Letter to shareholders

Half-year report 2009

July 30, 2009

Contents

Cover:
APG poster networks guarantee a high-yield advertising presence in the hearts of the Swiss population centers.

In the grip of the economic crisis

Dear Shareholder:

The globally dismal economic situation brought with it a significant decrease in advertising budgets in Switzerland as well as all other Affichage markets. In the first half of 2009, our domestic sales revenue declined by 24.0% to CHF 116.2 million; abroad, sales revenue fell by 19.4% to CHF 56.4 million.

Financial highlights:
- Decrease in sales revenue by 22.5% to CHF 172.6 million
- Decrease of EBITDA by 43.1% to CHF 23.1 million
- Decrease of operating income (EBIT) by 66.9% to CHF 8.2 million
- Decrease of net income by 60.9% to CHF 5.9 million
- Decrease of cash flow by 53.8% to CHF 16.3 million

Group financial highlights	in CHF 1 000	1st half of 2009	1st half of 2008	Change
Sales revenue		172 622	222 851	– 22.5%
– Switzerland		116 228	152 903	– 24.0%
– International[1]		56 394	69 948	– 19.4%
EBITDA		23 082	40 593	– 43.1%
– in % of sales revenue		13.4%	18.2%	
Operating income (EBIT)		8 231	24 832	– 66.9%
– in % of sales revenue		4.8%	11.1%	
Consolidated net income		4 684	17 638	– 73.4%
– in % of sales revenue		2.7%	7.9%	
Net income		5 905	15 083	– 60.9%
– in % of sales revenue		3.4%	6.8%	
Cash flow		16 345	35 391	– 53,8%
Investments in property, plant, and equipment		7 662	10 610	– 28,8%
– advertising plant		6 805	7 209	– 5,6%
– other investments		857	3 401	– 74,8%
Net income per share, in CHF		1.98	5.15	

1 Greece and other foreign countries

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

Swiss market
Sales revenue in the first half of the year declined by 24.0% to CHF 116.2 million (1H PY CHF 152.9 million). EBITDA fell by 29.6% to CHF 25.3 million, which corresponds to an EBITDA margin of 21.8% (1H PY 23.5%).

In January, out-of-home advertising sales were still reassuring, but in subsequent months, the economic crisis began to kick in and expedited the downtrend in revenue. Most customers slashed their advertising budgets, and this strongly impacted key account volumes. At the beginning of the year, the Management Board resolved to implement sweeping austerity measures which to some extent cushioned the erosion of income. Among them were a reduction of the head count achieved with a hiring freeze and the non-replacement of jobs lost through natural attrition (retirements, resignations). To avoid job cuts for the time being, APG – the leader in the Swiss poster market and the largest participating interest in the Group – introduced short-time work in logistics and in some backoffice functions. Several projects were abandoned and investments reduced. Also, as has already been communicated, the Board of Directors reduced 2008 premiums for its members and for the management by 50%. Further cost-cutting measures are being developed.

Despite the currently adverse baseline conditions, we have been able to further strengthen our market position in Switzerland. As announced, out-of-home research specialist SPR+ has presented the results of the property analysis of Switzerland's 27 largest railway stations. Based on the insights of the institute's fundamental research, APG is continuously streamlining and renewing its poster panel portfolio, offering customers not only proven sites but also networks now documented with SPR+ performance ratings. The result is an extensive line of attractive individual panels for customized advertising campaigns. The ecological aspect is attractive as well. In most cases, we serve our partner cities and communities with environmentally friendly vehicles and use 100% green electricity at backlit sites. With these and other measures, we have succeeded in cutting our environmental footprint by 20% in comparison with 2004 (see *APG Environment 2009: Facts and Figures*, in German, French, and Italian).

Introduced in April 2009 by APGTraffic together with the electronic passenger information system launched by the Luzern mass transit authority (vbl), the new digital *TrafficMediaScreen* advertising medium has experienced a promising debut. The partnership with Zürich's transportation authority VBZ has been expanded as well. With its new eBoard installations in Winterthur and Luzern, Switzerland's specialized electronic billposting provider eAd now has a presence at 11 locations, among them sites in the five largest cities. Focused on Big Posters, Paron has extended its product line with the addition of innovative animated and 3D solutions. Bercher is working on the implementation of the new advertising concept for the Aéroport International de Genève; it is scheduled for completion in late 2009. APGMontagne, the Number 1 in the mountain resort segment, also extended several concession agreements and strengthened its market position.

International
Sales revenue trended down by 19.4% to a total of CHF 56.4 million (1H PY CHF 69.9 million). EBITDA decreased by 85.4% to CHF 1.4 million, equivalent to an EBITDA margin of 2.4% (1H PY 13.4%).

In Greece, euro-denominated sales declined only by 1.6%. On a currency-adjusted basis, revenues dropped by 7.9% to CHF 28.0 million (1H PY CHF 30.4 million). The Greek authorities announced a ban for tobacco advertising 01.07.2009; it will become effective as at 01.09.2009. This industry generates over 25% of our local sales revenue. To adjust our structures to the new situation, we will lodge an appeal against this decision and believe that the chances of deferring the ban with transitional legislation are good. In Hungary, where we are working under politically and economically difficult circumstances, the out-of-home advertising market is characterized by surplus capacities, predatory pricing, and excessive fees. We are presently reviewing several ways to return our business to the profit zone and in this context will enlist Hungarian partners to participate in our activities. In our other foreign markets, currency-adjusted sales fell by 28.3% to CHF 28.4 million (1H PY CHF 39.6 million).

Organization
As announced earlier, Ivan Schultheiss at APG as well as Pierre-Alain Mettraux at Bercher SA Publicité Générale began their terms as General Managers effective 1.1.2009. Daniel Flück was appointed General Manager of APG-SGA Traffic AG on 1.4.2009. His predecessor Hans Peter Mueller, who held executive positions with APG and APGTraffic for many years, is now the new Vice Chairman of the Board of Directors of APG-SGA Traffic AG.

Outlook
An economic turnaround is not yet in sight. Bookings have become more and more spontaneous, making business trends very unpredictable. Against this backdrop of indecision and uncertainty, it is hardly possible to reliably forecast future business cycles. To the best of its ability, the management is focused on optimizing sales, safeguarding cash flow, and pursuing a strict cost management policy. The objective in our domestic and foreign markets is to sustainably return to a higher profitability level on a lower cost basis.

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

Klaus Hug	Christian Kauter
Chairman of the Board	Managing Director and CEO

Condensed consolidated balance sheet

Assets	in CHF 1 000	30.06.2009	31.12.2008
Property, plant, and equipment		129 937	133 224
Investments in associated companies		304	342
Other financial assets		10 417	11 109
Intangible assets		228 997	210 485
Deferred taxes		15 658	17 786
Non-current assets		385 313	372 946
Inventories		3 946	3 643
Trade accounts receivable		84 173	96 360
Other accounts receivable		36 252	29 889
Deferred expenses and accrued income		18 621	12 840
Marketable securities		629	532
Cash and cash equivalents		22 537	50 986
Current assets		166 158	194 250
Total		551 471	567 196

Shareholders’ equity and liabilities		
Share capital	7 800	7 800
Group reserves	217 137	183 096
Net income	5 905	29 673
Equity held by Affichage Holding AG shareholders	230 842	220 569
Non-controlling interests	6 483	12 704
Shareholders’ equity	237 325	233 273
Provisions	45 849	60 464
Deferred taxes	25 078	24 253
Long-term obligations	24 046	24 329
Long-term liabilities	94 973	109 046
Trade accounts payable	16 960	43 371
Current bank liabilities	72 805	63 985
Taxes payable	11 193	10 980
Other accounts payable	51 243	39 778
Accrued liabilities and deferred income	66 972	66 763
Current liabilities	219 173	224 877
Liabilities	314 146	333 923
Total	551 471	567 196

Consolidated statement of income

in CHF 1 000	1st half of 2009	1st half of 2008	Change
Sales revenue	172 622	222 851	– 22.5%
Real estate revenue	1 073	1 181	– 9.1%
Operating revenue	173 695	224 032	– 22.5%
Fees and commissions	– 83 577	– 107 388	– 22.2%
Payroll expenditure	– 35 336	– 39 747	– 11.1%
Operating and administrative costs	– 31 700	– 36 304	– 12.7%
EBITDA	23 082	40 593	– 43.1%
Depreciation	– 11 014	– 12 053	– 8.6%
Amortization of intangibles	– 3 837	– 3 708	3.5%
Operating income	8 231	24 832	– 66.9%
Financial income	– 627	– 983	– 36.2%
Income from associates	32	69	– 53.0%
Consolidated net income before income tax	7 636	23 918	– 68.1%
Income tax	– 2 952	– 6 280	– 53.0%
Consolidated net income	4 684	17 638	– 73.4%
– of which non-controlling interests	– 1 221	2 555	– 147.8%
– of which Affichage Holding AG shareholders (net income)	5 905	15 083	– 60.9%
Basic and diluted earnings per share, in CHF	1.98	5.15	

Segment information

1st half, in CHF m		Sales revenue	EBITDA	Net income
Switzerland	2009	116.2	25.3	11.8
	2008	152.9	35.9	19.4
Greece	2009	28.0	– 1.6	– 4.8
	2008	30.4	– 2.5	– 6.8
Other foreign countries	2009	28.4	3.0	– 1.8
	2008	39.6	11.9	3.3
Holding	2009		– 3.6	8.5
	2008		– 4.7	35.4
Restatement of consolidated income	2009			– 7.8
	2008			– 36.2
Total	2009	172.6	23.1	5.9
	2008	222.9	40.6	15.1

Consolidated statement of shareholders' equity

							Share of Affichage Holding shareholders			Total
in CHF 1 000	Share capital	Treasury stock	Capital reserves Premiums	Translation differences	Unrealized gains/ losses	Re-valuation reserves	Retained earnings Other re-serves	Total	Non-controlling interests	Share-holders' equity
as at 01.01.2008[1]	7 800	– 11 282	5 632	– 332	266	46 221	260 962	309 267	16 724	325 991
Comprehensive income				– 1 459	37		4 699	3 277	2 833	6 110
Changes in scope of consolidation									– 196	– 196
Dividends							– 25 735	– 25 735	– 1 666	– 27 401
Purchase and sale of treasury stock		1 459					632	2 091		2 091
as at 30.06.2008	7 800	– 9 823	5 632	– 1 791	303	46 221	240 558	288 900	17 695	306 595
as at 01.01.2009	7 800	– 8 980	5 632	– 14 793	295	46 221	184 394	220 569	12 704	233 273
Comprehensive income				1 190	94		21 887	23 171	– 1 443	21 728
Changes in scope of consolidation										
Purchase of										
non-controlling interests									– 3 315	– 3 315
Dividends							– 13 172	– 13 172	– 1 463	– 14 635
Purchase and sale of treasury stock		1 138					– 864	274		274
as at 30.06.2009	7 800	– 7 842	5 632	– 13 603	389	46 221	192 245	230 842	6 483	237 325

[1] Adjusted due to introduction of IFRIC 14

Statement of comprehensive income	1st half of 2009	1st half of 2008
Consolidated net income	4 684	17 638
Unrealized gains/losses on marketable securities	94	37
Currency translation differences	966	– 1 181
Actuarial gains/losses from defined-benefit plans	10 126	– 10 384
Market value adjustments of financial instruments	5 858	
Comprehensive income	21 728	6 110
– of which Affichage Holding AG shareholders	23 171	3 277
– of which non-controlling interests	– 1 443	2 833

Condensed consolidated statement of cash flows

in CHF 1 000	1st half of 2009	1st half of 2008
Consolidated net income	4 684	17 638
Depreciation and amortization	14 851	15 761
Unrealized gains/losses on marketable securities	94	37
Change in provisions, taxes, and interests	– 3 178	2 089
Gain from the sale of non-current assets	– 74	– 65
Income from associates	– 32	– 69
Cash flow	16 345	35 391
Change in inventories	– 303	– 679
Change in accounts receivable	6 766	– 6 344
Change in marketable securities	– 97	– 40
Change in accounts payable	– 31 740	2 812
Change in other deferred expenses, accrued income, accrued liabilities, and deferred income	– 5 334	– 19 063
Net cash provided by operating activities	– 14 363	12 077
Purchase of non-current assets	– 9 317	– 37 275
Proceeds from the sale of non-current assets	1 145	5 389
Net cash used in investing activities	– 8 172	– 31 886
Purchase and sale of treasury stock	274	2 091
Change in current accounts payable to banks	8 820	31 038
Change in debt	– 283	5 814
Dividends to Affichage Holding AG shareholders	– 13 172	– 25 735
Dividends to non-controlling interests	– 1 463	– 1 666
Net cash used in financing activities	– 5 824	11 542
Currency translation effect on cash and cash equivalents	– 90	– 231
Change in cash and cash equivalents	– 28 449	– 8 498
Cash and cash equivalents as at January 1	50 986	45 310
Cash and cash equivalents as at June 30	22 537	36 812

Comments on the financial situation

Affichage Group
In the first half of 2009, the Affichage Group generated sales revenue totaling CHF 172.6 million; this is 22.5% less than during the same period a year ago (CHF 222.9 million). Real estate revenue closed at CHF 1.1 million, 9.1% lower. Mainly due to the high proportion of fixed costs in the Group’s activities, the revenue decline resulted in a reduction of EBITDA by 43.1% to CHF 23.1 million (1H PY CHF 40.6 million), which corresponds to a Group-wide EBITDA margin of 13.4% (1H PY 18.2%). Consolidated operating income (EBIT) closed at CHF 8.2 million (1H PY CHF 24.8 million).

As a result of lower business volumes and initiated cost cutting measures, operating expenses decreased as well. As the largest expense item, fees and commissions declined in step with sales and closed at 48.4% of sales revenue (1H PY 48.2%). This trend is attributable to the variable portions of remunerations, lower commissions, the reduced demand for all-inclusive offers, a change in the revenue mix, and the discontinuation of unprofitable contracts. Payroll expenditure decreased by 11.1% to CHF 35.3 million. This reflects job cuts, short-time work compensation, and the deletion of performance premiums. Mainly because of a reduced quota of outsourced services and projects, operating and administrative costs declined by 12.7% to CHF 31.7 million.

Essentially, the decrease of net income by 60.9% to CHF 5.9 million (1H PY CHF 15.1 million) reflects lower EBITDA and lower taxes. The net income for the first quarter of 2009, which we are reporting at the request of a major shareholder, is CHF –3.8 million. The comprehensive income attributable to Affichage Holding AG shareholders amounts to CHF 23.2 million (1H PY CHF 3.3 million).

Switzerland
In the Swiss market, sales revenue declined by 24.0% to CHF 116.2 million (1H PY CHF 152.9 million). In addition to the hostile economic climate and the very slack demand for advertising services, this sizable reduction is also due to the absence of last year’s special situations (Euro ’08, etc.). The EBITDA margin closed at 21.8% or CHF 25.3 million (1H PY CHF 35.9 million). The reversal of provisions amounting to CHF 1.7 million had a positive effect. Overall, net income closed in positive territory at CHF 11.8 million (1H PY CHF 19.4 million).

International: Greece and Other foreign countries
Pursuant to reporting standard IFRS 8 (Segment reporting), the International Division has been subdivided into Greece and Other foreign markets. In Greece, sales revenue at constant exchange rates declined by 1.6%. Translated into CHF, this is equivalent to a decline of 7.7 % to CHF 28.0 million (1H PY CHF 30.4 million). The negative EBITDA was narrowed by CHF 0.9 million to CHF –1.6 million (1H PY CHF –2.5 million). Pressure on prices has not yet eased. The termination of unprofitable contracts had a positive impact while higher value adjustments on accounts receivable burdened the result. Net income closed at CHF –4.8 million (1H PY CHF –6.8 million). Other foreign countries reported a decline in sales revenue by 28.3% to CHF 28.4 million (1H PY CHF 39.6 million). With acquisitions contributing 3.1% to growth, the reduction is due to demand erosion (16.8%) and exchange rates (14.6%). Basically, the reduction of EBITDA to CHF 3.0 million (1H PY CHF 11.9 million) was caused by shrinking business volumes and negative exchange rate effects. EBITDA was negative in Bosnia and in Hungary. Net income in other foreign countries closed at CHF –1.7 million (1H PY CHF 3.3 million).

Holding and restatement of consolidated income
In compliance with the new reporting standard IFRS 8, expenditures incurred by corporate headquarters are reflected in the holding company statements. Among other positions, the item *Restatement of consolidated income*, which restates the sums of the individual segments in the consolidated statement of income, includes consolidation-related revenue and cost offsets, dividends paid by subsidiaries, and translation differences assigned to and eliminated by the segments.

Balance sheet
Total assets declined versus the prior year by 2.8%. Intangible assets represent 41.5% of total assets (end of PY 37.1%) or 96.5% of shareholders’ equity (end of PY 90.2%). Net current assets amount to 41.2% of sales revenue (end of PY 12.5%). In line with revenues, accounts receivable fell to CHF 99.7 million (end of PY CHF 107.2 million), accented by extended payment terms in foreign markets. The net debt position increased from CHF 36.8 million to CHF 72.7 million. Net debt versus shareholders’ equity (gearing) closed at 30.6% (end of PY 15.8%). Shareholders’ equity attributable to Affichage Holding AG shareholders increased to CHF 230.8 million (end of PY CHF 220.6 million), which corresponds to an equity ratio of 41.9% (end of PY 38.9%). Shareholders’ equity was augmented by actuarial gains of CHF 10.1 million (financial 2008 CHF –45.1 million) from defined-benefit plans, which result from a higher discount factor on future benefit obligations, as well as by currency translation differences of CHF 1.2 million (financial 2008 CHF –14.5 million).

Free cash flow
Cash flow declined by 53.8% to CHF 16.3 million (1H PY CHF 35.4 million). Net cash provided by operating activities was CHF –14.4 million (1H PY CHF 12.1 million). Free cash flow before dividend payouts attained CHF –22.5 million (1H PY CHF –19.8 million), and after dividend payouts closed at CHF –37.2 million (1H PY CHF –47.2 million).

Notes to the consolidated financial statements

Reporting principles of the Affichage Group

The condensed version of the unaudited consolidated semi-annual financial statement as at June 30, 2009, was prepared in compliance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. The accounting and valuation polices are consistent with those applied for the 2008 Annual Report.

The changes relate to

– IFRS 8, Segment reporting: The application of this standard resulted in two additionally reportable segments. Figures are now published for the segments Switzerland, Greece, Other foreign countries and Holding as well as for the restatement of consolidated income.

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 2009, the scope of consolidation remained unchanged.

Acquisitions

The put and call option for 67.57% on Europlakat Kft., Hungary, matured on 12.06.2009. Concurrently, the minority shareholder purchased the 32.43% share. Subsequently, a call option that expires on 30.09.2009 was written to a third party for 25.01% of the company's shares. The prices of the put and call options plus the cash payment for the increase of the interest position to 74.99% amount to CHF 24.2 million. The apportionment of the amount to the following items is provisional: *Acquired shareholders' equity* (CHF 3.3 million), *Intangible assets* (CHF 6.6 million), *Deferred tax liabilities* (CHF 1.3 million) as well as *Goodwill* (CHF 15.6 million). Intangible assets consist of concession agreements that will be straight-line depreciated across the envisaged contract duration of 20 years. The Affichage Group has exercised management control over Europlakat Kft. since 01.07.2007. The company is fully consolidated.

The provisional allotment of the purchase price of the companies acquired as at 01.04.2008 is now final (IFRS 3, Mergers and Acquisitions). The conclusive assessment of the fair market values did not result in any substantial adjustments of the consolidated balance sheet as at 30.06.2009.

Change in shareholders' equity

On May 25, 2009, the Annual General Meeting resolved the payout of a dividend of CHF 4.40 per share for financial 2008. The dividend was paid on all outstanding shares except treasury stock.

Events after the closing date

None

Most important dates

Financial media and analysts conference
February 26, 2010, Zürich

Publication of the annual report
April 28, 2010

General Meeting
May 26, 2010, Geneva

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The German version is legally binding.

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