

Letter to shareholders

Half-year report 2010



Contents

Market trend notes	3
Condensed consolidated balance sheet	6
Consolidated statement of income	7
Consolidated statement of shareholders' equity	8
Condensed consolidated statement of cash flows	9
Comments on the financial situation	10
Notes to the consolidated financial statements	12
Most important dates	13

Cover: Zürich, Bahnhofstrasse

Posters tap into the mobility of people from the doorstep to the point of interest: to promote the clearance sale of products and services as well as for effective brand communication.

Slight rebound in Switzerland, re-evaluation abroad

Dear Shareholder:

In the first half of 2010, our domestic sales revenue in Switzerland slightly rose by 0.2% to CHF 116.5 million; abroad, sales revenue fell by 49.9% to CHF 24.5 million.

Financial highlights:

- Decline of sales revenue by 14.6% to CHF 141.0 million
- Decline of EBITDA by 33.7% to CHF 16.0 million
- Decline of operating income (EBIT) by 37.4% to CHF 6.2 million
- Decline of net income by 84.3% to CHF 0.9 million
- Decline of cash flow by 20.0% to CHF 13.9 million

Group financial highlights	in CHF 1 000	1 st half of 2010	1 st half of 2009 ¹	Change
Sales revenue		141 023	165 146	– 14.6%
– Switzerland		116 498	116 228	0.2%
– International ²		24 525	48 918	– 49.9%
EBITDA		16 033	24 169	– 33.7%
– in % of sales revenue		11.4%	14.6%	
Operating income (EBIT)		6 246	9 971	– 37.4%
– in % of sales revenue		4.4%	6.0%	
Income from ongoing business activities		945	6 346	– 85.1%
– in % of sales revenue		0.7%	3.8%	
Consolidated net income		945	4 684	– 79.8%
– in % of sales revenue		0.7%	2.8%	
Net income		927	5 904	– 84.3%
– in % of sales revenue		0.7%	3.6%	
Cash flow		13 905	17 387	– 20.0%
Investments in property, plant, and equipment		1 384	7 662	– 81.9%
– advertising plant		628	6 805	– 90.8%
– other investments		756	857	– 11.8%
Net income per share, in CHF		0.32	1.98	– 83.8%

¹ Adjusted due to IFRS 5

² 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 rose by 0.2% to CHF 116.5 million (1H PY CHF 116.2 million). EBITDA picked up by 11.9% to CHF 27.2 million, resulting in an EBITDA margin of 23.3% (1H PY 20.9%). The first quarter was characterized by modest sales growth on a lower cost basis, but the momentum flattened out in the second quarter.

We can rely on a healthy foundation in the Swiss market and were able to strengthen it yet again. In an environment that reflected the first positive signs of economic growth, we leveraged proven Affichage strengths: holistic out-of-home concepts, product innovations based on new technologies as well as media research insights, comprehensive and continuously evolving service tools, and active marketing communication. APG, the Swiss market leader in posters and the most significant subsidiary in terms of sales, nearly completed the restructuring work associated with the reorganization program. Due to our performance track record, long-standing contractual loyalty, and a cooperative spirit in our business partnerships, we are trusted by cities, communities, and private concession partners. In a tender process initiated by the city of Bern, APG won the concession contract that is valid until 2018 and thus still holds all major city contracts in Switzerland. Our commitment to ecology has been successful. Among others, technical measures, eco electricity for illuminated advertising plant, and the deployment of eco vehicles allowed us to reduce our environmental impact by about 25% between 2005 and 2009. On the customer side, the implementation of the SPR+ research results has had reassuring consequences. Starting in 2011, new scientifically surveyed SPR+ performance metrics (pedestrian frequencies, poster contacts) will be decisive factors in individually pricing every single panel in railway stations, as has been the case with respect to individually rated roadside panels for some time now. Thus, the market benefits from a unified, transparent, and comprehensible pricing system in the two most important billposting segments.

With ongoing development work and innovative offers, APGTraffic has been posting continuous growth in the past years. The TrafficMediaScreen, a new digital format introduced within the scope of the electronic passenger information system operated by the Luzern mass transit system vbl, was successfully positioned in the advertising market. A representative opinion survey conducted by an independent market research institute confirmed that passengers also highly appreciate the on-screen information as an enhancement of travel convenience. The public's substantial interest in the FIFA World Cup was successfully tapped by eAd, Switzerland's leading provider of electronic out-of-home advertising, with a special campaign. APGMontagne was able to finalize new exclusive contracts with the resort lift operators in Corvatsch, Piz Nair, and Lenzerheide. It also renewed many other agreements and thus broadened its leadership position in Switzerland's best-known mountain resorts. Specialized in oversized formats, Paron secured new sites in Zürich and Bern. As a complement to classic Big Posters, a diversified line of innovative offers (2D and 3D solutions, animated posters, etc.) is generating brisk demand with promising outlooks for growth. Within the scope of the contract extension with the Aéroport International de Genève, our airport specialist Bercher also widened its lineup of deliverables with a new advertising concept.

International

Overall, sales revenue declined by 49.9% to CHF 24.5 million (1H PY CHF 48.9 million). EBITDA fell to CHF –7.8 million, which corresponds to an EBITDA margin of –31.8% (1H PY 5.0%).

In Greece, the government systematically enforced its new regime in the implementation of legal outdoor advertising regulations. This prevents the use of many poster panels and is associated with a substantial contraction, also for Affichage Hellas. The result has been a perceptible image problem for out-of-home advertising and subsequently, a number of customer budgets were withdrawn. Compounded by the ban on tobacco advertising and the continued economic crisis, sales revenue expressed in local currency declined by 75%. This is forcing us to heavily redimension our Greek infrastructure and also downsize a considerable number of jobs. In Serbia, we are participating in the tender for the new 10-year contract with Belgrade, the country's capital. It covers all 12-m² panels, all free-standing Citylight Posters (CLP), as well as columns on public property. First Avenue GmbH in Bolzano (South Tyrol) concluded a contract with Städtischer Autobus Service AG (SASA), a public passenger transportation authority. It provides our subsidiary with exclusive bus panel marketing rights in the cities of Bolzano and Merano, now also making it the transit advertising market leader in the province of Bolzano. Romania is suffering heavily from the economic crisis and sales revenues there declined by over 40%.

Foreign operations trended clearly lower than expected and do not seem to have bottomed out yet. The difficult situation prompted us to review the entire portfolio, with emphasis on Greece. Under consideration of all business and legal options, we are performing a fundamental reappraisal to develop a new foreign market strategy on an adjusted basis.

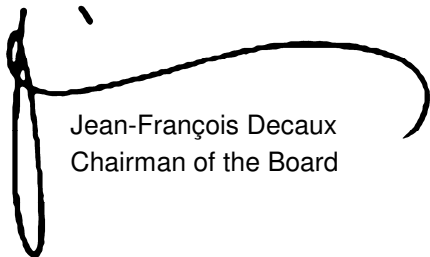
Organization

Christian Kauter, long-serving Managing Director and CEO of the Affichage Group, retired effective June 30, 2010. In the transition phase until October 1, 2010, when his successor Daniel Hofer begins his tenure as the new CEO, the operations of Affichage Holding SA will be overseen ad interim by Markus Scheidegger, long-standing member of the Board of Directors. Thomas Rainer, the new COO International, began his work in taking stock of and analyzing our foreign market portfolio as of June 1, 2010.

Outlook

While the economy in Switzerland is showing signs of a partial recovery, the situation in our foreign markets remains very dire. It is extremely difficult to predict future business trends, because the advertising markets are exceptionally volatile due to extremely short-term decision-making on the customer side. Our management's focus remains on revenue-boosting measures, safeguarding cash flow, and rigorous cost control.

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



Jean-François Decaux
Chairman of the Board



Markus Scheidegger
Member of the Board, interim CEO

Condensed consolidated balance sheet

Assets	in CHF 1 000	30.06.2010	31.12.2009
Property, plant, and equipment		97 213	106 710
Investments in associated companies		313	316
Other financial assets		3 077	3 266
Intangible assets		124 823	131 810
Deferred taxes		30 536	27 068
Non-current assets		255 962	269 170
Inventories		3 649	3 535
Trade accounts receivable		52 542	65 943
Other accounts receivable		21 313	26 570
Deferred expenses and accrued income		11 055	8 416
Marketable securities		561	554
Cash and cash equivalents		21 453	20 901
Current assets		110 573	125 919
Total		366 535	395 089
Shareholders' equity and liabilities			
Share capital		7 800	7 800
Group reserves		129 994	216 580
Net income		927	- 59 132
Equity held by Affichage Holding AG shareholders		138 721	165 248
Non-controlling interests		1 514	1 926
Shareholders' equity		140 235	167 174
Provisions		52 935	26 655
Deferred taxes		9 857	10 505
Long-term obligations		15 856	10 964
Long-term liabilities		78 648	48 124
Trade accounts payable		18 989	38 551
Current bank liabilities		35 001	46 005
Taxes payable		1 409	2 995
Other accounts payable		38 562	41 343
Accrued liabilities and deferred income		53 691	50 897
Current liabilities		147 652	179 791
Liabilities		226 300	227 915
Total		366 535	395 089

Consolidated statement of income

in CHF 1 000	1 st half of 2010	1 st half of 2009 ¹	Change
Sales revenue	141 023	165 146	- 14.6%
Real estate revenue	1 112	1 089	2.2%
Operating revenue	142 135	166 235	- 14.5%
Fees and commissions	- 69 283	- 78 305	- 11.5%
Payroll expenditure	- 33 516	- 34 648	- 3.3%
Operating and administrative costs	- 23 303	- 29 113	- 20.0%
EBITDA	16 033	24 169	- 33.7%
Depreciation	- 7 353	- 10 401	- 29.3%
Amortization of intangibles	- 2 433	- 3 797	- 35.9%
Operating income	6 247	9 971	- 37.4%
Financial income	- 3 921	- 701	
Income from associates	36	32	12.9%
Consolidated net income before income tax	2 362	9 302	- 74.6%
Income tax	- 1 417	- 2 955	- 52.0%
Income from ongoing business activities	945	6 347	- 85.1%
Income from discontinued operations, net of tax		- 1 663	
Consolidated net income	945	4 684	- 79.8%
- of which non-controlling interests	18	- 1 221	
- of which Affichage Holding AG shareholders (net income)	927	5 905	- 84.3%
Basic and diluted earnings per share, in CHF	0.32	1.98	

¹ Adjusted due to IFRS 5

Segment information

1 st half, in CHF m		Sales revenue	EBITDA	Net income
Switzerland	2010	116.5	27.2	19.5
	2009	116.2	24.3	12.0
Greece	2010	7.1	- 10.6	- 12.1
	2009	28.0	- 1.6	- 4.8
Other foreign countries	2010	17.4	2.8	- 3.5
	2009	20.9	4.0	- 1.5
Holding	2010	0.1	- 4.6	4.4
	2009		- 3.6	8.5
Restatement of consolidated income	2010	- 0.1	1.2	- 7.4
	2009		1.1	- 8.3
Total	2010	141.0	16.0	0.9
	2009	165.1	24.2	5.9

Consolidated statement of shareholders' equity

in CHF 1 000	Share of Affichage Holding shareholders								Non-controlling interests	Total Shareholders' equity
	Share capital	Treasury stock	Capital reserves Premiums	Translation differences	Unrealized gains/losses	Re-valuation reserves	Retained earnings Other reserves	Total		
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
as at 01.01.2010	7 800	- 6 979	5 632	- 13 327	311	46 221	125 590	165 248	1 926	167 174
Comprehensive income				- 7 261	3		- 19 365	- 26 623	- 11	- 26 634
Changes in scope of consolidation										
Purchase of non-controlling interests										
Dividends									- 401	- 401
Purchase and sale of treasury stock		- 680					776	96		96
as at 30.06.2010	7 800	- 7 659	5 632	- 20 588	314	46 221	107 001	138 721	1 514	140 235

Statement of comprehensive income	Gross		Income tax effect		1st half of 2010 Net		Income tax effect		1st half of 2009 Net	
	Income from ongoing business activities					945				6 347
Unrealized gains/losses on marketable securities		4		- 1	3	125		- 31		94
Currency translation differences		- 6 536		- 755	- 7 291	1 181		- 215		966
Actuarial gains/losses from defined-benefit plans		- 27 055		6 764	- 20 291	13 501		- 3 375		10 126
Market value adjustment of financial instruments										5 858
Income from discontinued operations										- 1 663
Comprehensive income					- 26 634					21 728
- of which Affichage Holding SA shareholders					- 26 623					23 171
- of which non-controlling interests					- 11					- 1 443

Condensed consolidated statement of cash flows

in CHF 1 000	1 st half of 2010	1 st half of 2009 ¹
Income from ongoing business activities	945	6 347
Depreciation and amortization	9 786	14 198
Unrealized gains/losses on marketable securities	3	94
Change in provisions, taxes, and interests	3 182	– 3 146
Loss/gain from the sale of non-current assets	25	– 74
Income from associates	– 36	– 32
Cash flow	13 905	17 387
Change in inventories	– 237	– 312
Change in accounts receivable	15 576	7 414
Change in marketable securities	– 7	– 97
Change in accounts payable	– 20 529	– 31 666
Change in other deferred expenses, accrued income, accrued liabilities, and deferred income	1 546	– 5 616
Net cash provided by operating activities	10 254	– 12 890
Purchase of non-current assets	– 1 808	– 8 810
Proceeds from the sale of non-current assets	10	1 145
Net cash used in investing activities	– 1 798	– 7 665
Purchase and sale of treasury stock	96	274
Change in current accounts payable to banks	– 11 004	8 805
Change in debt	4 909	– 309
Dividends to Affichage Holding AG shareholders		– 13 172
Dividends to non-controlling interests	– 401	– 1 463
Net cash used in financing activities	– 6 400	– 5 865
Cash flow from discontinued operations		– 1 972
Currency translation effect on cash and cash equivalents	– 1 504	– 57
Change in cash and cash equivalents	552	– 28 449
Cash and cash equivalents as at January 1	20 901	50 986
Cash and cash equivalents as at June 30	21 453	22 537

¹ Adjusted due to IFRS 5

Comments on the financial situation

General

The foreign markets serviced by the Affichage Group trended disparately in the first half of 2010. While a slow but volatile recovery is developing in Switzerland, the slump in demand remained unchanged in most foreign markets. The still challenging business environment, the unsatisfactory result in Greece, currency translation losses, and IFRS-based burdens involving pension fund liabilities had an impact on both income and the balance sheet. A respectable cash flow was generated thanks to the momentum of the Swiss market.

Affichage Group

Group-wide sales revenue fell by 14.6% to CHF 141.0 million (1H PY CHF 165.1 million). Organic growth in local currencies amounted to -13.5%. The impact of foreign currency translation was -1.1%. Real estate revenue increased by 2.2% to CHF 1.2 million.

The operating result is heavily impacted by the difficult situation abroad. Group-wide austerity measures only partially offset these effects. EBITDA decreased by 33.7% to CHF 16.0 million (1H PY CHF 24.2 million), which corresponds to a Group-wide EBITDA margin of 11.4% (1H PY 14.6%).

Net income declined to CHF 0.9 million (1H PY CHF 5.9 million). The decrease reflects business volume reductions, reduced depreciation, currency translation losses (CHF 3.4 million) as well as losses in foreign countries that cannot be capitalized. Net income for the first quarter of 2010, which we are additionally disclosing at the request of a major shareholder, was CHF -3.6 million. The comprehensive income attributable to Affichage Holding AG shareholders amounts to CHF -26.6 million (1H PY CHF 23.2 million).

Switzerland

In the Swiss market, sales revenue increased slightly by 0.2% to CHF 116.5 million (1H PY CHF 116.2 million).

EBITDA closed at CHF 27.2 million (1H PY CHF 24.3 million). Thanks to effects attributable to restructuring measures, the EBITDA margin climbed to 23.3% (PY 20.9%). Net income amounted to CHF 19.5 million (1H PY CHF 12.0 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. The total foreign share of consolidated sales declined from 29.6% to 17.4% and closed at CHF 24.5 million (1H PY CHF 48.9 million). The aggregate decrease was 49.9%, of which negative currency translation effects account for 3.3%. Overall, EBITDA generated in international operations amounted to CHF –7.8 million (1H PY CHF 2.5 million).

Greece reported a sales revenue decline of 74.5% to CHF 7.1 million (1H PY CHF 28.0 million), of which 1.2% was currency-related. Apart from the economic crisis, contributing factors included the national ban on tobacco advertising (share of sales nearly 30%) as well as the new regime in enforcing legal outdoor advertising regulations. The continuing reduction of operating costs did not keep up with the decrease in sales revenue. This situation resulted in an EBITDA of CHF –10.6 million (1H PY CHF –1.6 million) and a net income of CHF –12.1 million (1H PY CHF –4.8 million).

Sales revenue in other foreign countries decreased by 16.7% to CHF 17.4 million (1H PY CHF 20.9 million), of which 6.1% was currency-related. The sales collapses in Central Europe range from –6.6% to –36.9% and can only be conditionally cushioned by cost flexibility. As a result, EBITDA fell to CHF 2.8 million (1H PY CHF 4.0 million), which corresponds to an EBITDA margin of 16.0% (1H PY 19.3%).

Cash flow

Cash flow closed at CHF 13.9 million (1H PY CHF 17.4 million). Net cash provided by operating activities, i.e. cash-generating income under consideration of changes in net current assets, was CHF 10.3 million (1H PY CHF –12.9 million). Less investments in property, plant, and equipment of CHF 1.8 million, free cash flow closed at CHF 8.5 million (1H PY CHF –20.6 million).

Balance sheet

Total assets fell by 7.2% to CHF 366.5 million. Intangible assets account for 34.1% of total assets (end of PY 33.4%) and 89.0% of shareholders' equity (end of PY 78.8%). Net current assets amounted to 26.4% of sales revenue (PY 43.1%). Accounts receivable decreased to CHF 52.5 million (end of PY CHF 65.9 million). Net debt continued to shrink and closed at CHF 28.0 million (end of PY CHF 34.6 million). The debt factor – net debt divided by EBITDA – was 0.75 (end of PY 0.76). Shareholders' equity declined to CHF 138.7 million (end of PY CHF 165.2 million), which is equivalent to an equity ratio of 37.8% (end of PY 41.8%). Shareholders' equity was negatively influenced by currency translation losses of CHF 7.3 million and non-realized actuarial losses from defined-benefit plans amounting to CHF 20.3 million (versus 1H PY profit of CHF 10.1 million), caused by the reduction of the discount rate and the actual yield of the plan assets which failed to meet expectations.

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, 2010, was prepared in compliance with International Accounting Standard (IAS) 34 – *Interim Financial Reporting*. The accounting and valuation policies remain consistent with those applied for the 2009 Annual Report.

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 2010, the scope of consolidation remained unchanged.

Change in shareholders' equity

On May 26, 2010, the General Meeting resolved to waive the payment of a dividend.

Events after the closing date

None

Most important dates

Financial media and analysts conference

March 2, 2011, Zürich

Publication of the annual report

April 28, 2011

General Meeting

May 26, 2011, Geneva

Contacts

Markus Scheidegger

Member of the Board, interim Chief Executive Officer

T +41 31 352 24 24

Ulrich von Bassewitz, Chief Financial Officer

T +41 58 220 77 47

Information online

www.affichage.com

The German version is legally binding.

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