

Half-year report

2006



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Cover: Project photomontage Rollingstar200L®
Zürich, Löwenplatz

In the wake of the vastly successful introduction of the backlit Rollingstar200L® scrolling units in the RailCity premises of the largest Swiss cities, billposting leader APG has now installed first sites of Rollingstar200L® on the road at premium downtown sites in Zürich (including Bellevue, Bahnhofplatz, Bürkliplatz), Basel (including Aeschenplatz, Schützengraben, Nauenstrasse), and Bern (including Bundesgasse, Theaterplatz, Bärenggraben).

Market trend notes

Dear Shareholder:

The increase in demand mentioned in our letter to shareholders last February has had a reassuringly positive impact on business. In a reassuring economic environment, the strengths of the poster as a medium resulted in a 12.1% increase of sales revenue to CHF 162.6 million. Operating income surged by 40.8% to CHF 18.4 million. Net income for the first half of the year rose by 2.3% to CHF 13.4 million.

Group financial highlights	in 1 000 CHF	1 st half of 2006	1 st half of 2005	Change
Sales revenue		162 648	145 125	+ 12.1%
– Switzerland		144 789	131 530	+ 10.1%
– Europe		17 859	13 595	+ 31.4%
EBITDA		29 532	24 079	+ 22.6%
– in % of sales revenue		18.2%	16.6%	
Operating income (EBIT)		18 399	13 065	+ 40.8%
– in % of sales revenue		11.3%	9.0%	
Net income before extraordinary items		13 391	9 666	+ 38.5%
– in % of sales revenue		8.2%	6.7%	
Net income after extraordinary items		13 391	13 085	+ 2.3%
– in % of sales revenue		8.2%	9.0%	
Cash flow		25 674	21 878	+ 17.4%
Investments		38 714	3 862	+ 902.4%
– advertising plant		1 573	1 934	
– other property, plant, and equipment		2 169	1 582	
– intangible assets and acquisitions		34 972	346	
Net income per share		CHF 4.46	CHF 4.36	
Dividend per share		CHF 6.25	CHF 6.25	

2005 restated to IFRS

EBITDA: Earnings before interests, taxes, depreciation and amortization

Strong uptrend in sales revenue and operating income

Swiss market

In the Swiss market, our systematic focus on quality has been bearing fruit in all out-of-home advertising segments. Sales revenue picked up by 10.1% to CHF 144.8 million. The advance in operating income by 36.2% to CHF 15.7 million and an EBIT margin of 10.8% illustrate that the restructuring measures implemented in the past years have taken hold. Organic growth in sales revenue amounted to 8.7%.

APG, the flagship of the Affichage Group, achieved important milestones in the first half of 2006. In a tender for the concession to advertise in public areas in metropolitan Zürich, APG was granted 13% more sites for commercial use than was the case in the previous contract. The company has thus become the undisputed winner of this tendering process. The contract duration is five years and the concession fees are fixed for this period. APG was also granted marketing rights for out-of-home advertising at the prestigious Sihlcity shopping and leisure center in Zürich. Work on the Swiss Poster Research Plus project is progressing on schedule. The media experts who attended APG presentations of the new planning tool were enthusiastic about the new spectrum of applications that it provides. This instrument establishes a basis of comparison between posters and other media in the tough inter-media competition arena: both its advertising impact and its attractive price/performance ratio are corroborated by scientific measurements. Sportart AG has established itself as one of the nation's leading sports event and sports rights marketing agencies. Through its affiliation with Attaro AG, it had the opportunity to be involved in a particularly attractive and sophisticated mandate: the Brazil Football Camp in Weggis. With its electronic billboards, the eAd unit remains on a growth course. After it installed the first outdoor system in Basel, the company has now been authorized to set up an additional eBoard at the Lausanne railway station. As a niche product, the Big Poster is being used more and more frequently to reinforce other advertising channels and Paron AG, the market leader in this domain, can benefit from this trend. In its market segment, APG-SGA Traffic AG is highly successful as a clearly positioned, autonomous marketing company for transit advertising. Bercher SA, which has been active for many years mainly at the Aéroport International de Genève, was able to further strengthen its market position.

Foreign markets

Sales revenue in foreign markets advanced by 31.4% to CHF 17.8 million and operating income by 75.6% to CHF 2.7 million. Acquisitions accounted for 78.7% of sales revenue growth.

Thanks to increased site booking densities, the discontinuation of loss-generating involvements, and systematic cost management, Europlakat International EPI was able to boost earnings. All countries contributed to the positive trend, with Serbia and Slovenia in the top ranks. Activities in Hungary were negatively impacted by the depreciation of the forint. Subject to the approval of the antitrust authorities, Affichage acquired the Metropolis Media Group, allowing EPI to further consolidate its leadership position in the out-of-home advertising markets in Croatia, Slovenia, and Serbia. The Metropolis Media Group handles some 7,000 poster sites and generates about CHF 26 million in sales revenue per year. The July 2006 acquisition of Montepano in Montenegro was a rapid response to the division of Serbia-Montenegro into two independent republics. In the republic of Montenegro, Montepano ranks a strong No. 2.

Last year, the Affichage Group acquired Churchill View Grup Srl (Romania) and La Strada Outdoor SA (Greece); the integration processes are progressing as planned.

Changes in the Board of Directors

At the Annual General Meeting of Affichage Holding SA on May 23, 2006, Christian Kauter was elected as a new member of the Board of Directors, complementing his function as CEO. During its first session after the Annual General Meeting, the Board of Directors elected Dr. Klaus Hug as its chairman. Dr. Klaus Hug joined the Board of Directors of Affichage Holding in 2002.

Outlook

For the second half of 2006, we can base our projections on a favorable economic climate. We expect a continuation of moderate growth with contributions from innovative products such as «Rollingstar on the Road» in the Swiss market and targeted acquisitions in foreign markets. The scrolling poster became a big success when it was introduced in railway stations, and with «Rollingstar on the Road», we have succeeded in bringing this exciting medium to high-exposure roadside locations in the centers of the largest Swiss cities.

We thank you for your loyalty to the Affichage Group and send you our best regards.

Klaus Hug
Chairman of the Board

Christian Kauter
CEO and Managing Director

August 29, 2006

Condensed consolidated balance sheet

Assets	in 1 000 CHF	30.06.2006	31.12.2005
Property, plant, and equipment		119 439	124 813
Investments in associated companies		202	193
Other financial assets		56 133	14 458
Intangible assets		30 458	21 747
Deferred taxes		128	0
Non-current assets		206 360	161 211
Inventories		2 162	1 763
Trade accounts receivable		57 465	52 561
Other accounts receivable		19 093	22 916
Prepaid expenses		11 984	8 826
Marketable securities		4 511	4 173
Cash and cash equivalents		50 642	96 156
Current assets		145 857	186 395
Total		352 217	347 606
Shareholders' equity and liabilities			
Share capital		15 000	15 000
Group reserves		181 212	177 203
Net income		13 391	22 138
Shareholders' equity attributable to equity holders Affichage Holding		209 603	214 341
Minority interests		7 941	8 369
Shareholders' equity		217 544	222 710
Provisions		6 956	6 881
Deferred taxes		3 591	3 581
Long-term obligations		23 243	4 813
Long-term liabilities		33 790	15 275
Trade accounts payable		11 604	18 494
Taxes payable		6 988	5 670
Other accounts payable		10 683	14 091
Deferred income		71 608	71 366
Current liabilities		100 883	109 621
Liabilities		134 673	124 896
Total		352 217	347 606

Consolidated statement of income

	in 1 000 CHF	1 st half of 2006	1 st half of 2005	Change
Sales revenue		162 648	145 125	+ 12.1%
Real estate revenue		1 168	1 159	+ 0.8%
Operating revenue		163 816	146 284	+ 12.0%
Fees and commissions		- 75 181	- 67 740	+ 11.0%
Payroll expenditure		- 35 096	- 34 048	+ 3.1%
Operating and administrative costs		- 24 008	- 20 417	+ 17.6%
Depreciation		- 10 385	- 10 941	- 5.1%
Amortization of intangibles		- 747	- 73	+ 920.1%
Operating expenses		- 145 417	- 133 219	+ 9.2%
Operating income		18 399	13 065	+ 40.8%
Financial income		972	756	
Income from associates		59	49	
Non-operating income		19	4 537	
Income before income tax		19 449	18 407	+ 5.7%
Income tax		- 4 708	- 4 533	+ 3.9%
Net income of the Group		14 741	13 874	+ 6.2%
attributable to:				
- Minority interests		1 350	789	+ 71.2%
- Equity holders Affichage Holding (net income)		13 391	13 085	+ 2.3%
Basic and diluted earnings per share, in CHF		4.59	4.50	+ 2.0%

2005 restated to IFRS

Consolidated statement of shareholders' equity

in 1 000 CHF	Attributable to equity holders Affichage Holding						Total	Minority interests	Shareholders' equity
	Share capital	Capital reserves Premiums	Translation differences	Treasury stock	Unrealized gains/ losses	Retained earnings and other reserves			
as at 01.01.2005	15 000	5 632	- 245	- 12 567		200 185	208 005	7 678	215 683
Net income for the period						13 085	13 085	789	13 874
Dividends						- 18 235	- 18 235	- 600	- 18 835
Currency translation differences			- 51				- 51	2	- 49
Market value adjustments on									
marketable securities					246		246		246
Purchase and sale of treasury stock				713		241	954		954
as at 30.06.2005	15 000	5 632	- 296	- 11 854	246	195 276	204 004	7 869	211 873
Net income for the period						9 053	9 053	1 096	10 149
Dividends								- 637	- 637
Currency translation differences			6				6	41	47
Market value adjustments on									
marketable securities					597		597		597
Purchase and sale of treasury stock				82		599	681		681
as at 31.12.2005	15 000	5 632	- 290	- 11 772	843	204 928	214 341	8 369	222 710
Net income for the period						13 391	13 391	1 350	14 741
Changes in scope of consolidation								- 439	- 439
Dividends						- 18 249	- 18 249	- 1 245	- 19 494
Currency translation differences			- 225				- 225	- 94	- 319
Market value adjustments on									
marketable securities					- 78		- 78		- 78
Purchase and sale of treasury stock				213		210	423		423
as at 30.06.2006	15 000	5 632	- 515	- 11 559	765	200 280	209 603	7 941	217 544

Condensed consolidated statement of cash flows

	in 1 000 CHF	1 st half of 2006	1st half of 2005
Net income		13 391	13 085
Depreciation and amortization		11 132	11 014
Unrealized losses on marketable securities		- 78	246
Change in provisions, taxes and interests		- 43	1 330
Gain from the sale of non-current assets		- 19	- 4 537
Minority interests		1 350	789
Income from associates		- 59	- 49
Cash flow		25 674	21 878
Change in inventories		- 399	123
Change in accounts receivable		- 1 082	2 081
Change in accounts payable		- 8 980	- 24 460
Change in other prepaid expenses and deferred income		- 2 916	- 8 025
Net cash provided by operating activities		12 297	- 8 403
Purchase of non-current assets		- 40 016	- 3 896
Proceeds from the sale of non-current assets		392	4 711
Net cash used in investing activities		- 39 624	815
Purchase and sale of treasury stock		423	954
Change in long-term loans to Group companies		-17 224	0
Change in debt		18 430	880
Dividends to equity holders Affichage Holding		- 18 249	- 18 235
Dividends to minority interests		- 1 245	- 600
Net cash used in financing activities		- 17 865	- 17 001
Currency translation effect on cash and cash equivalents		15	- 4
Change in cash and cash equivalents and marketable securities		- 45 177	- 24 593
Cash and cash equivalents and marketable securities as at January 1		100 330	109 540
Cash and cash equivalents and marketable securities as at June 30		55 153	84 947

2005 restated to IFRS

Notes to the consolidated financial statements

Brief notes to the consolidated statement of income and to the consolidated balance sheet as at June 30, 2006

The 12.1% gain in sales revenue had a positive impact on operating income (EBIT) and employment of capital.

The overproportional increase of the EBIT margin to 11.3% of sales revenue has three origins. First, the decline of fees and commissions to 46.2% results from the sales growth effect which causes these expenses to rise only for poster sites with variable commission rates. Second, the sales increment was generated with an unchanged workforce (except acquisitions). And third, the yield-oriented investment policy as well as the associated decline in investments during the past years resulted in lower depreciation. The increase in operating and administrative costs is project-related and attributable mainly to the new poster research activities. As a result of the acquisitions in the second half of 2005, there was an increase in amortization of intangible assets.

The underproportional increase of net income by 2.3% is attributable to the absence of the non-recurring special effect posted in the prior year (2005: sale of advertising and contractual rights amounting to CHF 4.56 million).

In comparison with 31.12.2005, total assets advanced by 1.3%. The key changes are acquisition- and sales-related.

In the first half of 2006, cash flow closed at CHF 25.7 million, 17.4% higher than in the prior-year period. Negative free cash flow and the decline in liquidity by CHF 45.1 million to CHF 55.1 million in the first half of 2006 result from cash used for operating activities as well as investments in property, plant, and equipment and financial assets.

Selected notes to the consolidated financial statements as at June 30, 2006

Reporting principles of the Affichage Group

The unaudited, consolidated interim report as at June 30, 2006 was prepared in compliance with International Accounting Standard (IAS) 34 – Interim Financial Reporting. The reporting principles detailed in the 2005 Annual Report were applied unchanged.

Financial reporting requires the management to make assessments and assumptions that influence the disclosed assets, liabilities, contingent debt and accounts receivable on the closing date as well as income and expenditure for the reporting period. The actual results may deviate from these estimates.

Changes in the scope of consolidation

During the first half of 2006, the scope of consolidation changed as follows:

- Acquisition of La Strada Outdoor SA, Athens (GR), 60% as at 22.12.2005, fully consolidated as of 01.01.2006
- Acquisition of Publifutura Srl, Como (I), 100% as at 27.12.2005, fully consolidated as of 01.01.2006
- Acquisition of Churchill View Grup Srl, Bucuresti (RO), 100% as at 28.12.2005, fully consolidated as of 01.01.2006

Acquisitions

The acquisitions mentioned under *Changes in the scope of consolidation* have been recognized pursuant to the purchase method. The itemization of the CHF 10.46 million purchase price paid in financial 2005 into individual elements has been tentatively defined: acquired shareholders' equity CHF 1.08 million, intangible assets CHF 7.95 million, and goodwill CHF 1.43 million. The intangible assets consist of concession agreements and will be amortized on a straight-line basis across the anticipated average contract durations of 10 and 11 years, respectively. Goodwill represents the costs incurred for establishing the acquired market position.

In June 2006, 50%-owned subsidiary EPI acquired the Metropolis Media Group for CHF 34.8 million. When the semi-annual report was prepared, the acquisition was submitted to the competent antitrust authorities and in the balance sheet, it is therefore posted as a financial investment. Churchill View Grup Srl (Romania) implemented a share swap as at 28.06.2006: 30% of its own shares against 70% of the shares in Take Media Srl, Real Media Vision Srl, and Image Factory Srl worth CHF 2.3 million.

Segment information by regions

Segment information is published according to geographical aspects. Apart from Europlakat International, the European perimeter now also includes activities in Greece, Italy, and Romania.

Statement of income	Switzerland		1 st half of 2005		Europe		1 st half of 2005		Total		1 st half of 2005	
	1 st half of 2006	%	CHF m	%	1 st half of 2006	%	1 st half of 2005	%	1 st half of 2006	%	1 st half of 2005	%
Sales revenue	144.8	100.0	131.5	100.0	17.8	100.0	13.6	100.0	162.6	100.0	145.1	100.0
EBITDA	24.9	17.2	21.0	16.0	4.6	25.8	3.1	22.4	29.5	18.2	24.1	16.6
Operating income (EBIT)	15.7	10.8	11.5	8.8	2.7	15.2	1.6	11.3	18.4	11.3	13.1	9.0
Net income	12.0	8.3	12.2	9.3	1.4	7.9	0.9	6.2	13.4	8.2	13.1	9.0

Change in shareholders' equity

On May 23, 2006, the Annual General Meeting resolved the payout of a dividend of CHF 6.25 per share for financial 2005. The dividend was paid on all outstanding shares except treasury stock.

Events after the closing date

No material events occurred after the end of the interim period as at June 30, 2006. Europlakat International acquired Montepano (Montenegro) on July 3, 2006. The influence is marginal.

Restatement of half-year result as at 30.06.2005: Transition from Swiss GAAP FER to IFRS

The published prior-year report as at 30.06.2005 was prepared in compliance with Swiss GAAP FER. For this reason, the half-year figures for 2005 were restated pursuant to IFRS reporting principles. The most important effects of this restatement are related to *sales revenue*, *concessions*, and *amortization of intangible fixed assets* in the statement of income as well as *intangible fixed assets* and *shareholders' equity* in the balance sheet (cf. Annual Report 2005, pages 51ff.).

The most important dates

Financial media and analysts conference

February 27, 2007, Zürich

Publication of the annual report

April 27, 2007

General Meeting

May 24, 2007, Geneva

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