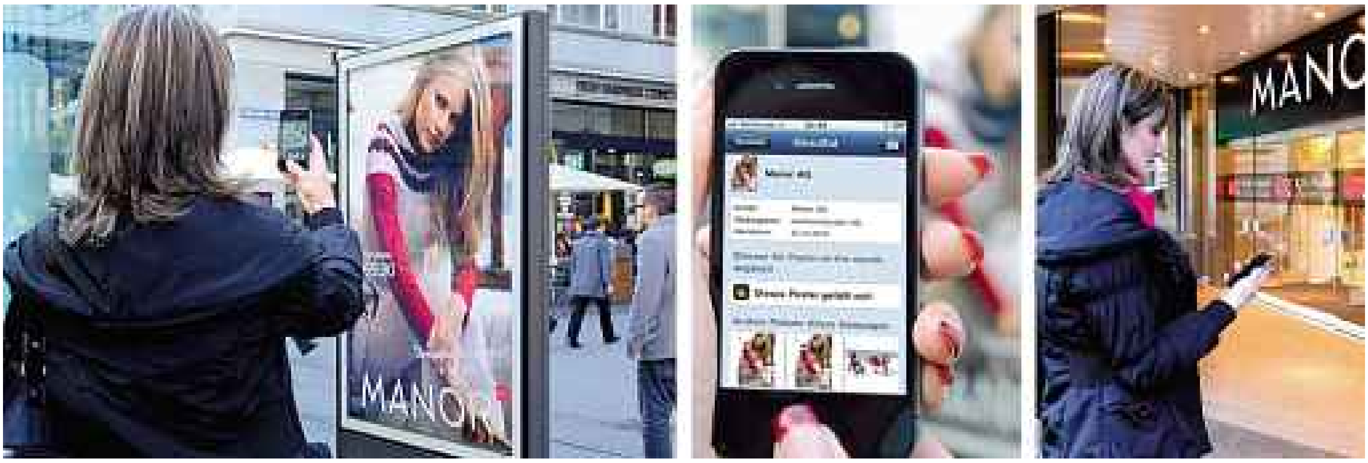
Letter to shareholders

Half-year report 2011



July 28, 2011

Good result and contract renewals in Switzerland. Progress in streamlining foreign interests portfolio.

In brief

- Increase of sales revenue by 0.6% to CHF 141.9 million
- Growth of EBITDA by 108.4% to CHF 33.4 million
- Operating income (EBIT) at CHF 25.4 million
- Net income at CHF 19.8 million
- Increase of free cash flow by 105.3% to CHF 17.4 million
- New net cash position of CHF 12.9 million (as at 31.12.2010: CHF 4.1 million in net debt)

Group financial highlights	in CHF 1 000	1st half of 2011	1st half of 2010	Change
Sales revenue		**141 886**	141 023	0.6%
– Switzerland		**125 280**	116 498	7.5%
– International [1]		**16 605**	24 525	– 32.3%
EBITDA		**33 411**	16 033	108.4%
– in % of sales revenue		**23.5%**	11.4%	
Operating income (EBIT)		**25 368**	6 246	306.1%
– in % of sales revenue		**17.9%**	4.4%	
Income from continuing operations		**20 002**	945	
– in % of sales revenue		**14.1%**	0.7%	
Consolidated net income		**20 002**	945	
– in % of sales revenue		**14.1%**	0.7%	
Net income		**19 773**	927	
– in % of sales revenue		**13.9%**	0.7%	
Cash flow		**25 794**	13 905	85.5%
Free Cash flow		**17 362**	8 456	105.3%
Investments in property, plant, and equipment		**3 994**	1 384	188.5%
– advertising plant		**3 270**	628	420.7%
– other investments		**723**	756	– 4.4%
Income from continuing operations per share, in CHF				
Net income per share, in CHF		**6.73**	0.32	

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

Dear shareholder:

Business development
After two disappointing years characterized by difficulties in foreign activities, the company was again able to achieve a good result in the first half of 2011. In Switzerland, sales revenue and net income increased within the scope of our expectations. We have discontinued operations in Greece, thus eliminating the largest source of losses abroad. The restructuring of operations in the other foreign markets is being systematically pursued.

Consolidated sales revenue in the first half of 2011 rose by 0.6% to CHF 141.9 million (1HPY CHF 141.0 million). EBITDA picked up by 108.4% to CHF 33.4 million (1HPY CHF 16.0 million), which corresponds to a consolidated EBITDA margin of 23.5% (1HPY 11.4%). Net income closed at CHF 19.8 million (1HPY CHF 0.9 million).

Swiss market
The companies in Switzerland trended as expected. Sales revenue in the first half of 2011 advanced by 7.5% to CHF 125.3 million (1HPY CHF 116.5 million). EBITDA improved by 17.5% to CHF 29.5 million, equivalent to an EBITDA margin of 23.5% (1HPY 23.3%). The good overall result reflects the solid economy and our systematic cost management approach.

Within the framework of a multi-stage tender, APG, our largest participating interest in terms of revenue, was awarded a five-year extension of the billposting concession on public properties in the city of Geneva. This further strengthened the market leader's position as Switzerland's major out-of-home advertising provider with contiguous coverage of all of the country's significant population centers. In addition to its standard portfolio and Profitline products, APG markets the Premium Citystar200L Big5 network consisting exclusively of prime sites in downtown locations nationwide; this offer accommodates the growing demand not least from the luxury segment. In response to positive feedback, APG is expanding the lineup of Premium Branding products in budget year 2012. The finalization of six new shopping center concession agreements was another reassuring highlight in the first half of 2011: Near the point of sale at the right time, posters generate the greatest leverage for boosting sales and among all classic advertising media achieve the highest return on investment as repeatedly reaffirmed by studies in the recent past. APG's new digital services – the online PosterDirect booking tool and PosterPlus – deliver substantial added value for customers and enjoy considerable popularity. Direct communication with specific target groups reinforces the poster's role as a sales engine, supported by the rapid proliferation of smartphones in Switzerland.

In cooperation with APG and eAd, APGTraffic won the important tender issued by Transports publics de la région lausannoise SA; it covers the entire advertising portfolio of this mass transit authority and includes the exclusive right to market the assets of Métro Lausanne (m1 and m2). The company also finalized or renewed multi-year contracts with several other public transportation administrators. As a partner to more than 90% of all urban and regional transit system operators as well as to the Swiss PostBus network, APGTraffic generated double-digit sales revenue growth in the first half of 2011. eAd, the leading provider of electronic out-of-home communication, reports a new milestone with further ePanels commissioned effective June 20, 2011, in the RailCity stations of Basel, Bern, Lausanne, Luzern, and Zürich HB. Due to the construction work currently ongoing in Geneva, this city's station will be outfitted somewhat later. The 43 portrait-format screens (1.01 x 1.80 m) installed at high-exposure locations deliver moving pictures in full-HD quality and reach a total of about 840,000 people a day in Switzerland's largest railway stations.

Airport specialist Bercher has refined and successfully marketed its innovative backlit panel portfolio at Genève Aéroport. Paron reports solid growth in the Big Poster segment. Switzerland's No. 1 in large-format communication is benefiting from the brisk economy, and – thanks to its broad product spectrum and customized solutions – is being involved in more and more long-term planning processes. Specialized in out-of-home advertising in mountain resorts, APGMontagne, now under new management, extended important concession agreements and added internationally known brands to its roster of new customers.

Foreign markets
The strategic realignment and focus on the Swiss home market as communicated this spring resulted in a search for new ownership structures in the short to medium term for legacy activities in Romania, Hungary, Bulgaria, Bosnia-Herzegovina and South Tyrol, markets from which we will withdraw. Several available options are currently being reviewed and negotiations are underway with a number of prospective buyers. Some transfers of ownership have already taken place. The heavily loss-generating operations in Greece were discontinued. Given the strong market position and positive medium-term outlook of our companies in Serbia and Montenegro, we will keep them in our portfolio and further evolve their business activities.

In Greece, where the negative trend continued unabated in the first quarter, we were able to sell our assets in early April. Now, our priority is on liquidating the respective structures as quickly as possible. In the meantime, a Cypriot court has ruled that we are entitled to secure a payment of EUR 2.5 million from a bank guarantee which the seller of the Greek shares had attempted to block with an injunction. All other civil and criminal law proceedings that we instigated are being pursued.

In conjunction with the ten-year contracts finalized in 2010 with the city of Belgrade and the resulting necessity to upgrade the advertising plant, a temporary delay in the sale of the respective advertising assets in Serbia during the first quarter of the year resulted in sales revenue declines. However, the investments allocated to new advertising plant already had a positive impact on second-quarter revenues, so effective mid-year, slight growth in local currencies was posted despite the ongoing economic crisis. Particularly in Belgrade, we now have a high-quality network of out-of-home advertising plant and a very strong position as the market leader there.

In Romania, operations were sluggish in the first half of the year as well, reflecting the adverse economic baseline conditions. This is compounded by the fact that we are still in litigation with the minority shareholder and general manager as regards the valuation of a put option. In Bulgaria, we sold our 65% interest position in Europlakat Bulgaria OOD to the former partner and general manager, thus completing our withdrawal from operations there. In Hungary, we sold our share in VBM Kft. to Wall AG, the previous partner in this venture.

Outlook
In view of the so far stable economic situation and the upcoming parliamentary elections, the business trend in our Swiss domestic market should remain positive in the second half of the year as well. In our foreign markets, we will continue to focus on measures to optimize our portfolios. Projections regarding sales revenues and income in the markets we serve are difficult to make because the endogenous and exogenous factors that affect business cannot be reliably predicted. From the current perspective, the emerging positive trend in income and cash flow will allow us to restore the company’s traditionally shareholder-friendly dividend policy for financial 2011.

Jean-François Decaux
Chairman of the Board

Dr. Daniel Hofer
Chief Executive Officer

Condensed consolidated balance sheet

Assets	in CHF 1 000	30.06.2011	31.12.2010
Property, plant, and equipment		**82 952**	87 907
Investments in associated companies		**309**	333
Other financial investments		**2 848**	2 043
Intangible assets		**72 719**	75 263
Deferred taxes		**12 222**	15 195
Non-current assets		**171 050**	180 741
Inventories		**3 129**	3 424
Trade accounts receivable		**41 879**	44 366
Other accounts receivable		**17 283**	11 692
Deferred expenses and accrued income		**10 474**	8 210
Marketable securities		**422**	430
Cash and cash equivalents		**28 703**	26 253
Current assets		**101 890**	94 375
Total		**272 940**	275 116

Shareholders' equity and liabilities			
Share capital		**7 800**	7 800
Group reserves		**84 110**	144 268
Net income		**19 773**	– 52 306
Equity held by Affichage Holding SA shareholders		**111 683**	99 762
Non-controlling interests		**797**	1 163
Shareholders' equity		**112 480**	100 925
Provisions		**40 449**	31 130
Deferred taxes		**7 614**	7 588
Long-term financial liabilities		**696**	15 732
Non-current liabilities		**48 759**	54 450
Trade accounts payable		**9 686**	18 336
Current accounts payable to banks		**16 200**	15 770
Taxes payable		**1 134**	3 036
Other accounts payable		**29 853**	28 753
Accrued liabilities and deferred income		**54 828**	53 846
Current liabilities		**111 701**	119 741
Liabilities		**160 460**	174 191
Total		**272 940**	275 116

Consolidated income statement

in CHF 1 000	1st half of 2011	1st half of 2010	Change
Advertising revenue	**141 886**	141 023	0.6%
Real estate revenue	**1 216**	1 112	9.4%
Operating revenue	**143 102**	142 135	0.7%
Fees and commissions	**– 62 091**	– 69 283	– 10.4%
Personnel expenses	**– 32 155**	– 33 516	– 4.1%
Operating and administrative costs	**– 22 242**	– 23 303	– 4.6%
Other income	**6 797**		
EBITDA	**33 411**	16 033	108.4%
Depreciation	**– 5 627**	– 7 353	– 23.5%
Amortization of intangible assets	**– 2 416**	– 2 433	– 0.7%
Operating income (EBIT)	**25 368**	6 247	306.1%
Financial income	**125**	485	
Financial expenses	**– 486**	– 4 406	
Income from associates	**26**	36	
Income before income tax	**25 033**	2 362	959.8%
Income tax	**– 5 031**	– 1 417	
Income from continuing operations	**20 002**	945	
Income from discontinued operations, net of tax			
Consolidated net income	**20 002**	945	
– of which non-controlling interests	**229**	18	
– of which Affichage Holding SA shareholders (net income)	**19 773**	927	
Basic and diluted earnings per share, in CHF	**6.73**	0.32	

Segment information

1st half, in CHF m		Advertising revenue	EBITDA	Net income
Switzerland	**2011**	**125.3**	**29.5**	**19.6**
	2010	116.5	27.2	17.4 [1]
Greece	**2011**	**1.2**	**4.0**	**3.1**
	2010	7.1	– 10.6	– 10.0 [1]
Other foreign countries	**2011**	**15.4**	**2.4**	**– 0.6**
	2010	17.4	2.8	– 3.5
Holding	**2011**	**0.1**	**– 3.9**	**5.9**
	2010	0.1	– 4.6	4.4
Restatement of consolidated income	**2011**	**– 0.1**	**1.2**	**– 8.2**
	2010	– 0.1	1.2	– 7.4
Total	**2011**	**141.9**	**33.4**	**19.8**
	2010	141.0	16.0	0.9

1 Reclassification of CHF 2.1 million in tax refunds from segment Switzerland to segment Greece

Consolidated statement of comprehensive income

in CHF 1 000	1st half	Gross	Income tax effect	2011 Net	Gross	Income tax effect	2010 Net
Consolidated net income				**20 002**			945
Unrealized gains/losses on available-for-sale securities		– 11	2	**– 9**	4	– 1	3
Currency translation differences		115	– 276	**– 161**	– 6 536	– 755	– 7 291
Actuarial gains/losses from defined-benefit plans		– 10 683	2 671	**– 8 012**	– 27 055	6 764	– 20 291
Comprehensive income				**11 820**			– 26 634
– of which non-controlling interests				**276**			– 11
– of which Affichage Holding SA shareholders				**11 544**			– 26 623

Consolidated statement of changes in equity

in CHF 1 000	Share capital	Capital reserves Premiums	Treasury shares	Translation differences	Available-for-sale securities	Re-valuation reserves	Retained earnings Other reserves	Share of Affichage Holding SA shareholders Total	Non-controlling interests	Total Share-holders' equity
as at January 1, 2010	7 800	5 632	– 6 979	– 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 shares			– 680				776	**96**		**96**
as at June 30, 2010	7 800	5 632	– 7 659	– 20 588	314	46 221	107 001	**138 721**	1 514	**140 235**
as at January 1, 2011	7 800	5 632	-9 539	– 19 927	187	46 059	69 550	**99 762**	1 163	**100 925**
Comprehensive income				– 208	– 9		11 761	**11 544**	276	**11 820**
Purchase of										
non-controlling interests							21	**21**	– 21	
Dividends/capital decrease									– 621	**– 621**
Purchase and sale of treasury shares			332				24	**356**		**356**
as at June 30, 2011	7 800	5 632	– 9 207	– 20 135	178	46 059	81 356	**111 683**	797	**112 480**

Condensed consolidated statement of cash flows

in CHF 1 000	1st half of 2011	1st half of 2010
Income from continuing operations	**20 002**	945
Depreciation, amortization and impairment	**8 043**	9 786
Unrealized gains/losses on securities	**– 9**	3
Change in provisions, taxes, and interest	**1 912**	3 182
Gains/losses from the sale of non-current assets	**– 4 128**	25
Income from associates	**– 26**	– 36
Cash flow	**25 794**	13 905
Change in inventories	**281**	– 237
Change in accounts receivable	**– 1 562**	15 576
Change in marketable securities	**8**	– 7
Change in accounts payable	**– 7 288**	– 20 529
Change in other deferred expenses, accrued income, accrued liabilities, and deferred income	**– 407**	1 546
Net cash provided by operating activities	**16 826**	10 254
Capital expenditures in non-current assets	**– 3 994**	– 1 808
Sale of non-current assets	**4 530**	10
Net cash used in investing activities	**536**	– 1 798
Purchase and sale of treasury shares	**357**	96
Change in current accounts payable to banks	**– 14 570**	– 11 004
Change in long-term financial liabilities		4 909
Dividends to Affichage Holding SA shareholders		
Dividends/return of capital to non-controlling interests	**– 621**	– 401
Net cash used in financing activities	**– 14 834**	– 6 400
Cash flows from discontinued operations		
Cash and cash equivalents of the discontinued operations as at June 30		
Currency translation effect on cash and cash equivalents	**– 78**	– 1 504
Change in cash and cash equivalents	**2 450**	552
Cash and cash equivalents as at January 1	**26 253**	20 901
Cash and cash equivalents as at June 30	**28 703**	21 453

Comments on the financial situation

General

In the first half of 2011, the out-of-home markets served by the Affichage Group exhibited disparate momentum. While business in Switzerland remained brisk, the recession- and currency-related slump abroad continued to unfold. Thanks to solid results in the Swiss domestic market, the decision to terminate the loss-generating activities in Greece, and a noticeably improved financial result due to lower currency translation losses elsewhere in its foreign markets, the Group was able to post a respectable result again.

Affichage Group

Consolidated sales revenue increased by 0.6% to CHF 141.9 million (1HPY CHF 141.0 million). Organic growth expressed in local currencies was 2.3%. Because of the strong Swiss franc, currency translation imposed a burden amounting to –0.6%.Real estate revenue picked up by 9.4% to CHF 1.2 million. The strategic reorientation and cost-cutting measures had a positive impact. EBITDA advanced by 108.4% to CHF 33.4 million (1HPY CHF 16.0 million), which is equivalent to a groupwide EBITDA margin of 23.5% (1HPY 11.4%).

Net income closed at CHF 19.8 million (1HPY CHF 0.9 million). This reflects strong improvements at the operational level. Contributing factors were sales growth in Switzerland, loss cuts, and non-recurring proceeds amounting to CHF 6.8 million (collection of bank guarantee, sale of assets) in Greece, and significantly reduced losses in the remaining foreign activities. Net income for the first quarter of 2011 amounted to CHF 1.6 million. Total net income attributable to Affichage shareholders (comprehensive income) closed at CHF 11.5 million (1HPY CHF –26.6 million).

Switzerland

In the Swiss home market, sales revenue rose by 7.5% to CHF 125.3 million (1HPY CHF 116.5 million). All business units contributed to this growth. EBITDA increased by 8.5% to CHF 29.5 million (1HPY CHF 27.2 million), resulting in an EBITDA margin of 23.5% (PY 23.3%). The operating margin benefited from sales-related economies of scale and from cost-cutting measures. Net income increased by 12.6% to CHF 19.6 million. (1HPV CHF 17.4 million).

International: Greece and other foreign countries

In compliance with reporting standard IFRS 8 (segment reporting), the International Division is subdivided into two segments: Greece and Other foreign countries. The total foreign contribution to consolidated sales revenue declined from 17.4% to 11.7%, closing at CHF 16.6 million (1HPY CHF 24.5 million). This represents a decrease of 32.3%, of which 9.9% is attributable to negative foreign-exchange effects. Overall, the International Division generated EBITDA of CHF 3.5 million (1HPY CHF –7.8 million).

Impacted by the anemic economy and our exit from the market, Greece posted a decrease in sales revenue by 83.2% to CHF 1.2 million (1HPY CHF 7.1 million), of which 2.2% is currency-related. To a large extent, EBITDA of CHF 4.0 million (1HPY CHF –10.6 million) reflects costs for the controlled exit, income from the sale of certain assets to a local partner, and an amount collected from a bank guarantee representing a receivable from the original seller of the operations in Greece. Net income closed at CHF 3.1 million (1HPY CHF –10.0 million).

Sales revenue in Other foreign countries declined by 11.4% to CHF 15.4 million (1HPY CHF 17.4 million); currency effects account for 13.1%. Expressed in local currencies, sales revenue trends are highly disparate, ranging from 34% growth in South Tyrol to 3% growth in Serbia and an 18% loss of revenue in Romania. Exchange rate fluctuations ranged from 11.5% to 13.6%, which caused sales expressed in CHF to vary between 18.2% growth and 28.6% contraction. EBITDA declined slightly to CHF 2.4 million (1HPY CHF 2.8 million), which puts the EBITDA margin at 15.6% (PY 16.0%). Reduced depreciation and an improved financial result due to lower currency translation losses resulted in a perceptible decline of negative net income to CHF –0.6 million (1HPY CHF –3.5 million).

Cash flow

Cash flow closed at CHF 25.8 million (1HPY CHF 13.9 million). Cash flow from operations, i.e. cash-relevant income under consideration of changes in net current assets, closed at CHF 16.8 million (1HPY CHF 10.3 million). Adjusted for net cash used in investing activities of CHF 0.5 million (1HPY CHF –1.8 million), free cash flow closed at CHF 17.4 million (1HPY CHF 8.5 million).

Balance sheet

Total assets declined by 0.8% to CHF 272.9 million, due mainly to less capital tied up abroad and to the sale of a property. Intangible assets amount to 26.6% of total assets (PY 27.4%) or 65.1% of shareholders' equity (1HPY 75.4%). Net current assets amount to 24.9% of sales revenue (1HPY 26.4%). The receivables portfolio declined to CHF 41.9 million (PY CHF 44.4 million). The CHF 4.1 million net debt position from the prior year was transformed into a net cash position of CHF 12.9 million. Shareholders' equity amounts to CHF 111.7 million (PY CHF 99.8 million), which is equivalent to an equity ratio of 40.9% (PY 36.3%). Shareholders' equity was burdened by an IFRS-related actuarial loss from defined-benefit plans in the amount of CHF 10.7 million (PY CHF 6.6 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, 2011, was prepared in compliance with International Accounting Standard (IAS) 34 – *Interim Financial Reporting*. The accounting and valuation polices remain consistent with those applied for the 2010 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 2011, the scope of consolidation remained unchanged.

Change in shareholders' equity
On May 26, 2011, the General Meeting resolved to waive the payment of a dividend.

Events after the closing date
None

Agenda

Financial media and analysts conference
February 29, 2012, Zürich

Publication of the annual report
April 24, 2012

General Meeting
May 23, 2012, Geneva

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