able to resist the crisis and declined only marginally; some titles even gained ground.
- The other classical media such as television and poster advertising are also down.
- Internet marketing expenditure is up by double-digit growth rates across the main markets.

PubliGroupe's development strategy in this environment – Outlook

PubliGroupe is in a good position to grasp the opportunities created by these trends.

With Search & Find, the group has established a strong position in the Swiss directories business activity. Today, this is enabling PubliGroupe to flourish in the promising local search marketing sector with its partner Swisscom.

With Digital & Marketing Services, it has also achieved a successful position in Online Performance Marketing through its joint investments with Axel Springer in the following companies: zanox in 2007, Digital Window in 2009 and Buy.at in 2010. Together, these three companies form the leading European group on the fast-growing market of Online Affiliate Marketing, with cumulative pro forma sales worth EUR 325 million.

With Media Sales, PubliGroupe is the leader in advertising space sales across Switzerland with an international presence. That enables it to develop effective and economical solutions for the media.

True to its claim "Connecting media, advertisers and customers", PubliGroupe is taking strategic initiatives to respond to structural changes on the market by:

- offering the media a more flexible range of services, enabling them to achieve more dynamic sales on a highly competitive market and rationalise their processes and information exchanges with the market,
- offering advertisers a range of services designed to optimise the management, performance and return on investments (ROI) of their marketing expenditure,
- continuing investments designed to achieve a strong position in digital services which are expanding rapidly at present, especially in the fields of Online Performance Marketing and Local Search Marketing.

The main challenges to which PubliGroupe is responding in 2010 through this strategy are:

1) Ongoing repositioning of its advertising space selling activities.

This involves the implementation on the Swiss market of a more flexible and modular offer of sales services to the media. Remuneration is no longer exclusively through sales commissions, but also based on each service supplied. Each service is paid for at a fair price based on a transparent scale of charges. The modular nature of the offering enables the needs of each partner to be satisfied. This offer is based on a particularly dense sales network covering all the regions of Switzerland and the main international centres. It is also founded on the development of a digital platform to guarantee an effective and economical interface between the media and advertisers for all aspects of advertising management, from the planning stage through to invoicing, so bringing economic benefits to all its media partners.

The new Media Sales business model which is currently being rolled out and is due for completion in two to three years time, is pursuing these objectives.

- 2) Development of local search marketing activities with the aim of becoming number one on the Swiss local markets, based on the leading position already acquired in the field of online directories within the framework of the joint venture with Swisscom. The objective is to develop marketing solutions for both the fixed and mobile Internet.

That is the framework in which Search & Find will develop in the coming years.

- 3) Development of service activities for advertisers to allow them to optimise management and performance (ROI) of their marketing expenditure on the Internet and in the classical media. Activities in the field of performance marketing are already making an appreciable contribution to EBIT and cash flow reported by the Group; that contribution will increase in coming years. Investments in the formation, with Axel Springer (Axel Springer 52.5%/PubliGroupe 47.5%), of the first European performance marketing group will continue. Following the development of its positions on the foremost European markets for electronic commerce, Digital & Marketing Services will be taking the initiative again on the Swiss market in 2010 with a view to becoming the leader in performance marketing. These initiatives will draw upon the expertise of zanox, namics and web2com.

The transformation of the group is therefore under way: progression at the strategic level and a modest improvement of results are expected in 2010.

The transformation of Media Sales has begun. Renewed cooperation built on new foundations with the titles of the NZZ group is proving a successful concrete outcome of this strategy. The digital platform is under construction. The turnaround of this sector, which lost 34% of its sales and 22.8% of its employees in the space of two years, is in sight but will need more time. Unless the economic situation recovers strongly, Media Sales is still likely to show a deficit in 2010 but should be profitable again in 2011.

Development of Local Search Marketing activities on the fixed and mobile Internet will take place in the framework of the partnership with Swisscom which has proved successful for more than 10 years. The necessary investments in new online business models will continue to penalise short-term profitability to some extent.

In 2010, Digital & Marketing Services will pursue its development in the expanding field of performance marketing in Western Europe, with particular emphasis on Switzerland, by exploiting its leadership position acquired through its participations in this field. A substantial part of the Group's investments will be dedicated to this sector.

These trends and developments broaden the group's horizons and markets considerably. Originally focused on the press advertising market, PubliGroupe has broadened its activity to cover the sale of all the different media and is developing strongly in the sector of marketing services linked to the new technologies, especially performance marketing. Alongside traditional advertising markets, the Group is therefore also positioned on the growth sectors which benefit from the fast development of e-commerce and its volume of transactions.

Including its joint ventures with Swisscom in Switzerland and Axel Springer internationally, the group participated in online business with a sales volume totalling CHF 545.9 million in 2009, up 22% on 2008.

The group's profile is changing. Its exposure to its traditional market has already been greatly reduced and the share of income generated by new growth markets is bound to increase.

Investments will focus on priority growth areas.

Divestments of non-strategic assets (participations in publishing which are no longer regarded as strategic and properties vacated by group companies) will help to reduce the group's debt level, which has already been cut to CHF 165 million on 31 December 2009, while ensuring that it has the margin for manoeuvre needed to safeguard its further development. Solid provision has in fact been made for long-term financing of the Group.

In 2009, the group accordingly sold its participation in the Stadtanzeiger Olten and a property in Winterthur. At the beginning of 2010, it disposed of its 37% participations in Basler Zeitung Medien.

Thanks to additional cost savings of CHF 38 million and further progress in growth markets, PubliGroupe expects to achieve a moderate improvement in results in 2010.

2009 results

The group's 2009 results were penalised mainly by the press activities of Media Sales-Publicitas which are still in the process of profound transformation.

Media Sales-Publicitas and its press activities are the main cause of the decline of the group's overall results. Sales of this business area fell from CHF 1.74 billion to 1.30 billion (-25.3%) and its gross margin from CHF 276.1 million to CHF 204.1 million (-26.1%), a reduction of CHF 72 million. Media Sales responded to its declining revenue by taking action in three directions: cessation of non-priority loss-making activities, adjustment of its structures to a reduced volume of business and renewal of its service offering to its media partners, resulting in the transformation of its business model as described above. These measures enabled costs to be cut by CHF 48 million in 2009, at the expense of non-recurring restructuring charges of CHF 9.6 million. The effects of the transformation of the business model will be fully felt from 2011 onwards. EBIT at Media Sales stands at CHF -29.4 million (2008: CHF -28.8 million).

Custom Publishing, the smallest business segment, develops and produces customised communication solutions for airlines (inflight entertainment) and for companies in other branches. Heavily exposed to the tourism, luxury and finance sectors, it suffered from the contraction of its clients' communication budgets and those of advertising revenues contributed by third parties to publications produced for its clients. Sales were down by 19.3% at CHF 24.6 million, bringing an operating loss of CHF 5.7 million, including goodwill depreciation of CHF 2.7 million.

Search & Find and Digital & Marketing Services are also being held back by the recession and continue to invest in their development in the digital sector which is still growing at rate of 22%, including their participations.

Search & Find reports sales of CHF 130.8 million, down by 4.2%. In an economic climate which is not leaving SMEs, the main clients of this sector, unscathed, the 8.4% fall in printed products is not entirely offset by the 13% growth of Internet products which account for 31% of total sales. The migration to online services necessitates investments for the development of new services and training, together with a constant effort to maintain an edge over the national and international competition. The profitability of this sector therefore currently stands at a level which should be regarded as minimal. The EBIT amounts to CHF 30.4 million (2008: CHF 37.6 million) after goodwill depreciation of CHF 5.5 million on the French Bégécom company.

Digital & Marketing Services contributes an EBIT of CHF 9.6 million (2008: CHF 6.8 million). The main contribution comes from the digital sector with the European zanox/Digital Window (performance marketing) group, in which PubliGroupe has a CHF 4.2 million share of the net profit, and the Swiss leader Namics (e-business solutions). The media and marketing services provided in the Netherlands by SVBmedia made a smaller contribution in 2009 because of the 34.8% contraction of the advertising budgets which were handled. SVBmedia is responsible for the 28.5% fall of turnover in this sector. The results achieved by Digital and Marketing Services also include a book profit of CHF 4 million following the increase in Publi-

Groupe's stake in zanox from 40% to 47.5%.

In 2009, PubliGroupe accordingly achieved sales worth more than CHF 132.6 million (+7.3%) in digital and online services. Adding the sales figures for zanox and Digital Window, which stood at CHF 413.3 million, PubliGroupe is participating in these growth markets to the tune of CHF 545.9 million (+22%) in 2009.

The consolidated sales figure has therefore fallen by 24.1% to CHF 1.6 billion, with an accompanying reduction of the consolidated gross margin by 18.9% (i.e. CHF 84.2 million).

The Search & Find and Digital & Marketing Services segments, together with restructuring operations and cost-cutting achieved in the last 12 months, have enabled the group's operating loss to be held down to CHF -4.5 million (CHF -3.2 million excluding non-recurring items) for the whole financial year against the figure of CHF -3.5 million (CHF -12.3 excluding non-recurring items) at the end of the first half of 2009. 2008 EBIT (CHF 40 million) stood at CHF 29.7 million without the non-recurring items.

The sharp fall in results reported since the beginning of the crisis in 2008 was therefore halted in the second half of 2009.

Cost-cutting plans are making a major contribution here. The costs of Media Sales and of the central structures of the group were cut by CHF 55.1 million in 2009, following a reduction of CHF 22 million in 2008. Measures taken throughout the group, in particular an early retirement plan in Switzerland, necessitated a non-recurring restructuring charge of CHF 10.8 million in 2009. The net effect for 2009 is therefore a reduction of costs by CHF 44.3 million. The measures put in hand are expected to bring a further saving of CHF 38 million in 2010.

This trend is reflected in the staffing of Media Sales and the central structures of the group which fell from 1,795 to 1,477 employees over a 12 months period, i.e. -17.7%. Other sectors created new jobs, notably the digital and sales sector so that the groupwide reduction is less substantial with the head count down by 12.8%.

The net loss after tax and minority interests is CHF -20.9 million (2008: CHF -42.1 million).

It stands at CHF -15.5 excluding non-recurring items.

The 2009 accounts state many gains and non-recurring costs whose net impact has adversely affected the EBIT by CHF 1.3 million and the net profit by CHF 5.4 million. Non-recurring gains total CHF 21.6 million. They consist primarily of the gains made on the sale of non-strategic assets (the Stadtanzeiger Olten free newspaper and a property in Winterthur), together with the book gains resulting from the increase from 40% to 47.5% of the participation in zanox and the reduction of the residual purchase price of a participation which had already been written off. Non-recurring costs stand at CHF 27 million. They comprise primarily goodwill depreciation equivalent to CHF 8.2 million and the costs (CHF 8.1 million) of the early retirement plan introduced in Switzerland in September 2009. Because of the treatment for accounting purposes required by the IFRS standards, they likewise include the capital loss of CHF 4.8 million recorded on

30 June 2009 on the Edipresse shares, even though the value of this participation had risen by over CHF 8.2 million in the balance sheet as at 31 December 2009.

Robust financial situation

Equity, group share, stood at CHF 416.8 million on 31 December 2009. It already represents 43.4% of the balance sheet and is down by CHF 14.5 million. The group cut its debt level to CHF 165 million (31 December 2008: CHF 185 million). The group has assured its financing for coming years by two loans, one mortgage loan of CHF 120 million, and the other for CHF 90 million, reduced to CHF 50 million on 30 June 2010. These credit lines had been used in the amounts of CHF 100 million and CHF 65 million respectively on 31 December 2009.

Divestments of non-strategic assets will contribute to the further reduction of the group's debt level, while at the same time ensuring that it has the margin for manoeuvre necessary for its development. The aim is to maintain an investment capacity in excess of CHF 50 million.

Corporate Governance

Board of Directors

Since the General Meeting of 29 April 2009 and his election to the Board of Directors, Mr H.-P. Rohner will, for a limited period, perform the combined duties of both Chairman of the Board and CEO. Board member Pascal Böni was simultaneously appointed Lead Director with the task of ensuring compliance with the principles of good corporate governance during the double mandate of Mr Rohner.

Mrs Michaela Stöckli, a member of the Board of Directors since 2004, indicated on 26 January 2010 her decision to leave the Board of Directors at the General Meeting of 27 April next, because of her new professional obligations. The Board of Directors wishes to thank Mrs Stöckli for the 6 years during which she made an active contribution to its work.

Based on its medium-term planning, the Board wishes to appoint two new members who will bring the benefit of further competences which are at the heart of its strategic priorities. It will therefore be proposing to the next General Meeting the election of Mr Kjell Aamot (60), Chairman and CEO of the international media group Schibsted ASA, based in Oslo, from 1989 to 2009, and of Mr Andreas M. Schönenberger (45), who was in charge of the business of Google in Switzerland for the last four years. Their election will greatly strengthen the Board at a time when the group has reached a key stage in its process of strategic change.

General Management

Mr Robert Schmidli, CEO of Publicitas/Media Sales since January 2008, CEO of Search & Find from 1997 to 2007 and member of the group management since 1998, has informed the Board of Directors of his wish to be released from his duties in 2010 for personal reasons. He will leave on 30 April 2010,

while remaining at the service of the business until the end of the year for specific missions, in particular within the framework of the international activities of Media Sales. The Board thanks Mr Schmidli for his dedicated commitment to the service of the group during the past 13 years.

The Board has appointed Mr Beat Roeschlin (55) to replace him. He will take over the management of Media Sales and will be joining the group management on 1 May 2010. Mr Roeschlin spent the last 12 years with the international outdoor advertising group Clear Channel. He successfully directed all of its Swiss activities and developed the international division for airport advertising in Europe.

Compensation

In view of the results of the business and the reduction in the number of its members, the overall compensation of the Board of Directors fell by 30.7%. The overall compensation of the general management was reduced by 16.9%.

Dividend

The overall operating result for 2009 does not allow the distribution of a dividend. The deterioration of the results has certainly been halted, but major strategic challenges lie ahead and substantial investments will be needed to ensure a successful response to them. Finally, in view of the prevailing economic situation, the results expected for 2010 remain modest. The Board will therefore be proposing to the General Meeting on 27 April 2010 that no dividend be paid for the 2009 financial year.

Segment information

Media Sales

Activities

Since 1 January 2008, Media Sales has brought together under the single Publicitas brand all of the entities of the group dedicated to the commercialisation of the media advertising offering, essentially for the press, in Switzerland and in 21 other countries.

Structural changes of the market and transformation of Media Sales

Media Sales-Publicitas is having to contend with an unprecedented decline of its markets which has been growing month by month since the summer of 2008.

Advertising revenues of the press, which remains the principal activity of Media Sales, have fallen by somewhere between 5% and 46% depending on the markets. In Switzerland, the downturn is estimated at 20% on average.

Media Sales turnover accordingly fell in 2009 by 25.3%: -23.2% in Switzerland and -31.4% internationally. Since the onset of the crisis in 2008, the decline has been -32.4% and -41.7% respectively. The gross margin has therefore fallen from CHF 313.5 million in 2007 to CHF 204.1 million in 2009. To counteract this fall of CHF 109.4 million, Publicitas reacted immediately by reducing its costs by CHF 70 million in just two years. The measures taken will bring a further cost reduction of CHF 35.5 million in 2010. In two years, the headcount has fallen from 1,851 to 1,430 employees.

There are both cyclical and structural reasons for this decline. Certain structural factors are affecting the entire press sector which is losing market shares while others are specific to Publicitas which has lost ground in the national press advertising sector where advertisers are trying to negotiate prices directly with the media. Confronted with the same environment, the media partners of Media Sales-Publicitas also have to cut their costs.

In response to these structural changes, more than one year ago Publicitas launched a process of fundamental transformation of its business model which is currently being deployed. Publicitas is already offering publishers a flexible range of services paid on an individual basis and no longer solely by a commission on sales. The heart of its offer resides in the provision of a modern media sales and promotion network covering the whole territory and a digital platform for the management of advertising orders open to all the players in the industry and bringing benefits in terms both of effectiveness and of costs.

Each service will be offered on the basis of a transparent scale of charges at a fair price. No service will be offered at its marginal cost, so putting an end to the indirect subsidy effect which might have occurred previously between them.

The modular nature of the offer will result in frequent adaptations of the method of cooperation between Publicitas and its partners. The media will of course continue to be able to subcontract the entire commercial sale and management of our advertising to Publicitas.

In 2009, five publishers accordingly confirmed an integral long-term subcontracting solution: the NZZ group and two publishers in the Ticino (Corriere del Ticino, La Regione), Neuchâtel (L'Express, l'Impartial) and Fribourg (La Liberté).

In 2009, three publishers signified their intention of ceasing their cooperation with Publicitas on an exclusive basis with effect from 1 January 2010; they are Edipresse Suisse (Tribune de Genève, 24 heures, Le Matin), which is currently being acquired by Tamedia, AZ Medien (Aargauer Zeitung, Mittellandzeitung) and Gassmann (Bieler Tagblatt and Journal du Jura). These titles will continue to use a part of the range of services provided by Publicitas and most of them have signified an interest in its new offering of modular services.

The far-reaching transformation of Publicitas Switzerland is under way and will take another two years or so to complete, while respecting all the contracts which are currently in force. The result will be an organisation which is smaller than the one that exists today but more competitive and profitable, with higher added value.

Publicitas International proposes a network of international representations established in 22 countries and organised in three regions: Europe, the Americas and Asia. Operating in a niche market which is heavily exposed to the sectors of finance, tourism and luxury goods, the international network comprises a large number of small units that may be dependent on just a few clients. This results in highly volatile performance in the event of a crisis. In future, the network will be focusing its resources on the most important markets and simplifying its management structures.

The Media Sales organisation will be adapted to all of these changes when the new CEO, Mr Beat Roeschlin, takes up his duties on 1 May 2010. Under his leadership, Publicitas will be organised in three operational units:

- the Publicitas Switzerland sales network, with its 67 branches and agencies in three regions,
- the international sales network,
- and the logistics unit. This unit develops and sells the digital platform open to every player in the industry.

Mr Roeschlin will personally head up the Publicitas Switzerland sales network. The Head of the Logistic unit was appointed in January 2010 and the future head of the Publicitas International network will be designated before the end of the first half of 2010.

Segment results 2009

Sales of this activity sector fell from CHF 1.74 billion to 1.30 billion (-25.3%) and its gross margin from CHF 276.1 million to CHF 204.1 million (-26.1%), a reduction of CHF 72 million.

Costs were cut by CHF 48 million in 2009, while at the same time taking a non-recurring restructuring charge of CHF 9.6 million, due essentially to the cost of an early retirement program. The net effect is therefore a reduction of costs by CHF 38.4 million in 2009. The effects of the transformation of the business model will not be fully felt until 2011.

The Media Sales EBIT accordingly stands at CHF -29.4 million (2008: CHF -28.8 million). It includes the non-recurring restructuring charges described above and an exceptional gain resulting from the reduction of the last tranche of the purchase price of a participation which had already been fully written off. Excluding these items, the operating loss stands at CHF -22.1 million.

2010 will remain a difficult year of transition and will still show a deficit unless an unexpected economic upturn occurs. The accounts are expected to be back in the black in 2011.

Swiss market

Total sales are down by 23.2%.

Sales achieved in press advertising – CHF 1,010.4 million – have fallen by 24.6%. This downturn affects all the regions and all the advertising categories, although the local markets are proving more resilient than the national market.

Commercial publicity is down by 17.7% overall (-20.3% at the end of the first half). All the industries are participating in this highly negative trend, but the most serious reductions affect the sectors of finance, mass retailing, industrial capital goods, investment offices and luxury. Employment advertising continues to decline because of the economic situation and the employment market, with an overall reduction of -45.9% against 41% at the end of the first half.

Online advertising sales by Media Sales in Switzerland, including classified advertising on the Internet, stand at CHF 16.1 million. Advertising sales for television – CHF 42.6 million – are 3.9% higher. Radio advertising – CHF 7.6 million – is 15.1% higher thanks to new contracts. Advertising sales for cinemas – CHF 18.6 million – have fallen by 19.5%.

International markets

The international network, which is present in 22 countries, is confronted with the impact of the economic situation on its main clients in the industries of finance, luxury and tourism/leisure. Sales are down by 34.1% overall and stand at CHF 242 million.

In Europe, the reduction of sales is 37.9%, from CHF 258 million to CHF 160.5 million. All countries are experiencing falls in a range of between 5% and 46%. Costs have been cut by 17.5%, so attenuating the impact of the steep reduction of sales.

In the Americas, sales are down by 27.1% at CHF 31 million. Costs have been cut by 25.7%.

In Asia, sales are also down by 24.2% at CHF 50.6 million, with costs reduced by 28.2%.

Overall, the international network is therefore adversely affecting the EBIT of Media Sales-Publicitas with an operating loss of CHF 2.7 million.

Media Sales

in millions of CHF

		2009	2008
Revenue	- 25.3%	1'295.9	1'735.5
Gross margin	- 26.1%	204.1	276.1
EBITDA		-26.0	4.4
Depreciation and amortisation	- 23.9%	-3.5	-4.6
Impairment loss		-	-28.9
Share in net result of associates	- 66.7%	0.1	0.3
EBIT		-29.4	-28.8
Number of employees at year end	- 18.1%	1'430	1'747

Custom Publishing

Activities

Custom Publishing develops and creates professional customised media solutions for airlines (in-flight entertainment) and other companies or institutions. With the Emphasis group, this segment is established in the in-flight entertainment sector in Asia, i.e. information and entertainment services provided on board aircraft. Acquired in February 2008, the Swiss Denon group is active primarily in corporate publishing for customer magazines, house journals and other brochures. Denon also produces websites, films and videos, including those circulated on the web.

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

Segment results 2009

Sales of Custom Publishing were 19.3% lower at CHF 24.6 million, leading to an operating loss of CHF -3 million, increased to CHF -5.7 million following goodwill depreciation of CHF 2.7 million on the Denon participation. The results of that company fall short of the plans drawn up when it was acquired in 2008.

Custom Publishing revenues come in part from advertising space sold to third parties in magazines published on behalf of its clients (customer magazines – in-flight magazines) or for its own account (review of the communication industry in Switzerland “persönlich”).

These revenues fell sharply, while the number of publishing contracts for the design and production of magazines also declined in the unfavourable economic environment.

At the same time, investments made to develop business with new clients in Singapore and London prevented cost cutting.

Only the activities linked with the supply of videos to airlines performed satisfactorily with 10.9% growth.

Custom Publishing			
in millions of CHF			
		2009	2008
Revenue	- 19.3%	24.6	30.5
Gross margin	- 23.3%	9.9	12.9
EBITDA		-2.3	1.9
Depreciation and amortisation	+ 16.7%	-0.7	-0.6
Impairment loss		-2.7	–
Share in net result of associates		–	–
EBIT		-5.7	1.2
Number of employees at year end	- 9.9%	100	111

Search & Find

Activities

Search & Find supplies and sells tools facilitating searches for persons, companies, products and services by targeting local markets. Its offer comprises printed supports, Internet and mobile telephony. Consulted over 300 million times a year, these products put advertisers and potential buyers in contact with each other effectively.

Search & Find enjoys a strong position in Switzerland with its joint venture partner Swisscom Directories and ranks Number 2 on the French market. With a very solid foundation 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 represent 40% of its sales and new orders taken.

Swiss market

Printed directories circulated in 8.5 million copies to some 4 million households and professional addresses in Switzerland are maintaining their important role as readily accessible reference works. However, they have been slowing for some years (-8.4% in 2009) for the benefit of online services on the Internet which are reporting continuing double digit growth (+13% in 2009) to reach CHF 47.5 millions.

Services linked to searches for products on the Internet (search marketing) which include online directories are attracting the bulk of advertising expenditure on the Internet.

Search & Find with its online products is therefore positioned on a market with strong potential in terms of both scale and growth.

With its partner Swisscom Directories/Local.ch, Search & Find Switzerland is the leader in online services targeted on the needs of regional and local markets, drawing upon the strengths of the two partners: mastery of technology, data management, traffic and territorial density of the sales force.

Beyond directories, the Internet platforms of the joint venture will constitute veritable market places to facilitate the exchange of targeted information, matching supply and demand followed by transactions for both companies and individuals. They will respond to the specific needs of the fixed and mobile Internet. Today, the joint venture platforms brought together at www.local.ch are attracting 2.6 million single monthly visitors. The “local” application is one of the most frequently downloaded on iPhones in Switzerland.

Sales of Search & Find Switzerland stand at CHF 117.5 million (2008: CHF 119.4 million). The 8.4% decline in printed products has not been entirely offset this year by the advance of online products which grew by 13%. Moreover, publication of the unprofitable Fundgrueb and Autobörse ceased in the summer of 2009.

French market

Search & Find has been active for more than ten years on the French market with Amitel, present in Eastern France. In November 2007, acquisition of the Bégécom group extended activities to Lyon and the South and Western parts of France. This acquisition therefore enabled Search & Find to aim at a national dimension on the local markets and to launch a new Internet portal throughout France in October 2008.

With its 42 directories circulating in 3.1 million copies, Search & Find France reported sales of CHF 13.3 million (2008: CHF 17.1 million).

The French market has been particularly hard hit by the crisis. Amitel has therefore seen its sales decline by 12%, while remaining in profit. Bégécom on the other hand is engaged in a far-reaching re-launch of its products and is at the origin of the 22.5% decline of Search & Find on the French market. Its revitalization is under way, its loss has been cut by half, but is being held up by the economic situation. Goodwill depreciation of CHF 5.5 million was effected on this company in 2009.

The new portal www.local.fr, whose promotion is ensured by the two companies has made a promising start with strong growth rates of its traffic and advertising revenues on a base which remains modest in scale.

Segment results 2009

The downturn in the overall sales figures of Search & Find has slowed from CHF 136.6 to CHF 130.8 million. The 4.2% decline is explained mainly by the 22.5% fall on the French market and the cessation of the Swiss publications Fundgrueb and Auto-börse. Swiss sales of the maintained products are practically stable thanks to growth of online products.

EBIT stands at CHF 30.4 million, down by CHF 7.2 million in relation to 2008. This decline is attributable to a CHF 3.9 million reduction of the group share in the result of Swisscom Directories/Local.ch, where online products still require substantial development costs. The negative impact in terms of lower revenue from printed products has therefore not yet been entirely offset by the growth of online products. Finally, the goodwill depreciation charge (CHF 5.5 million) and CHF 0.7 million is higher than last year.

Search & Find			
in millions de CHF			
		2009	2008
Revenue	-4.2%	130.8	136.6
Gross margin	-7.3%	101.0	108.9
EBITDA	-7.7%	26.5	28.7
Depreciation and amortisation	+28.6%	-1.8	-1.4
Impairment loss		-5.5	-4.8
Share in net result of associates	-25.8%	11.2	15.1
EBIT	-19.1%	30.4	37.6
Number of employees at year end	-1.3%	590	598

Digital & Marketing Services

Activities

Digital & Marketing Services aims to develop marketing and technological services enabling advertisers and their agencies to optimise the management and performance of their advertising spending on the Internet and in the classical media.

Today, Digital & Marketing Services brings together a portfolio of companies based in Switzerland and in Europe which are developing rapidly, while enabling a full range of digital offerings and marketing services to be built up around them. Digital & Marketing Services is therefore participating in the growth market of online advertising and also in the rapidly expanding e-commerce market through its performance-based online marketing services.

Digital services

zanox and Digital Window, acquired jointly with Axel Springer, are developing; together, they are set to become the foremost European group in the rapidly expanding domain of performance marketing. zanox was acquired in 2007 and Digital Window in 2009 to strengthen their position on the English market where they became the leader in March 2010 with the acquisition of Buy.at.

These three companies provide their services in 30 countries and employ 515 persons. The two partners (Axel Springer: 52.5% / PubliGroupe: 47.5%) together own 100% of zanox and 50.1% of Digital Window which has in turn owned 100% of Buy.at since February 2010. Investments in the development of this group will continue.

Description of the business model: zanox and Digital Window are developing and exploiting an interactive platform which gives advertisers access to a global network of partner website publishers (affiliates). The platform enables advertisers to acquire clients effectively and in a targeted manner through the network of partner sites and to effect transactions with them. It enables the website publishers to benefit from their traffic by making space available to the advertising clients of zanox/Digital Window in a dynamic mode. The business model is based on performance, the websites and zanox/Digital Window being remunerated by the quality of the contacts and transactions secured by advertisers. The zanox/Digital Window platform monitors traffic, transactions and commissions payable on sales. This central model is rounded off by further services and benefits in the performance marketing domain (e.g. in search marketing).

In the fields of consulting and e-commerce services, Namics enables its clients to develop their own online communication and transaction platforms. Namics advises its clients on the definition and implementation of their own business model on the Internet (e-business solutions) and on making their Internet communication more visible and effective. The company also specialises in the production of concepts for online communication. The company which employs 262 persons is the Swiss leader and is also developing in Germany.

Following the development of its activities on various European markets, Digital & Marketing Services intends to regain the initiative in 2010 on the Swiss market where it will lead developments seeking to achieve, on this market too, a leadership position in services covering all aspects of online marketing. These initiatives will be based upon the know-how of zanox, Namics and web2com which now specialises in digital marketing.

Marketing services

SVBmedia supplies its marketing and media services to the medium-sized corporate segment in The Netherlands. The company accordingly offers a broad range of services comprising media planning, placing and administration of orders for all the media. Its 59 employees are spread between the sites of Amsterdam, Rotterdam, Eindhoven and Apeldoorn.

In 2010, Digital & Marketing Services also plans to develop its range of innovative marketing and media services in Switzerland so as to strengthen its position in the online communication sector and also in the traditional media.

2009 results

Namics

With sales worth CHF 39.1 million, Namics has equalled its excellent 2008 performance figure. That is a remarkable achievement in view of the general economic situation.

Its portfolio of clients is very extensive and includes big names in the sectors of mass retailing, insurance, banking, the automobile industry, acoustic appliances, energy, transport etc.

zanox and Digital Window

Since its creation in 2000 in Berlin, zanox has reported double digit growth. Growth stood at 10.1% in 2009, enabling sales worth EUR 225.8 million. Strong cash flow growth enabled the dividend distributed to its shareholders to be raised significantly in 2009, thereby making a substantial contribution PubliGroupe's cash flow.

The PubliGroupe participation in zanox was increased from 40% to 47.5% in March 2009. This adjustment followed the abandonment of the financial reorganisation project planned between the shareholders at the time when the acquisition was made and brought a book gain of CHF 4 millions for Digital & Marketing Services.

The English company Digital Window, which joined the group in the summer 2009, achieved sales worth EUR 48.3 million, with growth of 28.9%, well above the market average.

The acquisition of Buy.at by Digital Windows in February 2010 has given this group of three companies a sales base of EUR 325 million from which to continue its development as the European leader in the field of performance marketing services.

As the zanox and Digital Window participations are consolidated by the equity method (Digital Window since October only), only the PubliGroupe share of their net profit (CHF 4.2 million/+17.6%), appears in the income statement of Digital & Marketing Services. This therefore gives only a modest reflection of an exceptional operational performance.

SVBmedia

SVBmedia generated sales worth CHF 116.4 million (-34.8%) in 2009; this corresponds to the volume of advertising handled (billing) and breaks down as follows: press (54.5%), electronic media (radio & TV: 29.7%), online (6.8%) and poster advertising (9%). Its gross margin is CHF 12 million (-21.1%) which is a good result for this particular market.

The company did not lose any important clients but was affected by the cyclical contraction of their advertising volumes, in particular those earmarked for the press. It has nevertheless been able to preserve a substantial profit by improving its margins and cutting costs.

Segment results 2009

Digital & Marketing Services maintained a gross margin broadly equivalent to the previous year at CHF 49.4 million (-7%) despite the steep fall in its sales from CHF 217.5 million to CHF 155.6 million due exclusively to the reduction of the budgets entrusted to SVBmedia. On the other hand, all digital services are growing.

The EBIT of CHF 9.6 million (+41.2%) includes the excellent contributions made by the participations owned by the digital sector and a non-recurring gain of CHF 4 million.

Digital & Marketing Services			
in millions of CHF			
		2009	2008
Revenue	- 28.5%	155.6	217.5
Gross margin	- 7.0%	49.4	53.1
EBITDA	+ 45.1%	7.4	5.1
Depreciation and amortisation	+ 5.3%	-2.0	-1.9
Impairment loss		–	–
Share in net result of associates		4.2	3.6
EBIT	+ 41.2%	9.6*	6.8
Number of employees at year end	- 10.2%	326	363

* including the negative goodwill of CHF 4 million arising on the increase of interest in Zanox.de AG (from 40% to 47.5%).

Consolidated income statements

in millions of CHF

	2009	2008
Revenue	1'609.1	2'120.6
Purchases	(1'175.2)	(1'575.5)
Sales reductions	(71.8)	(98.8)
Gross margin	362.1	446.3
Personnel expenses	(289.9)	(316.6)
General and administrative expenses	(91.7)	(107.7)
Other income and expenses	27.4	45.7
EBITDA	7.9	67.7
Depreciation and amortisation	(13.0)	(14.7)
Impairment loss	(8.2)	(33.8)
Share in result of associates	8.8	20.8
Operating result (EBIT)	(4.5)	40.0
Financial income	8.8	6.3
Financial expenses	(12.1)	(61.0)
Financial result	(3.3)	(54.7)
Result before income tax	(7.8)	(14.7)
Income tax expense	(2.8)	(15.1)
Result	(10.6)	(29.8)
Result attributable to:		
- Minority interests	10.3	12.3
- Shareholders of PubliGroupe Ltd	(20.9)	(42.1)
Earnings per share		
Basic earnings per share (in CHF)	(8.99)	(18.33)
Diluted earnings per share (in CHF)	(8.99)	(18.33)

Consolidated statements of comprehensive income

in millions of CHF

	2009	2008
Result	(10.6)	(29.8)
Translation differences	-	(28.9)
Net change in fair value of available-for-sale financial instruments	8.1	(29.9)
Effective portion of changes in fair value of cash flow hedges	(0.6)	-
Changes in the other comprehensive income of associates	-	(0.1)
Other comprehensive income	7.5	(58.9)
Total comprehensive income	(3.1)	(88.7)
Total comprehensive income attributable to:		
- Minority interests	10.4	12.0
- Shareholders of PubliGroupe Ltd	(13.5)	(100.7)

Consolidated balance sheets as of 31 December

in millions of CHF

	2009	2008
Assets		
Cash and cash equivalents	58.0	81.4
Marketable and available-for-sale securities	65.8	8.8
Accounts receivable	301.2	318.4
Current tax asset	3.9	2.0
Accrued income and prepaid expenses	80.7	72.1
Assets held for sale	25.3	-
Current assets	534.9	482.7
Investment properties	52.7	65.9
Owner-occupied properties	30.3	31.6
Equipment	17.1	20.2
Intangible assets	37.2	49.2
Investments in associates	255.8	321.5
Financial assets	24.8	127.0
Deferred tax assets	7.2	3.7
Non-current assets	425.1	619.1
Total assets	960.0	1'101.8
Liabilities and equity		
Short-term debts	65.0	185.0
Accounts payable	200.1	260.4
Current tax liabilities	3.0	6.1
Accrued expenses and deferred income	94.3	101.1
Short-term provisions	10.5	5.7
Current liabilities	372.9	558.3
Long-term debts	103.2	3.8
Deferred tax liabilities	15.9	19.7
Long-term provisions	7.5	9.4
Non-current liabilities	126.6	32.9
Total liabilities	499.5	591.2
Share capital	2.5	2.5
Treasury shares	(53.2)	(88.6)
Reserves	467.5	517.4
Equity, shareholders of PubliGroupe Ltd	416.8	431.3
Minority interests	43.7	79.3
Total equity	460.5	510.6
Total liabilities and equity	960.0	1'101.8

Consolidated cash flow statements

in millions of CHF

	2009	2008
Result	(10.6)	(29.8)
Adjustments for non-cash items	8.4	60.1
Dividends paid to minority interests by group companies	(46.7)	(7.9)
Dividends received	66.5	16.7
Interest received	1.6	3.7
Interest paid	(5.8)	(6.8)
Taxes paid	(14.5)	(15.7)
Use of provisions	(5.0)	(4.7)
Working capital changes	(2.6)	28.2
Cash flows from operating activities	(8.7)	43.8
Acquisitions of tangible assets	(8.9)	(19.0)
Disposals of tangible assets	17.5	66.4
Acquisitions of intangible assets	(0.8)	(1.8)
Disposals of marketable securities	0.2	-
Acquisitions of subsidiaries, net of cash acquired	(4.8)	(14.0)
Acquisitions of associates	(15.8)	(11.6)
Disposals of subsidiaries, net of cash disposed of	6.7	2.9
Disposals of associates	0.1	-
Investments in financial assets	(0.8)	(15.8)
Divestments of financial assets	14.5	14.9
Taxes paid	(0.6)	(6.1)
Cash flows from investing activities	7.3	15.9
Increase /(decrease) in bank debts	(120.0)	5.0
Increase in long-term debt	100.0	-
Contribution from minority interests	-	0.5
Purchase of treasury shares	-	(42.3)
Sale of treasury shares	0.6	5.8
Increase in additional paid-in capital	0.1	0.3
Dividend paid to shareholders of PubliGroupe Ltd	(2.8)	(29.7)
Cash flows from financing activities	(22.1)	(60.4)
Effect of exchange rates	0.1	(5.0)
Change in cash and cash equivalents	(23.4)	(5.7)
Cash and cash equivalents as of 1 January	81.4	87.1
Cash and cash equivalents as of 31 December	58.0	81.4

The tables on pages 13 to 15 of this publication have been taken from the audited financial report.

The complete financial report is available for downloading from 19 March 2010 at the following Internet address:
<http://www.publigroupe.com/en/media-relations/downloads/key-figures.html>

The complete annual report may be downloaded from 6 April 2010 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 27 April 2010, at the Palais de Beaulieu in Lausanne. An invitation to attend will be sent to shareholders on 6 April 2010.

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