

Letter to shareholders



Strong performance at home, continuing expansion abroad in a difficult economic environment

Dear Shareholder:

A consistently strong performance 2008 enabled us again to achieve solid gains at home and abroad, whereas growth in the second half of the year slowed down.

Financial highlights:

- Increase in sales revenue by 17.0% to CHF 452.0 million
- Growth of EBITDA by 5.1% to CHF 85.0 million
- Decrease of operating income (EBIT) by 4.3% to CHF 52.6 million
- Decrease of cash flow by 25.0% to CHF 58.5 million
- Decrease of net income by 54.6% to CHF 29.7 million

Group financial highlights	in CHF 1 000	2008	2007	Change
Sales revenue		451 979	386 421	17.0%
– Switzerland		305 947	297 317	2.9%
– International		146 032	89 104	63.9%
EBITDA		84 995	80 882	5.1%
– in % of sales revenue		18.8%	20.9%	
EBITA		60 248	59 883	0.6%
– in % of sales revenue		13.3%	15.5%	
Operating income (EBIT)		52 553	54 916	– 4.3%
– in % of sales revenue		11.6%	14.2%	
Income from continuing operations		32 964	41 592	– 20.7%
– in % of sales revenue		7.3%	10.8%	
Net income		29 673	65 417	– 54.6%
– in % of sales revenue		6.6%	16.9%	
Cash flow		58 500	77 951	– 25.0%
Investments		87 342	105 161	– 16.9%
– advertising plant		22 728	27 927	– 18.6%
– other investments		8 283	9 340	– 11.3%
– acquisitions		56 331	67 894	– 17.0%
Income from continuing operations per share, in CHF		9.89	12.67	
Net income per share, in CHF		9.89	21.81	
Dividend per share, in CHF		4.40	8.80	

EBITDA: Earnings before interest, taxes, depreciation of property, plant, and equipment, and amortization of intangible assets

EBITA: Earnings before interest, taxes, and amortization of intangible assets

EBIT: Earnings before interest and taxes

Dividend: Proposal to the General Meeting

Swiss market

Sales revenue rose by 2.9% to CHF 305.9 million. EBITDA grew by 5.9% to CHF 66.8 million, corresponding to an EBITDA margin of 21.8% (prior year 21.2%).

The domestic market developed solid in every respect. A highlight was Euro'08, which we used as the only medium to offer our customers group-wide out-of-home packages streamlined to their individual needs: posters, eBoards, Big Posters and transit advertising. The success achieved in the market clearly demonstrates that our philosophy of integrated out-of-home communication is the right way to proceed. Bolstering up our site portfolio, both APG and our subsidiaries in the various segments were able to land numerous significant contracts, including M2 Lausanne, the first subway in Switzerland. We succeeded in terms of environmental management as well: between 2003 and 2007, our environmental impact was reduced by 20%. Ten years ago, we were one of the first Swiss companies committed to a systematic transition to environmentally sound gas-powered vehicles. Today, we own one of the largest fleets of eco-friendly vehicles in Switzerland.

APG, the market leader in Switzerland and our largest participating interest in terms of revenue, continued to fortify its contract portfolio and its market position. The introduction of the new F24 large format is proceeding as planned, and the sales figures are encouraging. As at December 31, 2008, about 1,000 faces were ready for posting, and new premium sites are being added at every opportunity. The market responded favorably to our new product and pricing policy based on the results of the new SPR+ poster research study, which assigns each face a price determined by its objective performance in terms of weighted poster contacts. Well-developed online services and tools – Affichage IntermediaMap, APG Poster Check, etc. – complement our successful product range which we are continuously refining in line with the insights gained from SPR+.

2008 has been the most successful year so far for eAd, whose digitally controlled eBoards have gained acceptance in the market. We have expanded the national eBoard network by new sites at the railway stations of Zürich-Stadelhofen, Zürich-Enge, Zug, and Luzern. In 2008, APGTraffic was able to continue its path of steady growth thanks to continuous development efforts, media research, and innovative products. The comprehensive service spectrum offered by this nationally active specialist was complemented by an online calculation tool that substantially simplifies media planning in transit advertising. Bercher seized the opportunity of the structural modifications in the arrival and departure sections of the Aéroport International de Genève, made necessary by the Schengen Agreement, to develop a new advertising concept and extend its long-standing cooperation with the port authorities. In the Big Poster segment, Paron again reported a positive financial year. Despite fierce competition and very cautious concession-granting practices, the company was able to further consolidate its number 1 position in the Swiss Big Poster market. Here, too, growth was driven by innovative products such as 3D posters and animated installations.

International

Sales revenue picked up by 63.9% to CHF 146.0 million. EBITDA grew by 7.3% to CHF 18.2 million, corresponding to an EBITDA margin of 12.4% (prior year 18.8%).

Sales revenue targets were attained in most countries and even exceeded in some, although the result suffered to some extent from currency-translation losses. In Greece, after the acquisition of the remaining 25% of participating interests, the two companies Domisi Wall SA and Clear Media SA have become wholly owned subsidiaries. While the Group management remains optimistic with respect to Greece, we must acknowledge that given the current economic scenario, the situation is more problematic than originally anticipated. The new local management has continuously retrofitted and expanded the individual poster sites and thus further improved the quality of the network. With the introduction of City Light panels on the Attica peninsula and other product innovations, we were able to reinforce our market leadership. After acquiring three additional participating interests in the spring of 2008, Affichage Romania is now the clear number 2 in the Romanian market. In Serbia, we won important tenders and thus fortified our position as market leader. After a successful first six months, however, sales revenue declined in the second half of the year. In Hungary, where the economy has been stagnant for some time, we were able to defend our number 2 position in the market and keep sales revenue at the prior-year level. Conversely, sales revenue rose in Bosnia-Herzegovina. In Northern Italy, we have installed new poster panels in various cities while the assembly of bus shelters in South Tyrolia progressed more slowly than planned due to administrative and constructional delays caused by authorities.

Personnel

On request of the Board of Directors and to ensure continuity in this time of economic distress, Christian Kauter, Managing Director and CEO of Affichage Holding SA, has agreed to postpone his retirement scheduled for age 62 and to remain at the operative helm of the Group.

Dividend proposal

Our payout policy has traditionally been shareholder-friendly. In view of the uncertain short- and medium-term business environment and the decline in net income, the Group has decided to cut the payout quota in favor of a preemptive reinforcement of equity and liquidity. The Board of Directors of Affichage Holding proposes that the General Meeting approve a dividend of CHF 4.40 per share (prior year CHF 8.80).

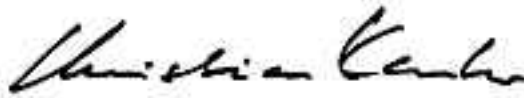
Outlook

The business climate has cooled off severely and media budgets have come under pressure. Because many spend approvals are still undecided and the booking behavior of our customers is very spontaneous, forecasts are difficult to make. We expect advertising outlay to decline in the current year, and our Group will not be spared the effects. In response, we have enacted a tight cost management policy and a hiring freeze. Additionally, investments will be released only on a quarter-by-quarter basis. The strong position in the domestic and foreign markets as well as the long-term perspective of the quality and innovation drive of the past few years will help Affichage to emerge reinvigorated from these economically difficult times.

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



Klaus Hug
Chairman of the Board



Christian Kauter
Managing Director and CEO

Condensed consolidated balance sheet

Assets	in CHF 1 000	31.12.2008	31.12.2007 ¹
Property, plant, and equipment		133 224	141 827
Investments in associated companies		342	31
Other financial assets		11 109	19 450
Intangible assets		210 485	199 467
Deferred taxes		17 786	3 440
Non-current assets		372 946	364 215
Inventories		3 643	8 292
Trade accounts receivable		96 360	93 795
Other accounts receivable		29 889	39 746
Deferred expenses and accrued income		12 840	25 268
Marketable securities		532	502
Cash and cash equivalents		50 986	45 310
Current assets		194 250	212 913
Total		567 196	577 128
Shareholders' equity and liabilities			
Share capital		7 800	7 800
Group reserves		183 096	236 050
Net income		29 673	65 417
Equity attributable to Affichage Holding shareholders		220 569	309 267
Minority interests		12 704	16 724
Shareholders' equity		233 273	325 991
Provisions		60 464	14 775
Deferred taxes		24 253	25 334
Long-term obligations		24 329	23 162
Long-term liabilities		109 046	63 271
Trade accounts payable		43 371	31 481
Current bank liabilities		63 985	19 959
Taxes payable		10 980	13 306
Other accounts payable		39 778	38 942
Accrued liabilities and deferred income		66 763	84 178
Current liabilities		224 877	187 866
Liabilities		333 923	251 137
Total		567 196	577 128

¹ Restated

Consolidated statement of income

	in CHF 1 000	2008	2007 ¹	Change
Sales revenue		451 979	386 421	17.0%
Real estate revenue		2 259	2 446	- 7.7%
Operating revenue		454 238	388 867	16.8%
Fees and commissions		- 207 815	- 176 233	17.9%
Payroll expenditure		- 79 887	- 74 308	7.5%
Operating and administrative costs		- 81 541	- 57 444	41.9%
EBITDA		84 995	80 882	5.1%
Depreciation		- 24 748	- 20 999	17.9%
Amortization of intangibles		- 7 694	- 4 967	54.9%
Operating income		52 553	54 916	- 4.3%
Financial income		- 7 378	- 94	
Income from associates		66	- 64	
Income before income tax		45 241	54 758	- 17.4%
Income tax expense		- 12 277	- 13 166	- 6.8%
Income from continuing operations		32 964	41 592	- 20.7%
Income from discontinued operations			27 437	
Consolidated net income		32 964	69 029	- 52.2%
attributable to:				
- Minorities		3 291	3 612	- 8.9%
- Affichage Holding shareholders (net income)		29 673	65 417	- 54.6%
Basic and diluted earnings per share, in CHF		10.11	22.40	- 54.9%

¹ Restated

Segment information by regions

in CHF m	Switzerland		International		Total continuing operations		Total discontinued operations		2008	Total 2007
	2008	2007	2008	2007	2008	2007	2008	2007		
Sales revenue	305.9	297.3	146.0	89.1	452.0	386.4	0.0	10.5	452.0	396.9
EBITDA	66.8	63.0	18.2	17.9	85.0	80.9	0.0	2.9	85.0	83.8
Operating income (EBIT)	51.7	46.6	0.9	8.3	52.6	54.9	0.0	1.4	52.6	56.3
Net income	39.4	36.3	- 9.7	1.7	29.7	38.0	0.0	27.4	29.7	65.4

Consolidated statement of shareholders' equity

in CHF 1 000	Attributable to Affichage Holding shareholders								Total	
	Share capital	Treasury stock	Capital reserves Premiums	Translation differences	Unrealized gains/ losses	Re-valuation reserves	Retained earnings Other reserves	Total	Minority interests	Shareholders' equity
as at 01.01.2007 ¹	15 000	- 11 962	5 632	1 030	1 132		222 065	232 897	10 218	243 115
Total income and expense recognized										
in shareholders' equity				- 2 126	- 866		65 897	62 905	3 426	66 331
Changes in scope of consolidation				764			- 3 897	- 3 133	4 446	1 313
Payout	- 7 200							- 7 200		- 7 200
Dividends							- 23 376	- 23 376	- 1 366	- 24 742
Purchase and sale of treasury stock		680					273	953		953
Revaluation reserves ²						46 221		46 221		46 221
as at 31.12.2007 ¹	7 800	- 11 282	5 632	- 332	266	46 221	260 962	309 267	16 724	325 991
Total income and expense recognized										
in shareholders' equity				- 14 461	29		- 15 431	- 29 863	3 034	- 26 829
Changes in scope of consolidation									901	901
Acquisition of consolidated minority interests							- 35 503	- 35 503	- 5 223	- 40 726
Dividends							- 25 735	- 25 735	- 2 732	- 28 467
Purchase and sale of treasury stock		2 302					101	2 403		2 403
as at 31.12.2008	7 800	- 8 980	5 632	- 14 793	295	46 221	184 394	220 569	12 704	233 273

¹ Restated

² From step-up acquisitions

Statement of recognized income and expense (SoRIE)	2008	2007
Income from continuing operations	32 964	41 592
Unrealized gains/losses on marketable securities	29	- 866
Currency translation differences	- 14 718	- 2 312
Actuarial gains/losses from defined-benefit plans	- 45 104	480
Gains from discontinued operations		27 437
Total income and expense recognized in shareholders' equity	- 26 829	66 331
attributable to:		
- Affichage Holding shareholders	- 29 863	62 905
- Minorities	3 034	3 426

Condensed consolidated statement of cash flows

	in CHF 1 000	2008	2007 ¹
Income from continuing operations after minority interests		29 673	37 980
Depreciation and amortization		32 442	25 966
Unrealized gains/losses on marketable securities		29	- 866
Change in provisions, taxes, and interests		- 6 826	11 209
Gain from the sale of non-current assets		- 43	- 14
Minority interests		3 291	3 612
Income from associates		- 66	64
Cash flow		58 500	77 951
Change in inventories		4 408	- 7 075
Change in accounts receivable		- 1 819	- 28 907
Change in marketable securities		- 30	4 480
Change in accounts payable		12 267	2 307
Change in other deferred expenses, accrued income, accrued liabilities, and deferred income		- 1 385	5 993
Net cash provided by operating activities		71 941	54 749
Purchase of non-current assets		- 87 342	- 105 161
Proceeds from the sale of non-current assets		5 389	174
Net cash used in investing activities		- 81 953	- 104 987
Purchase and sale of treasury stock		2 403	953
Change in current accounts payable to banks		44 026	11 435
Change in long-term loans to Group companies			- 143
Change in share capital			- 7 200
Change in debt		1 162	23 097
Dividends to equity holders Affichage Holding		- 25 735	- 23 376
Dividends to minorities		- 2 732	- 1 366
Net cash used in financing activities		19 124	3 400
Cash flows from discontinued operations			85
Cash and cash equivalents of the discontinued operations as at December 31			
Currency translation effect on cash and cash equivalents		- 3 436	- 201
Change in cash and cash equivalents		5 676	- 46 954
Cash and cash equivalents as at January 1		45 310	92 264
Cash and cash equivalents as at December 31		50 986	45 310

¹ Restated

Comments on the financial situation

General situation

In financial 2008, most of the out-of-home advertising markets serviced by the Affichage Group were in good shape. In the second half of the year, some underwent a slowdown due to factors related to currency translation, economic circumstances, and portfolio structure. The increase in foreign business led to a greater effect of currency fluctuations on the Group's financial statements.

Sales revenue and real estate revenue

Group-wide sales revenue increased by 17.0% to CHF 452.0 million. Organic growth in currency-adjusted terms amounted to 5.0%. The reduction in real estate revenue by 7.7% to CHF 2.3 million resulted from the sale of a single property.

In the Swiss domestic market, sales revenue rose organically by 2.9% to CHF 305.9 million (prior year CHF 297.3 million). While the first half-year benefited from the non-recurring Euro'08 effect, the slower growth rate in the second 6-month period was due to a prior-year basis effect (national parliamentary elections), the discontinuation of sports marketing mandates for profitability reasons, and a further decline in tobacco advertising budgets.

The foreign share of consolidated sales revenue increased from 23.1% to 32.3% and closed at CHF 146.0 million (prior year CHF 89.1 million). This corresponds to a growth rate of 63.9%. The acquisitions in Romania and Greece as well as the full consolidation of Europlakat's participating interests in Bosnia-Herzegovina, Bulgaria, Montenegro, Serbia, and Hungary within the scope of the dissolution of the Europlakat joint venture generated a consolidated growth contribution of CHF 54.5 million. The effect of currency fluctuations amounted to a decline of CHF 8.1 million. The overall result is an organic, currency-adjusted growth of 11.5%.

Operating income situation: EBITDA and EBIT trends

EBITDA rose by 5.1% to CHF 85.0 million (prior year CHF 80.9 million), corresponding to a consolidated EBITDA margin of 18.8% (prior year 20.9%). The EBITDA margin in the domestic market was 21.8% (prior year CHF 21.2%) and in international operations closed at 12.4% (prior year 18.8%). The main cause of the margin reduction was the insufficient contribution of operations in Greece.

Consolidated operating income (EBIT) amounted to CHF 52.6 million (prior year CHF 54.9 million). The decrease of the EBIT margin to 11.6% (prior year 14.2%) resulted from an increase in depreciation of property, plant, and equipment, and amortization of intangible assets.

Expenses increased mainly due to acquisitions and growth. Fees and commissions, the largest expense item, rose from 45.6% to 46.0% of sales revenue. This increase is attributable to the foreign markets: a partly unsatisfactory ratio between sales revenue and fixed fees as well as all-inclusive products whose sales price covers the cost of poster printing. The percentage reduction of payroll expenditure to 17.7% of sales revenue (prior year CHF 19.2%) is closely related to the increase in operating and administrative costs to 18.0% (prior year 14.9%). This reflects the greater proportion of outsourced services and project costs related to business development. Moreover, value adjustments on foreign customer accounts receivable have been increased.

Net income

Net income fell by 54.6% to CHF 29.7 million (prior year CHF 65.4 million). The decline was predominantly caused by the discontinuation of the extraordinary capital gain of CHF 27.4 million – resulting from the reorganization of the former Europlakat joint venture – and a reduction of financial income by CHF 7.3 million. The reduction is composed mainly of currency-translation differences of CHF 6.1 million and interest amounting to CHF 1.2 million. The consolidated net income attributable to Affichage shareholders closed at 90.0% (prior year 94.8%).

Free cash flow

Cash flow decreased by 25.0% to CHF 58.5 million. Net cash provided by operating activities increased to CHF 71.9 million (prior year CHF 54.7 million). With investments in property, plant, and equipment amounting to CHF 29.2 million, free cash flow before dividend payouts, acquisitions and proceeds from the sale of non-current assets closed at CHF 40.9 million (prior year CHF 10.9 million).

Balance sheet

Total assets declined by 1.7%. Intangible assets amounted to 37.1% of total assets (prior year 34.6%) or 90.2% (prior year 61.2%) of shareholders' equity. Current assets closed at 12.5% of sales revenue (prior year CHF 18.3%). The longer payment periods abroad led to an increase of accounts receivable to CHF 107.2 million (prior year CHF 97.0 million). Due to acquisitions, in combination with a shareholder-friendly payout policy, the net cash result of CHF 2.7 million changed into a net debt result of CHF 36.8 million. Net debt relative to shareholders' equity (gearing) closed at 15.8%. Equity attributable to shareholders declined to CHF 220.6 million (prior year CHF 309.3 million), corresponding to an equity ratio of 38.9% (prior year 53.6%). The reduction is due to actuarial losses from defined benefit plans in the amount of CHF 45.1 million, currency-translation differences totaling CHF 14.5 million, and CHF 35.5 million for share increases in participating interests directly offset against shareholders' equity.

Total shareholder return

Changes in the price of Affichage shares plus dividend payouts correspond to a total shareholder return of minus 42.0% for 2008.

Most important dates

Financial media and analysts conference

February 26, 2009, Zürich

Publication of the annual report

April 28, 2009

General Meeting

May 25, 2009, Geneva

Announcement of semi-annual results

July 30, 2009

Contacts

Christian Kauter

Managing Director, Chief Executive Officer

T +41 58 220 71 66

Ulrich von Bassewitz, Chief Financial Officer

T +41 58 220 77 47

Cover:

NEW Online transparency with Affichage InterMediaMap

Experience it on any computer with mouse-click convenience and without installing software:
Affichage InterMediaMap visualizes poster campaigns via the Internet. The tool is based on Google Maps and provides our customers with all relevant information about available or booked sites, including photos. APG launched it on November 17, 2008. Other Affichage Holding companies will offer the same service soon.

The German version is legally binding.

Affichage Holding SA
23, rue des Vollandes
Case postale 6195
CH-1211 Genève 6
investors@affichage.ch
wwwaffichage.com