

Interim report for the period ending 30 June 2005

Lausanne, 29 August 2005

PubliGroupe continues to invest in electronic media and new online activities while strengthening profitability of its core business.

The 2% increase in PubliGroupe sales (CHF 1 billion) is explained by new activities at PubliPresse (representation in the advertising market of the NZZ and NZZ am Sonntag from 1 January 2005), and in the electronic media sector (Cinecom group acquired in July 2004). The advertising markets remain tense in an economic environment which is proving less dynamic than expected.

The operating result for the first six months of 2005 stood at CHF 29.4 million (1st half 2004: CHF 35.8 million). Its reduction by CHF 6.4 million reflects the efforts currently being made by the group to pursue new activities which resulted in a 4% increase in operating costs. With a comparable consolidation scope, the reduction in sales (- 4%) and in the gross margin (- 2%) is more than offset by the operating cost cuts which stand at CHF 6.5 million (- 3%). Therefore, at comparable consolidation scope, the operating result improves by CHF 3 million.

The financial result is reported at CHF 6.4 million (1st half 2004: CHF 8.9 million). The impact of a loss on the sale of various securities amounting to CHF 2.3 million explains this reduction. The extraordinary result (CHF 0.5 million) includes extraordinary income (CHF 8 million) and charges (CHF 7.5 million) which offset each other and are explained largely by various transactions involving investments of the group in the 1st half.

The PubliGroupe net result therefore stands at CHF 25.5 million, down CHF 7 million compared to the 1st half of 2004 (CHF 32.5 million).

Key figures as at 30 June

<i>in millions of CHF</i>	Change	<i>First half</i>	
		2005	2004
Turnover	+ 2%	1,003	986
Gross margin	-	212	211
Total operating expenses	+ 4%	(198)	(191)
Share in net income of associated companies	-	16	16
Operating result	- 18%	29	36
Financial result	- 28%	6	9
Extraordinary result	-	0	1
Result before taxes	- 20%	36	45
Taxes	- 26%	(6)	(8)
Minority interests	+ 2%	(5)	(5)
Group net result	- 22%	25	32
		30.6.2005	31.12.2004
Number of employees	- 1%	2,798	2,829
Net liquidity	-	(8)	41
Shareholders' equity, group's interest	+ 5%	400	381

The account statement as at 30 June 2005 was drawn up for the last time in compliance with Swiss GAAP ARR accounting standards. The annual account statement for 2005 will be presented in compliance with IFRS international standards. The impact of the introduction of these standards on the 2004 accounts will be announced by the end of 2005. It should be positive, especially for the shareholders' equity. For the financial year 2005, the half-yearly closure according to the ARR standards must include costs in the amount of CHF 9.8 million in the financial and extraordinary results, which will no longer have to be stated under the IFRS standards and will therefore not penalize the 2005 results.

General commentary

Operational activities

In an economic environment which has proved less dynamic than expected, the advertising markets are increasingly competitive and remain highly volatile. They are stable overall or falling slightly in the case of the press.

Consolidated sales (CHF 1 billion) are up by 2%, or CHF 16.7 million, because of the new activities pursued by the group. With a comparable consolidation scope, consolidated sales decreased by 4%.

The main economic indicators which influence the advertising markets – GDP/consumer sentiment – have proved disappointing. The pressure on prices experienced by many industries is not conducive to higher advertising budgets. This environment and technological change are exacerbating competition between the media and bringing a bigger offer of advertising space, especially on the Internet.

Press advertising continues to fall slightly in Switzerland; the recovery of job and real estate advertising has been confirmed, but it is not sufficient to offset the downturn in commercial advertising. PubliPresse has advanced by 3% because of the additional volume achieved with the NZZ and NZZ am Sonntag. On foreign markets, Asia remains highly dynamic while Europe continues to be adversely influenced by the despondent German market. With a comparable consolidation scope, sales reported by the international Publicitas Promotion Network (PPN) are 8% down. The downturn at PPN totals at 11% owing to the management buy-out of the Custom Marketing Group (CMG), in the USA.

Advertising in directories, which has been growing constantly for several years, has stabilized at a high level; the difference on PubliDirect sales compared to the 1st half year 2004 (- 5%) is explained primarily by a changed schedule for the publication of six local directories from which the second half will benefit.

namics, the consulting/e-business company, has improved its sales by 10%, following an excellent second quarter.

Cinecom Group, which specializes in the sale of advertising for cinemas and private television channels in Switzerland, reported sales of CHF 17 million. Cinecom always reports weaker performance in the first half than in the second. This seasonal character is emphasized this year by the lack of new “blockbuster” films and the implementation of its program of equipping cinemas for the digitized transmission and projection of advertising films. The flexibility afforded by this technology will give a new boost to this market from the fall.

The gross margin (CHF 212 million) is stable. With a comparable consolidation scope it is 2% lower.

The lower sales – excluding “new activities” – have brought a corresponding fall in the gross margin at PPN and PubliDirect. While PubliPresse has been able to offset this weakness by the contribution to the gross margin achieved with the NZZ titles, it had to carry the cost of the new organization. Cinecom has not contributed toward the gross margin to the expected degree in the first half, which has seen the transition of its business model. The lost ground should be made up, at least in part, in the second half.

The operating result stands at CHF 29.4 million (CHF 35.8 million in the first half of 2004). Its reduction by CHF 6.4 million reflects the efforts made to pursue new activities in the field of classified advertising on the Internet, or in the electronic media. With a comparable consolidation scope, cost cuts amounting to CHF 6.5 million (- 3%) exceed the reduction of the gross margin and the operating result improves by CHF 3 million.

Confronted with flat markets, PubliGroupe is having to look for growth by developing new activities while also increasing its productivity. The new activities, primarily Cinecom and the two new PubliPresse entities, NZZ Media (dedicated to the NZZ titles) and Publiconnect (dedicated to classified print/Internet advertising), have generated extra costs of some CHF 15 million, resulting in a 4% increase in operating costs. Publiconnect and Cinecom are in an investment phase and therefore adversely affect the operating result in this first half.

Non-operational activities

The financial result (CHF 6.4 million) and the extraordinary result (CHF 0.5 million) are together impacted by extraordinary costs amounting to CHF 9.8 million (losses on the sale of various securities and goodwill depreciation) which will not adversely affect the annual account statement drawn up in compliance with IFRS standards.

The financial result was down from CHF 8.9 million to CHF 6.4 million. After deducting a loss of CHF 2.3 million recorded on the sale of various securities at a price below their acquisition cost, it is stable.

The extraordinary result shows extraordinary income (CHF 8 million) and extraordinary costs (CHF 7.5 million) which offset each other and are explained essentially by various transactions on group participations in the first half: sale/MBO of Custom Marketing Group USA, sale of 40% interest in Akeret AG and 25% in Zürichsee Presse AG, sale in two steps of the group's 35% interest in Vogt-Schild Holding AG.

The IFRS standards which will be applied when the annual statement of accounts is drawn up will not regard as a cost the losses on sales of securities amounting to CHF 2.3 million which penalized the financial result in the first half. Under IFRS standards, the positive overall development of the securities portfolio since 1 January 2005 will be taken into account. Goodwill depreciation affecting the extraordinary 1st half result will also not be treated as a cost. IFRS standards do not take account of goodwill depreciation resulting from previous acquisitions on conversion to the new standards, especially as this goodwill was already deducted from the shareholders equity in the PubliGroupe balance sheet at the time of the acquisition.

An overall cost of CHF 9.8 million, which was stated in the 1st half, will therefore not be shown in the annual account statement. On the other hand, the extraordinary income items will remain.

Balance sheet as at 30 June 2005

Shareholder's equity (group's interest) represents 40% of the balance sheet value. Net liquidity stands at - CHF 8 million

Net liquidity is negative as at 30 June 2005:
- CHF 8 million. It is down essentially for seasonal reasons by comparison with 31 December 2004, when it stood at CHF 41 million. By way of comparison, it amounted to CHF 7 million as at 30 June 2004. Higher investments and payment of the dividend have also been absorbed.

Group management

Change at the head of the Publicitas Promotion Network division

Mr Daniel Hofer, CEO of the Publicitas Promotion Network division, has announced his decision to take a different career direction after spending precisely 20 years at PubliGroupe. Mr Hofer will be leaving the group at the end of the year to join the executive management of the Neue Zürcher Zeitung AG on 1 January 2006. The Board of Directors extends its warm thanks to Mr Hofer for his long service to PubliGroupe and wishes him every success in his further career. The name of the person who will take over from him will be announced as soon as an appointment has been made in a few weeks time.

Outlook

Positive second half

No significant change in the parameters of the group's activities is expected. The trends observed on our markets are likely to continue throughout the year.

PubliGroupe sales should, therefore, confirm a slight rise, while efforts to make savings will continue. The same will apply to initiatives taken to increase the dynamic of the services provided by the group in the Internet field; Publicconnect, the PubliPresse entity which specializes in classified print and/or online advertising, will continue its development; web2com S.A., the company created on 1 July 2005 by the merger of Publicitas webservices and Publimedia webadvertising, whose sales were up by 18% in the first half of 2005, will have stronger structures to actively develop the marketing of Internet advertising and the mobile marketing field. Cross Media Services, a competence center created in June 2005, will design innovative advertising offers and combine those of the different group entities. Last but not least, the group's development in the sector of electronic media will continue, thanks in particular to Cinecom, which, following a transitional half, should experience a new dynamic with the launch of the operational phase of digitization of advertising film distribution and projection in cinemas. Its 1st half loss should therefore be offset in the second.

Extraordinary costs, which penalized the 1st half, for which the account statement was drawn up under Swiss GAAP RPC rules, in the amount of CHF 9.8 million, will no longer appear as an adverse factor in the annual account statement drawn up according to international IFRS standards.

Business by division

in million of CHF	Dev.	Sales		Dev.	Gross margin		Dev.	Number of employees **	
		First half	2004		First half	2004		30.06	31.12
		2005			2005			2005	2004
PubliPresse	+ 3%	771	751	+ 6%	129	121	- 2%	1,421	1,451
PPN	- 11%	150	169	- 15%	30	35	- 3%	418	433
PubliDirect	- 5%	49	51	- 5%	42	44	- 5%	540	566
Other activities *	+ 124%	33	15	+ 4%	11	11	+ 11%	419	379
Total	+ 2%	1,003	986	-	212	211	- 1%	2,798	2,829

* Cinecom, namics, PubliService and central services

** by period end (FTE)

PubliPresse

Sales and gross margin at PubliPresse have increased by 3% and 6% thanks to responsibility taken on 1 January for advertising management for the NZZ and NZZ am Sonntag titles; this activity is making very satisfactory progress. The press advertising market is still falling slightly and continues to show great volatility. The "employment advertising" sales figure is advancing regularly (+ 14.4%), as is real estate advertising (+ 7.3%). Occasional advertisements have increased for the first time for many years (+ 3.5%), thanks to the rebound of political advertising. Commercial advertising is down by 1.1%, penalized by the reduction of the food retailing, motor vehicle and telecommunication sectors, and which has not been offset by the steep increase in other sectors such as banks, tourism and healthcare. Forecasts for the second half remain cautious and assume that the trends observed in the first part of the year will continue. Launched on 2 May 2005, Publiconnect will create dynamic development of classified print and Internet advertising. The new management contract signed in June with the Aargauer Zeitung will take effect on 1 January 2006.

Publicitas Promotion Network (PPN)

Continuation of strong growth in Asia and of our in-flight activity based in Hong Kong (+ 13% in all), downturn on some European markets (- 8% in all), restructuring in the USA and strong cost cutting to guarantee profitability in line with expectations, are the four factors which typified the first half 2005 at PPN. This first part of the year can therefore be regarded as encouraging, in an economic environment which remains difficult on most markets. Restructuring of activities in the USA is explained, firstly, by the sale of Custom Marketing Group (CMG) to its management (1st half 2004 sales: CHF 6.7 million) and, secondly, by the concentration of other activities on the main representation contracts (-17%). Activities with Latin America are also 16% lower because of a policy change implemented by a major customer. Sales and gross margin are therefore down by -11% and -15% respectively, although these figures amount to - 8% and - 11% after eliminating the impact of the sale of CMG. Prospects for the year as a whole are in line with performance in the first half.

PubliDirect

Sales of the PubliDirect division (sales: - 5% / gross margin: - 5%) are down in Switzerland (- 5%) but continue to progress in France (+ 4.5%). The reduction at the end of June is explained by a deferral of the publication of six directories to the second half. This delay, which affects the «LOCAL» books (- 13%) should therefore be compensated, at least in part, by the end of the year. However, the market is becoming increasingly difficult as the clientele consisting of SMBs and small shops are affected by a sluggish consumer spending climate. Regional Yellow Pages advanced by 10%, while commissions on sales for Swisscom Directories products were 5% lower. Sales may therefore turn out to be slightly down over the year as a whole. This reduction will be largely compensated by lower selling and production costs.

Other activities

Cinecom (sales: CHF 17 million) has experienced a transitional half marked by the equipment of 255 cinemas which will be able to receive and project advertising films in digital format. Sales in this sector are also being penalized by the lack of new "blockbuster" film releases, but should be boosted in the fall. The television sector (representation for the program window of Sat.1 Switzerland) is in line with our objectives. The delay in sales for the cinema and costs of implementing the new systems led to a loss at the end of the first half. This should be compensated in the second half under the twofold impact of the seasonal character of this market and the boost given by digitization.

namics, the consulting/e-business company operating in Switzerland and Germany, has increased its revenue by 10% by implementing major projects for customers such as Lonza, Tissot or the Swiss Federal Department of Foreign Affairs. The outlook is positive.

Consolidated income statement
in thousands of CHF

	First half 2005	First half 2004
Turnover	1,003,119	986,391
Purchases	(739,714)	(724,435)
Sales reductions	(51,567)	(50,748)
Gross margin	211,838	211,208
Personnel expenses	(143,128)	(137,858)
Rent and occupancy expenses	(13,682)	(13,976)
General and administrative expenses	(35,041)	(31,959)
Bad debt expenses	(2,157)	(3,052)
Operating depreciation	(4,339)	(4,312)
Total operating expenses	(198,347)	(191,157)
Share in net income of associated companies	15,933	15,776
Operating result	29,424	35,827
Financial income	8,136	7,797
Financial expenses	(5,558)	(3,654)
Real estate income	6,281	6,514
Real estate expenses	(2,443)	(1,773)
Financial result	6,416	8,884
Ordinary result before taxes	35,840	44,711
Extraordinary income	7,986	697
Extraordinary expenses	(7,530)	(190)
Extraordinary result	456	507
Result before taxes	36,296	45,218
Taxes	(5,699)	(7,752)
Result including minority interests	30,597	37,466
Minority interests	(5,103)	(4,989)
Group net result	25,494	32,477

Consolidated balance sheet

in thousands of CHF

	as of June 30, 2005	as of December 31, 2004
Assets		
Cash on hand and in banks	44,372	56,881
Marketable securities	92,708	98,998
Trade receivables	317,399	304,121
Other receivables	18,039	14,418
Work in progress	47,428	42,269
Accrued income and prepaid expenses	50,721	18,442
Current assets	570,667	535,129
Land and buildings	103,804	105,246
Other fixed assets	17,316	15,845
Loans and long term receivables	90,546	59,852
Investments in associated companies	104,996	116,192
Other investments	102,490	79,772
Non-current assets	419,152	376,907
Total assets	989,819	912,036
Liabilities and shareholders' equity		
Bank debt	145,000	115,000
Trade payables	222,881	194,046
Other payables	54,765	46,698
Accrued liabilities	80,675	94,123
Short-term liabilities	503,321	449,867
Long-term debts	11,564	11,849
Long-term provisions	18,696	18,482
Long-term liabilities	30,260	30,331
Liabilities	533,581	480,198
Share capital PubliGroupe Ltd.	24,919	24,891
Treasury shares	(47,939)	(51,994)
Reserves	423,184	408,267
Shareholders' equity, group's interest	400,164	381,164
Minority interests	56,074	50,674
Total shareholders' equity	456,238	431,838
Total liabilities and shareholders' equity	989,819	912,036

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