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Letter to Shareholders: Report on First Half of 2006

Zurich, 31 August 2006

Dear Shareholders
Dear Colleagues
Dear Friends and Partners of Tamedia

In the first half of 2006 Tamedia achieved again a very positive development. Operating revenues increased by 14.2 percent to CHF 366.5 million. Operating income before depreciation and amortisation (EBITDA) rose disproportionately by 21.8 percent to CHF 75.7 million. The EBITDA margin is now 20.6 percent (previous year: 19.4 percent). Operating income (EBIT) amounted to CHF 62.3 million, up 22.3 percent over the first half of 2005. The relevant margin continued to improve to 17.0 percent. Except for the Electronic Media Division, where, in addition to investments in the online activities, the unsatisfactory development of the two radio stations had the most significant adverse impact, all Divisions reported a positive operating income. In the first half of 2006, consolidated net income increased by 25.1 percent to CHF 52.3 million (previous year: CHF 41.8 million).

Although the economy experienced strong growth rates and unemployment figures continued to drop, print advertising expenditures in Switzerland increased only marginally in the first half of 2006. Job advertising was the only segment to report considerably higher revenues, which was due to the economic upswing. The results within the Electronic Media Division are inconsistent. A decrease in the revenues of the private radio stations is offset by a slight increase in the advertising volume of the regional TV stations, while the share of the online media in total revenues continued to go up.

Segment reporting: first half of 2006 and comparison with first half of 2005

in CHF million	Newspapers	Magazines	Electronic Media	Services	Eliminations	**Total Group**
As of 30 June 2006						
Revenues third parties	250.6	47.5	26.8	41.6	0.0	**366.5**
Revenues intercompany	1.4	0.2	0.5	80.9	(83.0)	**0.0**
Operating revenues	**252.0**	**47.7**	**27.3**	**122.5**	**(83.0)**	**366.5**
Operating expenses	**(200.3)**	**(43.1)**	**(27.0)**	**(103.5)**	**83.0**	**(290.9)**
Operating income before depreciation (EBITDA)	**51.7**	**4.6**	**0.3**	**19.1**	**0.0**	**75.7**
Depreciation	(1.4)	(0.0)	(0.6)	(11.4)	0.0	**(13.4)**
Operating income (EBIT)	**50.3**	**4.5**	**(0.3)**	**7.7**	**0.0**	**62.3**
As of 30 June 2005						
Revenues third parties	221.2	43.8	24.2	31.8	0.0	**321.0**
Revenues intercompany	0.7	0.2	1.3	69.7	(71.9)	**0.0**
Operating revenues	**221.8**	**44.1**	**25.5**	**101.5**	**(71.9)**	**321.0**
Operating expenses	**(182.9)**	**(41.6)**	**(22.1)**	**(84.1)**	**71.9**	**(258.9)**
Operating income before depreciation (EBITDA)	**38.9**	**2.5**	**3.4**	**17.3**	**0.0**	**62.1**
Depreciation	(1.9)	(0.1)	(0.5)	(8.7)	0.0	**(11.2)**
Operating income (EBIT)	**37.0**	**2.4**	**2.9**	**8.6**	**0.0**	**50.9**

The figures in the consolidated financial statements have been rounded. As the calculations are made with a higher level of numerical accuracy, it is possible that small rounding differences may occur.
The German version of the half-yearly report is determining.

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Newspapers

Compared to the previous year, *Thurgauer Zeitung, Regionalzeitung Hinterthurgau, Uster Nachrichten* and *20 minutes* were consolidated for the first time. Combined with an increase in various products, this caused a growth in operating revenues of the Newspaper Division by 13.6 percent to CHF 252.0 million. Operating income before depreciation and amortisation (EBITDA) amounted to CHF 51.7 million, which represents an increase of 32.7 percent. The start up of *20 minutes* in the French-speaking part of Switzerland exceeded expectations. The costs of the launching in Geneva and Lausanne were more than compensated by positive developments in the *Alpha* executive market as well as *Stellen-Anzeiger, Finanz und Wirtschaft, Magazin, SonntagsZeitung* and *20 Minuten.* An adjustment of internally charged newspaper printing rates to market prices totalling CHF 2.7 million contributed to the improved result, as did the transfer of *Car4you-Zeitung* to the online provider with the same name. Mainly due to the positive development of the job advertisements, the *Tages-Anzeiger* could defend its leading position in the print advertising market. Operating income (EBIT) of Newspaper division, jumped 36.0 percent to CHF 50.3 million. Accordingly, the Division contributed as much as 80.7 percent to the consolidated result. The margin went up 3.3 percentage points from 16.7 to 20.0 percent.

Magazines

Operating revenues of the Magazine Division climbed 8.3 percent to CHF 47.7 million due to first time integration of the magazine publications of Huber & Co. AG, as well as higher revenues generated by *annabelle* and *Schweizer Familie. annabelle* solidified its leadership position in the market for women's magazines in a highly competitive environment. The news magazine *Facts* was not yet able to profit from higher advertising revenues. The positive developments at *annabelle* and *Schweizer Familie* also influenced EBITDA, which increased by 86.2 percent to CHF 4.6 million. A similar improvement (88.6 percent to CHF 4.5 million) was reported at the EBIT level, which caused the EBIT margin to rise sharply from 5.5 to 9.5 percent.

Electronic Media

While revenues increased slightly to CHF 27.3 million (+7.1 percent), the Electronic Media Division suffered a substantial drop in EBITDA of 90.3 percent to CHF 0.3 million. The growth in revenues was primarily attributable to the online activities. While the expansion of *20 Minuten-Online* already contributed to a significant rise in revenues, *Jobwinner.ch* also benefited from the greatly improved situation in the job market. The negative impact on EBITDA is primarily due to the currently unsatisfactory developments at *Radio 24, Radio Basilisk* and *TeleZüri.* Results at the EBIT level fell by CHF 3.2 million to CHF −0.3 million.

Services

The Services Division achieved encouraging results and reported 20.8 percent higher revenues of CHF 122.5 million (including third party revenues of CHF 41.2 million, representing an increase of 31.0 percent). This is mainly due to the services of the Huber group, which were not yet included in the prior year, and the holding in Huber PrintPack AG (formerly Meier Waser Druck AG), which had not been fully consolidated before. EBITDA rose by 10.0 percent to CHF 19.1 million, while the margin declined from 17.1 to 15.6 percent as a result of considerably higher revenues and a price reduction in newspaper printing. The decrease is also attributable to one-time effects in the previous year from the sale of the Waser Druck properties and the reversal of provisions for the social plan in the amount of CHF 2.5 million. In contrast to the higher EBITDA, EBIT fell by 10.5 percent to CHF 7.7 million as a result of an increase in depreciation to CHF 11.4 million (previous year: CHF 8.7 million). The higher depreciation was due to the start-up of the second production line of the new newspaper printing presses, which is being depreciated since the beginning of October 2005 and the depreciation of Huber group, which largely affects the Services Division. The EBIT margin for the Division is at 6.3 percent.

Notes on the financial reporting of the Tamedia Group in the first half of 2006

General Information

The unaudited consolidated half-year financial statements as of 30 June 2006 were prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". They conform to the accounting principles outlined in the 2005 annual report and to the new and revised standards which were introduced as of 1 January 2006. The consolidated half-year report was approved by the Board of Directors on 25 August 2006.

The preparation of financial statements requires Management and the Board of Directors to make estimates and assumptions which affect the amounts of the reported assets, liabilities and contingent liabilities, as well as income and expenses of the reporting period. These estimates and assumptions are based on past experience in addition to economic developments and are referenced in the notes, where relevant. They are subject to risks and uncertainties. Actual results may vary from these estimates.

Accounting Principles

According to the revised IAS 19 standard "Employee Benefits", actuarial gains and losses of employee pension plans which are based on a defined benefit plan can be recognized directly in the shareholders' equity. Tamedia has elected not to use this option. Additional adjustments under IAS 19 require further disclosures which will be put into practice in the 2006 annual report.

The other new or revised standards (IFRS) and interpretations (IFRIC) which were introduced as of 1 January 2006 have no effect on the accounting policies of Tamedia, and therefore, they are not listed.

During the first half of 2006, the International Accounting Standards Board (IASB) has not published any new or revised standards which would substantially change the current accounting principles of Tamedia.

Changes in Group Companies

The following changes in the group companies occurred during the first half of 2006:

Büry Verlag AG	The company was merged into Tagblatt der Stadt Zürich AG with retroactive effect as of 1 January 2006.
Presse Publicité Rep. SA	Effective 4 January 2006, Tamedia acquired a 50 percent interest in Presse Publicité Rep. SA, which was held by the HandelsZeitung publishing group. Tamedia now owns 100 percent of the company's shares.
Huber PrintPack AG	In connection with a cooperative arrangement between the sheet-fed printing facilities of Huber & Co. AG and Meier + Cie AG, Meier Waser Druck AG was renamed Huber PrintPack AG, effective as of 1 January 2006. At the same time, Huber & Co. AG acquired a 50 percent interest in the company, which was previously held by Tamedia AG, and increased its investment interest to 80 percent via a capital increase in the amount of CHF 0.75 million. The technical operations of Meier Waser Druck AG were relocated to Frauenfeld. At the same time, Huber & Co. incorporated its sheet-fed printing activities into Huber PrintPack AG.

Income Statement

Additional information regarding the revenues, EBITDA and EBIT of each Division and individual products is provided as part of the segment information.

Depreciation and amortisation increased by CHF 2.2 million compared to the first half of 2005 to CHF 13.4 million, which is primarily due to depreciation on fixed assets as a result of the start-up of the new newspaper printing presses and the effect of Huber group, which was not consolidated in the previous year.

The share of earnings in associated companies rose by CHF 3.1 million to CHF 2.7 in the first half of 2006, compared to a negative amount of CHF −0.4 million reported in the prior year. This was mainly the result of an impairment in the holdings in Ziegler Druck- und Verlags-AG.

Other financial income fell by CHF 2.0 million to CHF 0.4 million. In the year 2005, the sales of the holdings in Condor, Regor and Anzeiger von Uster had significantly contributed to a considerably higher result.

The effective tax rate decreased from 20.9 to 20.0 percent, primarily as a result of the use of tax loss carryforwards, which had been unlikely to be realised, according to earlier expectations.

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Capital and Asset Structure

Total assets increased in the first half of 2006 from CHF 719.0 million to CHF 736.4 million (up CHF 17.4 million). Shareholders' equity grew by CHF 27.5 million or 6.4 percent to CHF 458.3 million. Other factors contributing to this change, in addition to the positive consolidated net income, included a dividend distribution of CHF 25.0 million (CHF 2.50 per share), a reduction in treasury shares by CHF 0.3 million to pay profit sharing for 2005 in shares, as well as a decrease in the fair market values (net after taxes) of the accounting hedges by CHF 0.2 million. As a result, the equity ratio is now 62.2 percent (previous year: 59.9 percent).

On the asset side of the balance sheet, a decrease in non-current assets by CHF 20.3 million to CHF 525.9 million was offset by an increase in current assets of CHF 37.8 million to CHF 210.6 million. The most significant changes in the current assets occurred in cash and cash equivalents, which increased by CHF 14.4 million, and trade receivables (up CHF 22.5 million). The latter is attributable, on the one hand, to higher total revenues and also reflects strong revenues generated in the months of May and June.

Following a rise in the year 2005 as a result of acquisitions, all non-current assets reported lower values this year. This change comprises additions due to the full consolidation of Meier Waser Druck AG and Presse Publicité Rep. SA in the amount of CHF 5.3 million (previously, a quota consolidation of 50 percent was recognised) and investments of CHF 3.9 million, which are offset by depreciation and amortisation of CHF 13.4 million and disposals with a residual value of close to CHF 8.0 million. The latter especially included the sale of the Meier Waser Druck AG property, which is no longer used for operational purposes.

The share in associated companies fell by a net amount of CHF 1.4 million to CHF 27.7 million. This is due to CHF 4.1 million in dividends received, which had not yet been compensated by an equivalent amount in profits by the end of June. Other financial assets were reported at CHF 27.9 million, down CHF 3.1 million. The major contributing factor was the elimination of loans to Meier Waser Druck AG of CHF 2.1 million, which has been fully consolidated since 1 January 2006 (previously 50 percent quota consolidation), combined with loan repayments from third parties and associated companies in the amount of CHF 1.1 million. Deferred tax receivables reduced by CHF 3.7 million, which is mainly due to the realization of capitalized loss carryforwards at 20 Minuten AG.

The review of the value of the goodwill positions for potential impairment did not provide grounds for additional depreciation.

The CHF 5.2 million decrease in short-term liabilities to CHF 210.6 million is primarily the result of lower trade accounts payable (down CHF 17.7 million or 37.1 percent) as well as current tax liabilities (down CHF 11.6 million or 58.0 percent). A decrease was also reported in other short-term liabilities (CHF −1.3 million) and in short-term provisions (CHF −2.4 million), which was offset by a seasonal increase in deferred revenues and accrued liabilities (CHF 27.9 million or 22.3 percent).

Long-term debt decreased by CHF 4.9 million to CHF 67.5 million. In addition to long-term financial liabilities (CHF −4.2 million or 17.9 percent), deferred tax liabilities were also lower (CHF −1.3 million or 3.2 percent). Only the long-term provisions rose marginally by CHF 0.5 million.

Events after the Balance Sheet Date

No noteworthy events took place after the balance sheet date.

Financial Calendar

Information on the results of the full 2006 fiscal year will be provided to you at the end of March 2007.

Sincerely,

H. H. Coninx

Martin Kall

Dr. Hans Heinrich Coninx
Chairman of the Board

Martin Kall
Chief Executive Officer

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Consolidated Income Statement

	30 June 2006	30 June 2005	in CHF million
Operating revenues	**366.5**	321.0	
Operating expenses	**(290.9)**	(258.9)	
Operating income before depreciation (EBITDA)	**75.7**	62.1	
Depreciation	**(13.4)**	(11.2)	
Operating income (EBIT)	**62.3**	50.9	
Share in earnings of associated companies	**2.7**	(0.4)	
Other financial income (expense), net	**0.4**	2.4	
Income before taxes	**65.4**	52.9	
Income taxes	**(13.1)**	(11.1)	
Net income	**52.3**	41.8	
Attributable to:			
Equity holders of Tamedia	**52.4**	41.7	
Minority interests	**(0.1)**	0.1	
Earnings per share			
Net income per share (diluted and undiluted)	**5.24**	4.18	in CHF

Consolidated Balance Sheet

	30 June 2006	31 Dec. 2005	in CHF million
Current assets	**210.6**	172.8	
Non-current assets	**525.9**	546.2	
Total assets	**736.4**	719.0	
Current liabilities	**210.6**	215.8	
Long-term liabilities	**67.5**	72.4	
Total liabilities	**278.1**	288.2	
Shareholders' equity, Tamedia shareholders' interests	**457.6**	430.1	
Minority interests in equity	0.7	0.7	
Shareholders' equity	**458.3**	430.8	
Total liabilities and shareholders' equity	**736.4**	719.0	

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Consolidated Cash Flow Statement

	30 June 2006	30 June 2005	in CHF million
Cash flow from operating activities	**57.4**	52.9	
Cash flow from other ordinary activities	**(17.3)**	6.9	
Cash flow from operations	**40.0**	59.8	
Cash flow from investment activities	**5.3**	(142.4)	
Cash flow after investment activities	**45.4**	(82.6)	
Cash flow from financing activities	**(30.9)**	(15.7)	
Change in cash and cash equivalents	**14.4**	(98.3)	
Cash and cash equivalents as at 1 January	**51.7**	140.3	
Cash and cash equivalents as at 30 June	**66.2**	42.0	
Change in cash and cash equivalents	**14.4**	(98.3)	

Consolidated statement of changes in shareholders' equity

	Share capital	Treasury shares	**Reserves**	**Consolidated shareholders' equity**	Minority interests in equity	**Shareholders' equity**	
Balance at 31 December 2004	**100.0**	**(0.6)**	**267.3**	**366.7**	**1.0**	**367.7**	in CHF million
Dividends paid	**0.0**	0.0	**(15.0)**	**(15.0)**	(0.2)	**(15.2)**	
Net income	**0.0**	0.0	**41.7**	**41.7**	0.1	**41.8**	
Change in Group companies	**0.0**	0.0	**(0.5)**	**(0.5)**	(0.4)	**(0.9)**	
Sale of treasury shares	**0.0**	0.2	**0.0**	**0.2**	0.0	**0.2**	
Net adjustment of financial assets to market values	**0.0**	0.0	**(0.5)**	**(0.5)**	0.0	**(0.5)**	
Balance at 30 June 2005	**100.0**	**(0.4)**	**293.1**	**392.7**	**0.4**	**393.1**	
Balance at 31 December 2005	**100.0**	**(0.4)**	**330.5**	**430.1**	**0.7**	**430.8**	
Dividends paid	**0.0**	0.0	**(25.0)**	**(25.0)**	(0.2)	**(25.2)**	
Net income	**0.0**	0.0	**52.4**	**52.4**	(0.1)	**52.3**	
Change in Group companies	**0.0**	0.0	**0.0**	**0.0**	0.3	**0.3**	
Sale of treasury shares	**0.0**	0.3	**0.0**	**0.3**	0.0	**0.3**	
Net adjustment of financial assets to market values	**0.0**	0.0	**(0.2)**	**(0.2)**	0.0	**(0.2)**	
Balance at 30 June 2006	**100.0**	**(0.1)**	**357.7**	**457.6**	**0.7**	**458.3**	

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