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Letter to Shareholders: Report on First Half of 2007

Zurich, 29 August 2007

Dear Shareholders
Dear Colleagues
Dear Friends and Partners of Tamedia

With an increase in operating revenues of 5.5 per cent to CHF 373.0 million in the first half of 2007 Tamedia recorded significant revenue growth for the third time in succession. The increase is broadly based and comprises all divisions. Despite high investments in new media projects the operating income before depreciation (EBITDA) increased slightly to CHF 76.5 million (previous year: CHF 76.1 million), which resulted in a fall in the EBITDA margin from 21.5 per cent in the previous year to 20.5 per cent. Compared to the first half of 2006 the operating income after depreciation (EBIT) rose by 2.5 per cent to CHF 64.4 million. This means that the EBIT margin of 17.3 per cent (previous year: 17.8 per cent) remains high.

In the first half of 2007 the income for the continued operations rose by 8.3 per cent to CHF 57.0 million (previous year CHF 52.7 million). This figure does not include *Radio Basilisk*, which is due to be sold as a result of the planned merger with Espace Media Groupe, and the news magazine *Facts*, which was closed at the end of June 2007. Total income including discontinued operations fell by 2.1 per cent to CHF 51.2 million (previous year: CHF 52.3 million).

The economic environment continues to improve. Print advertising expenditures in January and February benefited from the strong economic growth and increased significantly. After falling in April, the growth in the second quarter 2007 was considerably weaker, however. Meanwhile, job advertising revenues again increased as the unemployment rate continued to fall. The private radio stations increased their advertising revenues, while the regional TV stations and the online business lost revenues and market share.

Key Figures for Income Statement in CHF million	**30.06.2007**	**30.06.2006**	Change in %
Operating revenues	**373.0**	**353.7**	**5.5**
Operating income before depreciation (EBITDA)	**76.5**	**76.1**	**0.5**
Margin	20.5	21.5	(4.7)
Operating income (EBIT)	**64.4**	**62.9**	**2.5**
Margin	17.3	17.8	(2.8)
Income for continued operations	**57.0**	**52.7**	**8.3**
Income for discontinued operations	(5.8)	(0.4)	1 509.5
Income	**51.2**	**52.3**	**(2.1)**
Margin	13.7	14.8	(7.2)

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Operational Reporting of the Tamedia Group for the First Half of 2007

Segment Reporting of the Continued Operations

in CHF million

	Newspapers	Magazines	Electronic Media	Services	Eliminations	**Total**
As of 30.06.2007						
Revenues third parties	269.0	39.5	26.9	37.7	0.0	373.0
Revenues intercompany	0.9	0.3	1.1	89.6	(91.9)	0.0
Operating revenues	**269.9**	**39.8**	**28.0**	**127.3**	**(91.9)**	**373.0**
Operating expenses	**(218.3)**	**(34.3)**	**(26.9)**	**(109.0)**	**91.9**	**(296.6)**
Operating income before depreciation (EBITDA)	**51.6**	**5.5**	**1.1**	**18.3**	**0.0**	**76.5**
Depreciation	(0.9)	(0.1)	(0.5)	(10.6)	0.0	(12.0)
Operating income (EBIT)	**50.7**	**5.4**	**0.6**	**7.7**	**0.0**	**64.4**
As of 30.06.2006						
Revenues third parties	250.6	37.8	23.7	41.6	0.0	353.7
Revenues intercompany	1.4	0.2	0.5	79.6	(81.7)	0.0
Operating revenues	**252.0**	**38.0**	**24.2**	**121.2**	**(81.7)**	**353.7**
Operating expenses	**(200.3)**	**(31.8)**	**(24.5)**	**(102.7)**	**81.7**	**(277.6)**
Operating income before depreciation (EBITDA)	**51.7**	**6.2**	**(0.4)**	**18.5**	**0.0**	**76.1**
Depreciation	(1.4)	(0.0)	(0.4)	(11.4)	0.0	(13.2)
Operating income (EBIT)	**50.3**	**6.2**	**(0.8)**	**7.2**	**0.0**	**62.9**

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.

Newspapers

Thanks to the growth in job advertising and improved figures for *Finanz und Wirtschaft* as well as *20 Minuten* and *20 minutes*, the operating revenues for the Newspaper Division increased significantly by 7.1 per cent to CHF 269.9 million. The costs for the commuter magazine *20 minutes*, which were included for the first time during six months, and the investments in the regional editions of the *Tages-Anzeiger* led to a considerable increase in operating expenses. The operating income before depreciation (EBITDA) fell slightly by 0.2 per cent to CHF 51.6 million. The success of *20 Minuten* continues. The *Alpha* executive job market and the *Stellen-Anzeiger* were able to benefit from the positive developments in the employment market. The *Tages-Anzeiger* also achieved slight revenue growth thanks to the regional editions, and the *SonntagsZeitung* was able to maintain its high market share in the advertising market. The operating income (EBIT) for the Newspaper Division rose 0.7 per cent to CHF 50.7 million. This means that the division contributed 78.7 per cent to the consolidated result. The EBIT margin increased by 1.2 per cent to 18.8 per cent thanks to the increased investments.

Magazines

The Magazine Division increased its revenue by 4.6 per cent to CHF 39.8 million thanks to *Annabelle* and *Schweizer Familie*. While the leading Swiss women's magazine *Annabelle* generated less income, *Schweizer Familie* increased its revenues once again. The TV magazine *TVtäglich* saw a slight fall in revenues. The EBITDA for the Magazine Division fell by CHF 0.7 million to CHF 5.5 million, the EBIT level also decreased to CHF 5.4 million. The EBIT margin of 13.7 per cent is now 2.5 per cent lower than in the previous year (16.2 per cent). The news magazine *Facts*, which has been closed, is shown as one of the discontinued operations.

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Electronic Media

For Electronic Media the revenues of the continued operations primarily grew thanks to the strong growth of online activities, which increased by 15.8 per cent to CHF 28.0 million. The main contributors here were *alpha.ch* and *jobwinner.ch,* which achieved significant income growth. The investments in the strongly growing online platforms *20minuten.ch, 20minutes.ch* and *piazza.ch* led to an increase in operating expenses. While *Radio 24* increased its revenues in the first half of 2007, *TeleZüri* consolidated its position as market leader in a negative market environment and was able to maintain its revenues. The EBITDA for the division as a whole rose by CHF 1.4 million to CHF 1.1 million, while EBIT increased by CHF 1.4 million to CHF 0.6 million. The margin is now at 2.1 per cent (previous year: −3.2 per cent). This figure does not include *Radio Basilisk,* which is shown as a discontinued operation as a result of the planned sale.

Services

The Services Division achieved encouraging results once again with operating revenue, which rose by 5.0 per cent to CHF 127.3 million. Mainly contributed to this positive development have the Bubenberg printing centre and the Zuvo service organisation, which significantly increased revenues as well as profits. During the first six months of the year Production Services took over the pre-press services for the *Tages-Anzeiger* and the newspaper alliance Nordostschweiz and consequently reported significantly higher operating revenues. The revenue for the Services Division with third party companies fell in the first six months, primarily as a result of a 9.5 per cent fall in revenues for job sheet-fed printing to CHF 37.7 million. The EBITDA for the Services Division decreased by 1.2 per cent to CHF 18.3 million, with the margin falling from 15.3 to 14.4 per cent. In contrast to the fall in EBITDA the EBIT increased as a result of lower depreciation, which went down 7.6 per cent from 10.6 million (previous year: CHF 11.4 million) to CHF 7.7 million. The EBIT margin increased by 0.2 per cent to 6.1 per cent.

Yours sincerely,

Dr. Pietro Supino
Chairman of the Board

Martin Kall
Chief Executive Officer

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Financial Reporting of the Tamedia Group for the First Half of 2007

Consolidated Income Statement	**30.06.2007**	**30.06.2006**
		in CHF million
Operating revenues	**373.0**	**353.7**
Operating expenses	**(296.6)**	**(277.6)**
Operating income before depreciation (EBITDA)	**76.5**	**76.1**
Depreciation	(12.0)	(13.2)
Operating income (EBIT)	**64.4**	**62.9**
Share in earnings of associated companies	4.8	2.7
Other financial income	1.6	0.4
Income before tax	**70.8**	**65.9**
Income tax	(13.8)	(13.3)
Net income from continued operations	**57.0**	**52.7**
Net income from continued operations	(5.8)	(0.4)
Net income	**51.2**	**52.3**
Attributable to		
Shareholders of Tamedia	51.1	52.4
Minority interests	0.2	(0.0)
		in CHF
Earnings per share		
Net income per share[1]	5.11	5.24
Net income from continued operations per share[1]	5.71	5.27

[1] Both diluted and undiluted

Consolidated Balance Sheet	**30.06.2007**	**31.12.2006**
		in CHF million
Current assets	**293.8**	**271.5**
For assets intended for sale	**11.4**	**0.0**
Non-current assets	**497.1**	**517.4**
Total assets	**802.3**	**789.0**
Current liabilities	**217.1**	**224.6**
Liabilities in connection with assets intended for sale	**3.7**	**0.0**
Long-term liabilities	**56.7**	**60.8**
Total liabilities	**277.5**	**285.4**
Shareholders' equity, Tamedia shareholders' interests	**524.1**	**502.8**
Minority interests	0.7	0.7
Shareholders' equity	**524.8**	**503.5**
Total liabilities	**802.3**	**789.0**

Consolidated Cash Flow Statement	**30.06.2007**	**30.06.2006**
		in CHF million
Cash flow from operating activities	**61.1**	**57.4**
Cash flow from other operating activities	(7.4)	(17.3)
Cash flow from operations	**53.7**	**40.0**
Cash flow from investment activities	(4.4)	5.3
Cash flow after investment activities	**49.3**	**45.4**
Cash flow from financing activities	(32.3)	(30.9)
Change in cash and cash equivalents	**17.0**	**14.4**
Cash and cash equivalents as at 1 January	136.0	51.7
Cash and cash equivalents as at 30 June[1]	153.0	66.2
Change in cash and cash equivalents	**17.0**	**14.4**

[1] Also including cash and cash equivalent holdings for discontinued operations of 2.1 million as of 30 June 2007.

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Consolidated Statement of Changes in Shareholders´ Equity

in CHF million	Share Capital	Treasury Shares	Reserves	Consolidated Shareholders' Equity	Minority Interests in Equity	Share-holders' Equity
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
Purchase/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**
Balance at 31 December 2006	**100.0**	**(0.8)**	**403.6**	**502.8**	**0.7**	**503.5**
Dividends paid	0.0	0.0	(30.0)	(30.0)	(0.2)	(30.2)
Net income	0.0	0.0	51.1	51.1	0.2	51.2
Change in group companies	0.0	0.0	0.0	0.0	(0.1)	(0.1)
Purchase/Sale of treasury shares	0.0	0.2	0.0	0.2	0.0	0.2
Balance at 30 June 2007	**100.0**	**(0.5)**	**424.6**	**524.1**	**0.7**	**524.8**

General Information

The unaudited consolidated half-year financial statements have been prepared as of 30 June 2007 in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting". They conform to the accounting principles outlined in the 2006 annual report and to the new and revised standards which were introduced as of 1 January 2007. The consolidated half-year report was approved by the Board of Tamedia AG on 24 August 2007.

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

Accounting Principles

The new or revised standards (IFRS) and interpretations (IFRIC), which came into force as of 1 January 2007, have no bearing on the accounting policies of Tamedia. In August 2005 the new Standard IFRS 7 Financial Instruments – Disclosures and the revised Standard IAS 1 Presentation of Financial Statements were published. Both standards stipulate additional disclosures for annual financial statements but do not require any additional disclosure for interim financial statements.

The new and revised standards (IFRS) and interpretations (IFRIC) which came into force later will not be applied prematurely. The implementation is only likely to have a marginal influence, if any, on the current accounting principles and future consolidated financial statements.

Changes in Group Companies

The following changes in the group companies occurred during the first half of 2007:

RV Radio Vision AG	As of 2 March 2007 Tamedia took over a 50 per cent interest in RV Radio Vision AG. *Radio Basel 1, Radio Basilisk* and *Radio Regenbogen* combine their sales activities in Radio Vision AG. The company is taken into account as of 1 March 2007 via quota consolidation.
EDITA SA	On 7 June 2007 Tamedia and the Luxembourg publisher Editpress jointly founded EDITA SA which is based in Luxembourg. Both companies hold a 50 per cent interest in the new company. EDITA SA is due to launch a new commuter newspaper entitled *L'Essentiel* and a website in Luxembourg by the end of 2007.

Discontinued Operations

Tamedia operates two private radio stations, *Radio 24* in Zurich and *Radio Basilisk* in Basel. Espace Media Groupe, with which Tamedia wishes to merge, also owns two private radio stations: *Capital FM* in Berne and *Canal 3* in Biel. As a result of the new radio and TV law, which limits the number of private radio franchises to two per provider, the two companies are each obliged to sell one of their private radio stations. Tamedia is therefore trying to sell *Radio Basilisk* by the end of 2007 and has already initiated the sales process. *Radio Basilisk,* which was previously allocated to the Electronic Media division, as well as RV Radio Vision will therefore be shown in the income statement and the balance sheet either as a discontinued operation or as an asset that is intended for sale. The information shown in the Income Statement and the Segment Reporting for the previous year has been adapted accordingly. As part of the sales process the property on which *Radio Basilisk* is located has been valued by an external assessor. The resulting impairment of value led to a one-off depreciation of CHF 1.6 million.

The news magazine *Facts,* which was previously allocated to the Magazine Division, was closed in June 2007 as it was not considered to have any future financial viability. It is therefore shown in the Income Statement as a discontinued operation as well. The information shown in the Income Statement and the Segment Reporting for the previous year has been adapted accordingly.

Key Figures for Discontinued Operations[1]	**30.06.2007**	**30.06.2006**	in CHF million
Operating revenues	12.4	12.8	
Operating expenses	(17.9)	(13.2)	
Depreciation	(0.1)	(0.2)	
Operating income (EBIT)	**(5.6)**	**(0.6)**	
Financial income	(0.1)	(0.0)	
Income before tax	**(5.7)**	**(0.6)**	
Income tax	1.1	0.2	
Income from the valuation of the assets intended for sale at fair value	**(1.6)**	**0.0**	
on which income tax to be applied	0.4	0.0	
Net income from discontinued operations	**(5.8)**	**(0.4)**	
Net income from discontinued operations per share[2]	(0.58)	(0.04)	in CHF
Current assets	5.0	–	in Mio. CHF
Non-current assets	6.4	–	
For assets intended for sale	**11.4**	–	
Current liabilities	3.1	–	
Long-term liabilities	0.6	–	
Liabilities in connection with assets intended for sale	**3.7**	–	
Net asset intended for sale	**7.6**	–	
Change in cash and cash equivalents/net cash flow	**0.1**	**0.3**	

[1] The discontinued activities of *Facts* and *Radio Basilisk* will be shown after elimination of revenues and expenses with the continued operations. This will vary from the income that would be shown if the activities would be assessed as existing in their own right.

[2] Both diluted and undiluted

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Income Statement

Information regarding the revenues, EBITDA and EBIT of each division and regarding each individual product is provided as part of the segment information.

The current depreciation decreased by CHF 1.2 million to CHF 12.0 million compared with the first half of 2006. The decrease is attributed to a fall in depreciation on fixed assets and intangible assets.

The share of earnings in associated companies increased by CHF 2.1 million to CHF 4.8 million in the first half of 2007, of which CHF 1.0 million resulted from higher current profits. The other financial income rose by CHF 1.2 million to CHF 1.6 million. This was primarily the result of interest earnings from cash flow which rose to CHF 1.5 million thanks to the increased holdings and better interest conditions in the market.

The effective tax rate decreased from 20.1 to 19.4 per cent. This can not only be attributed to the effect of interest deductions but also to the use of tax loss carryforwards that had not previously been shown as assets in the financial statements.

Balance Sheet

Total assets rose by CHF 13.4 million in the first half of 2007 from CHF 789.0 million to CHF 802.3 million. Shareholders' equity grew by CHF 21.3 million or 4.2 per cent to CHF 524.8 million. The growth can be attributed to the positive consolidated net income for 2006, while the shareholders' equity was burdened by the dividend distribution of CHF 30.0 million (CHF 3.00 per share) and the reduction in treasury shares by CHF 0.2 million to pay profit sharing for 2006 in shares. As a result of this, the equity ratio has now increased to 65.4 per cent (end of 2006 63.8 per cent).

On the asset side of the balance sheet, a decrease in non-current assets by 20.3 million to CHF 497.1 million was offset by an increase in current assets of CHF 22.3 million to CHF 293.8 million for the continued operations. The assets of *Radio Basilisk* of CHF 11.4 million, which are intended for sale, will be shown separately. The most significant changes in the current assets occurred in cash and cash equivalents, which increased by CHF 15.1 million, and trade receivables, which were up by CHF 6.4 million.

All divisions reported lower values for non-current assets. Investments of CHF 4.9 million in tangible and intangible assets were set against depreciation of CHF 12.0 million. Non-current assets of *Radio Basilisk* totalling CHF 6.4 million were reclassified as assets intended for sale. The share in associated companies fell by a net amount of CHF 0.4 million to CHF 30.8 million. This is due to CHF 5.1 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 25.8 million (down CHF 1.2 million). This fall can be attributed entirely to loan repayments from third parties and associated companies. Deferred tax receivables fell by CHF 3.6 million, 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.

Short-term liabilities fell by CHF 7.5 million to CHF 217.1 million. This is primarily the result of lower trade accounts payable (down CHF 20.5 million to 26.6 million) as well as the current tax liabilities (down CHF 3.7 million to CHF 11.3 million). On the other hand, there were seasonal increases in deferred revenues and accrued liabilities which rose by CHF 8.4 million to CHF 149.2 million and in other short-term liabilities which were up CHF 5.4 million to CHF 18.7 million. However, the increase in short-term provisions of CHF 4.0 million to CHF 7.0 million can primarily be attributed to the redundancy package agreed as part of the closure of the news magazine *Facts.*

Long-term debt decreased by CHF 4.1 million to CHF 56.7 million. This decrease was not only the result of long-term financial liabilities which fell by CHF 1.6 million to CHF 12.7 million but also lower deferred tax liabilities, down CHF 1.9 million to CHF 33.8 million.

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Events After the Balance Sheet Date

20 Minuten
On 20 March 2007 the Swiss Supreme Court published its judgment which ruled that *Berner Zeitung BZ* was allowed to acquire an interest in the commuter newspaper *20 Minuten*. Berner Zeitung AG will now acquire a 17.5 per cent interest in 20 Minuten AG. This is due to take place with the completion of the merger agreement between Espace Media Groupe and Tamedia.

Espace Media Groupe
Tamedia and Espace Media Groupe announced their merger on 24 May 2007. Tamedia will take over 80 per cent of the share capital of Berner Espace Media Groupe. The purchase price is CHF 205 million in cash plus 600,000 newly-issued Tamedia shares. This means that the previous majority shareholders of Espace Media, primarily the Erwin Reinhardt-Scherz and Charles von Graffenried families, will have a substantial interest in Tamedia. For this reason, at the extraordinary general meeting on 27 June 2007 the Board of Tamedia was authorised to increase the share capital by a maximum of CHF 6.0 million within two years.

The merger of Tamedia and Espace Media Groupe was reported to the Swiss Competition Commission. On 27 July 2007 the competition authority acknowledged that the application had been properly completed. The Competition Commission decided on 20 August 2007 to approve the merger, so that the completion of the merger can be expected until the end of 2007. Tamedia will determine whether to make an offer to the owners for the remaining 20 per cent of the share capital of Espace Media Groupe once the merger of the two companies has been accomplished.

On 27 July 2007 the NZZ subsidiary Freie Presse Holding and Publigroupe sold their respective interests of 20 and 40 per cent in the Berne based daily newspaper *Der Bund* to Espace Media Groupe. The latter company previously held 40 per cent of Bund Verlags AG.

Financial Calendar

Information on the results of the full 2007 fiscal year is expected to be available at the end of March 2008.

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