

Interim report for the period ending June 30, 2004

Lausanne, August 30, 2004

PubliGroupe's operating result in the first six months of 2004 (CHF 36 million) rose by 62%, with sales (CHF 986 million) marginally higher than last year.

The financial result no longer includes any exceptional revenue items and has reverted to a normal level (CHF 9 million / - 54%). After taxes, which are CHF 6.5 million higher, the consolidated net profit of CHF 32.5 million is identical to that reported last year for the same period.

The trend seen in consolidated sales was positive for the first time since the year 2000. Compared with the first half of 2003, sales rose by CHF 2.7 million, while the gross profit was CHF 2.1 million higher. The results reflect stabilization of the press advertising market in Switzerland after three years of severe decline, as well as the first signs of recovery in this market at an international level. The directories/Yellow Pages Division progress is largely due to the publication schedule for telephone directories, which has been particularly busy in the first six months of 2004.

Operating costs are down by a further CHF 6.9 million, reflecting the full impact of the restructuring completed at the end of 2003. All of the Group's activity sectors are therefore reporting better performance and contributing to the increase of CHF 13.7 million in the operating result.

Key figures as of June 30

<i>in millions of CHF</i>	Change	First half 2004	First half 2003
Turnover	-	986.4	983.7
Gross profit	+ 1%	211.2	209.1
Total operating expenses	- 3%	(191.2)	(198.1)
Share in net income of associated companies	+ 42%	15.8	11.1
Operating result	+ 62%	35.8	22.1
Financial result	- 54%	8.9	19.1
Extraordinary result	-	0.5	(3.0)
Result before taxes	+ 18%	45.2	38.3
Taxes	+ 517%	(7.8)	(1.3)
Minority interests	+ 10%	(5.0)	(4.5)
Group net result	-	32.5	32.5

General commentary

Operational activities

Advertising markets begin to recover

The main economic indicators influencing the advertising markets have once again turned favorable worldwide, and this is already having a positive impact on certain categories of advertisers and certain markets. On the other hand, the positive trend has not generated a general return to sustained growth, especially in Switzerland.

In line with our forecasts, the first half of 2004 accordingly saw progressive stabilization of the press advertising market in Switzerland (PubliPresse: - 2%) and the first signs of recovery in these markets in Asia and in the South European countries (Publicitas Promotion Network: + 8%). The Yellow Pages business remained at historically high levels, its publication schedule on par with last year. The growth in the PubliDirect division (+ 6%) is largely attributable to a publishing schedule which led to a heavier activity in the first half. The consulting/e-business company namics has seen strong growth (+ 22%) since the beginning of 2004.

Consolidated sales (CHF 986 million) are therefore more or less stable, showing a small increase of CHF 2.7 million. The gross profit is also up by CHF 2.1 million at CHF 211 million.

The operating result (CHF 36 million / + 62%) is benefiting from the start of a mild recovery. However, its steep rise (+ CHF 13.7 million) is due mainly to cost savings.

A further reduction in operating expenses by 3% (- CHF 6.9 million) was achieved, which has come atop the already significant cost reductions made in 2002 and 2003. These cost cuts stem from reorganizations undertaken in the last two years in the group's central units and in the PubliPresse and Publicitas Promotion Network operational divisions. The group's workforce has been reduced in six months from 2,779 to 2,682 persons, without sacrificing any efficiency or market presence of the sales force, as is demonstrated by the performance of all divisions in their respective markets. PubliDirect remains an extremely solid pillar and has held its results at a very high level. All the group's divisions therefore contributed to the strong improvement in the operating result.

Non-operational activities

The financial result (CHF 9 million / - 54%) no longer influenced by exceptional gains

The financial result was down from CHF 19.1 million at CHF 8.9 million. After deducting the exceptional gains of CHF 10 million made in 2003 (profit of CHF 3.6 million on the sale of real estate and a gain in the value of securities held in the portfolio of CHF 6.4 million), the result remains stable.

The extraordinary income and expenses are of minor importance and their impact is only marginal.

Balance sheet as of June 30, 2004

Shareholders' equity represents 43% of the balance sheet

Effective January 1, 2004, a new accounting standard (Swiss GAAP ARR 24) entered into force, which stipulates that treasury shares can no longer be included as part of the balance sheet under the "securities" holdings; instead, they must be deducted from shareholders' equity at acquisition cost. The technical impact of applying this new norm has resulted in net liquidity and shareholders' equity being reduced by CHF 35 million. These treasury shares naturally remain available at all times to cover the group's financing needs. Their evolution, either upwards or downwards, will now no longer have an impact on the income statement. This item, with the dividend of CHF 19 million paid in May 2004, led to a decline in net liquidity which stood at around CHF 7 million at the end of June 2004.

New developments

Based on the recovery of its strong operational foundation, PubliGroupe was able to implement strategic initiatives at the end of the first half of 2004.

An important agreement was concluded on July 5, 2004 between PubliGroupe and the NZZ-Group (Neue Zürcher Zeitung). Relations already existing on several levels between the two companies will be extended within the framework of their holdings in publishing houses, and the area of media sales. Starting from 2005, PubliPresse will therefore be responsible for selling advertising space for the daily newspaper NZZ and the Sunday paper NZZ am Sonntag.

On July 8, 2004, PubliGroupe acquired the CINECOM group's member companies in Switzerland. The group markets cinema advertising (Cinecom Ltd.), as well as T.V. advertising where its main focus is Sat. 1 (Cinecom & Media Ltd.). The Cinecom companies in Switzerland had sales of CHF 70 million in 2003, employing around 50 people. Cinema advertising comprises about 50% of overall sales. In the television segment, Cinecom ranks third among media selling organizations in Switzerland. This acquisition marks a first step in the business of selling advertising for electronic media. Cinecom will be consolidated in the PubliGroupe accounts effective July 1, 2004.

Outlook

Positive outlook for the second half

For the first time in three years, there is optimism regarding prospects for a more general upturn, as some segments of the advertising market return to growth. PubliGroupe, which remains cautious in its forecasts, believes that if the trends observed at present are maintained, a slightly higher consolidated sales figure will be achieved for the year as a whole than was reported last year, with a sharply higher operating result and a lower financial result, in line with what was already seen in the first half.

Business by division

PubliPresse

Publicitas, Publimedia, Publimag and Mosse Media, the four Swiss advertising management companies comprising the PubliPresse division, saw reductions in turnover and gross profit by 2% and 3% respectively, in the first half of 2004.

The press advertising market, which is still declining overall, has nonetheless shown increasing signs of recovery over the past few months. Although down by 1.6% over the six-month period, commercial advertising reported a successful performance in the months of March and June. Real estate advertising is up by 4.8%, reporting a rise in five months out of six. Job vacancy advertisements (- 6.5% for the entire six months) rose for the first time in three years in April and June. The Publicitas index has begun growing again, starting in June 2004.

The trend varies widely however, depending on region and industry sector. Advertising activity is picking up in the telecommunications, tourism and insurance sectors and the positive improvements in these areas, together with ongoing strength in the sector of mass retailing, are setting the tone.

Forecasts for the second half remain cautious and are based on an assumption that there will be slight growth, thus at least offsetting the downturn seen in the first half.

Publicitas Promotion Network (PPN)

Led by the countries in Southern and Western Europe and the Asian markets, which proved dynamic in the first six months of the year, the international network PPN succeeded in increasing its sales by 8% (Europe: + 11% / Asia: + 17% / Americas: - 5%). The North American market, especially in the USA, remains difficult. The situation there was affected by the non-renewal of two major contracts, which has led to an in-depth restructuring of the organization and management of this region. However, the outlook for recovery as of 2005 is good. Meanwhile, sales activities for Latin American publications continue to grow. Overall, PPN's gross profit was up by just 2% because of the downturn recorded on the U.S. market. The outlook for the full year calls for a situation similar to what was seen in the first half.

PubliDirect

The PubliDirect division (sales: + 6% / gross profit: + 8%) has made progress both on the Swiss market where LTV sales are up by 6%, and on the French market where Amitel (+ 12%) is successfully developing its product range.

The results from the Swiss market are largely due to the particularly busy publication schedule in the first half of 2004. However, the division also works with a clientele of small and medium-sized businesses which suffered in the recent period of economic downturn. Such a situation calls for caution where forecasts are concerned. The acquisition of a 30% shareholding interest in "The Guide Company", Zurich, in July 2004 will enable cooperation with this company to be intensified, and will at the same time enrich the services of the Yellow Pages.

Sales are likely to remain on a level equivalent to last year, which was already described as a "historical" year.

Consolidated income statement

in thousands of CHF

	First half 2004	First half 2003
Turnover	986'391	983'713
Purchases	(724'435)	(724'225)
Sales reductions	(50'748)	(50'427)
Gross profit	211'208	209'061
Personnel expenses	(137'858)	(144'445)
Rent and occupancy expenses	(13'976)	(14'741)
General and administrative expenses	(31'959)	(30'392)
Bad debt expenses	(3'052)	(2'610)
Operating depreciation	(4'312)	(5'896)
Total operating expenses	(191'157)	(198'084)
Share in net income of associated companies	15'776	11'091
Operating result	35'827	22'068
Financial income	7'797	14'823
Financial expenses	(3'654)	(3'361)
Real estate income	6'514	10'328
Real estate expenses	(1'773)	(2'641)
Financial result	8'884	19'149
Ordinary result before taxes	44'711	41'217
Extraordinary income	697	2'478
Extraordinary expenses	(190)	(5'429)
Extraordinary result	507	(2'951)
Result before taxes	45'218	38'266
Taxes	(7'752)	(1'257)
Result including minority interests	37'466	37'009
Minority interests	(4'989)	(4'546)
Group net result	32'477	32'463

Information by division and by region

in thousands of CHF

Turnover by division	Change	First half		First half	
		2004	% of total	2003	% of total
PubliPresse	- 2%	751'445	76.2%	766'196	77.9%
Publicitas Promotion Network	+ 8%	168'710	17.1%	156'308	15.9%
PubliDirect	+ 6%	51'411	5.2%	48'407	4.9%
PubliService, central services and others	+ 16%	14'825	1.5%	12'802	1.3%
Consolidated turnover	-	986'391		983'713	

Turnover by region	Change	First half		First half	
		2004	% of total	2003	% of total
Switzerland	- 2%	809'498	82.1%	822'336	83.6%
Abroad	+ 10%	176'893	17.9%	161'377	16.4%
<i>Europe</i>	+ 12%	120'418	12.2%	107'300	10.9%
<i>Americas</i>	- 5%	33'918	3.4%	35'548	3.6%
<i>Southeast Asia</i>	+ 22%	22'557	2.3%	18'529	1.9%
Consolidated turnover	-	986'391		983'713	

Gross profit by division	Change	First half		First half	
		2004	% of total	2003	% of total
PubliPresse	- 3%	121'012	57.3%	125'012	59.8%
Publicitas Promotion Network	+ 2%	34'913	16.5%	34'162	16.3%
PubliDirect	+ 8%	44'140	20.9%	40'737	19.5%
PubliService, central services and others	+ 22%	11'143	5.3%	9'150	4.4%
Consolidated gross profit	+ 1%	211'208		209'061	

Number of employees by division (in units)	Change	as of 30 June		as of 31 December	
		2004	% of total	2003	% of total
PubliPresse	- 6%	1'436	53.5%	1'526	54.9%
Publicitas Promotion Network	- 4%	430	16.0%	450	16.2%
PubliDirect	+ 1%	509	19.0%	502	18.1%
PubliService, central services and others	+ 2%	307	11.5%	301	10.8%
Number of employees	- 3%	2'682		2'779	

Consolidated balance sheet

in thousands of CHF

	as of 30 June 2004	as of 31 December 2003
Assets		
Cash on hand and in banks	34'197	62'564
Marketable securities *	99'046	119'389
Trade receivables	303'414	277'140
Other receivables	14'663	12'985
Work in progress	45'697	41'715
Accrued income and prepaid expenses	51'291	20'064
Current assets	548'308	533'857
Land and buildings	108'034	109'571
Other fixed assets	16'111	18'011
Loans	56'419	50'657
Investments in associated companies	112'431	102'163
Other investments	78'682	74'749
Non-current assets	371'677	355'151
Total assets	919'985	889'008
Liabilities and shareholders' equity		
Bank debt	126'500	95'155
Trade payables	206'193	178'823
Other payables	51'920	49'683
Accrued liabilities	80'784	87'198
Short-term liabilities	465'397	410'859
Long-term debt	1'188	1'194
Provisions	14'175	16'382
Long-term liabilities	15'363	17'576
Liabilities	480'760	428'435
Minority interests	43'534	43'613
Share capital PubliGroupe Ltd.	24'863	24'863
Treasury shares *	(54'211)	
Retained earnings and other reserves	425'039	392'097
Shareholders' equity	395'691	416'960
Total liabilities and shareholders' equity	919'985	889'008

* According to Swiss GAAP ARR 24, own shares are no more reported in the assets under "Marketable securities" as from 2004, but are deducted from Shareholders' equity at acquisition cost.

This interim report is compliant with Swiss GAAP ARR 12.

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