Tamedia
Half-Year Report 2018

Zurich, 28 August 2018

Dear Shareholders
Dear Staff Members
Dear Friends and Partners of Tamedia

The transformation in the media industry has once again given Tamedia a great deal to do in the first half of 2018. As announced last year, we have implemented a key measure, the repositioning of daily and Sunday subscription titles in German- and French-speaking Switzerland, and these publications now share central editorial teams. At the same time, Tamedia is continuing to invest in bolstering its digital journalism and technological infrastructure in order to expand its offers and boost the number of digital subscriptions. Particularly key areas include digital storytelling, data journalism, video, infographics and social networks. The company also intends to go full steam ahead with setting up product and IT development teams for Paid Media. The two teams will join forces with Digital Sales Development to enhance usability, develop new offers, better highlight the benefits of paid media and drive targeted marketing and pricing initiatives. Regional newspapers remain Tamedia's core business and one that is to be reinforced with the acquisition of the Basler Zeitung. The merger with the Goldbach Group also aims to further consolidate Tamedia's position in the advertising market. Conversely, the company has ended its partnership with Publicitas, whose bankruptcy resulted in a valuation allowance of CHF 5.0 million for Tamedia. Coupled with the continuing sharp decline in the print advertising market, this took a toll on net income, which is significantly lower than last year, even in normalised terms.

The Marketplaces and Ventures business division saw another improvement in net income, thanks in particular to increasing revenue from JobCloud job platforms. The general classifieds platform tutti.ch and internationally recognised appointment management platform Doodle gained new users in the first half of the year, while marketplace ricardo.ch will have finished the complete technical overhaul of its platform by the end of the year. With the Swiss Federal Competition Commission having approved Tamedia's tie-up with AXA, the latter acquired 50 per cent of the vehicle platform autoricardo.ch. The joint company will develop new offers in the used cars sector and other services in the mobility industry. Tamedia also took a 20 per cent stake in Gowago, a vehicle platform for new cars.

Print advertising revenue across Switzerland continued to fall in the first half of 2018, during which subscription newspaper titles lost around CHF 35 million year-on-year. Although this drop could not be offset by digital advertising revenue, the pleasing climb in digital subscriptions which began back in 2017 has continued – a direct result of our strong investment strategy, which is focusing on expanding digital journalism and technological infrastructure. In order to secure the quality and financial self-sufficiency and, by extension, the journalistic independence of its publications, Tamedia reorganised the editorial teams in charge of its daily and Sunday newspapers with effect from the beginning of the year. All the titles are retaining their own editorial teams that will cultivate their identity. In terms of national affairs, they have benefited from the Group network since January 2018 in the form of the two new Tamedia editorial teams in German- and French-speaking Switzerland – a move which has increased publishing quality and reduced the future cost base. In German-speaking Switzerland, the restructuring of these publications enabled production systems and processes to be harmonised in the Editorial Services division. With the planned acquisition of the Basler Zeitung, Tamedia is also aiming to expand its portfolio of daily newspapers. The acquisition is still subject to the approval of the Swiss Federal Competition Commission. Conversely, the company decided to discontinue the heavily loss-making print version of western Switzerland's daily newspaper Le Matin, instead further developing it as a purely digital media brand with its own editorial team. 20 Minuten is proving time and again just how successful digital news products can be. For instance, 20minuten.ch was the first digital news portal in German-speaking Switzerland to exceed 100 million visits in one month in June 2018.

We expanded our advertising offers further in the first half of 2018, taking a majority stake in the out-of-home advertising company Neo Advertising with effect from late February 2018 and the takeover of the

Goldbach Group as of 24 August 2018. Together with the new partners, Tamedia intends to further strengthen its position in the Swiss advertising market and offer its customers in Switzerland and abroad high-reach 360-degree offers in the areas of TV, radio, print and online as well as outdoor advertising.

At CHF 477.5 million, our media group's revenues for the first half of 2018 were virtually on a par with last year's (CHF 477.8 million). By contrast, net income before interest, taxes and depreciation and amortisation (EBITDA) fell markedly by 32.9 per cent to CHF 85.4 million (previous year: CHF 127.3 million). The two key factors behind this downturn were the CHF 5.0 million valuation allowance on receivables following the bankruptcy of the advertising agency Publicitas and a rise in pension costs as per IAS 19 of CHF 27.8 million. Financial expense and financial income rose, in particular due to exchange rate fluctuations, although these cancelled one another out overall. Net income before interest and taxes (EBIT) fell by 44.6 per cent to CHF 52.7 million (previous year: CHF 95.2 million). At CHF 45.4 million, normalised net income after taxes and excluding one-off effects on taxes was lower than last year (CHF 54.5 million).

In total, the Marketplace and Ventures offers and Tamedia's digital publishing media contributed CHF 187.7 million (previous year: CHF 175.6 million) or 39.3 per cent to total revenues (pro forma). The share of all digital offers in EBITDA reached CHF 59.9 million (previous year: CHF 63.3 million) or 70.1 per cent and the share of EBIT CHF 43.4 million (previous year: CHF 46.8 million) or 82.3 per cent.

Operational reporting by Tamedia on the first half of 2018

The figures shown are rounded in every table. As the calculations are made with a higher level of numerical accuracy, it is possible that small rounding differences may occur.

Key figures

in CHF mn		30.06.2018	30.06.2017	Change in %
Revenues		**477.5**	**477.8**	(0.1)
Operating income before depreciation and amortisation (EBITDA)		**85.4**	**127.3**	(32.9)
Margin	in %	17.9	26.6	(32.9)
Operating income (EBIT)		**52.7**	**95.2**	(44.6)
Margin	in %	11.0	19.9	(44.6)
Net income		**39.9**	**76.6**	(47.9)
Margin	in %	8.4	16.0	(47.9)
Net income per share (undiluted)	in CHF	**2.48**	**6.19**	(59.9)
Cash flow from/(used in) trading activities		**98.8**	**106.9**	(7.6)
Total assets as of 30 June / 31 December		**2 514.8**	**2 513.3**	0.1
Equity ratio as of 30 June / 31 December	in %	**78.3**	**78.4**	(0.1)

Segment information

in CHF mn	30.06.2018	30.06.2017
Paid Media	285.0	297.9
Free Media and Commercialisation	75.8	71.8
Marketplaces and Ventures	124.9	118.2
Eliminations and reconciliation IAS 19	(8.3)	(10.2)
Revenues	**477.5**	**477.8**
Paid Media	263.4	260.8
Free Media and Commercialisation	61.1	52.9
Marketplaces and Ventures	71.7	70.7
Eliminations and reconciliation IAS 19	(4.2)	(33.9)
Operating expenses and share of net income/(loss) of associates/joint ventures	**392.1**	**350.5**
Paid Media	21.6	37.1
Free Media and Commercialisation	14.7	18.9
Marketplaces and Ventures	53.2	47.6
Eliminations and reconciliation IAS 19	(4.1)	23.7
Operating income before depreciation and amortisation (EBITDA)	**85.4**	**127.3**
Paid Media	7.6%	12.5%
Free Media and Commercialisation	19.4%	26.3%
Marketplaces and Ventures	42.6%	40.2%
EBITDA margin	**17.9%**	**26.6%**

Paid Media

The operating revenues of the Paid Media business division, which encompasses all paid daily and weekly newspapers as well as magazines and printing centres, fell by 4.3 per cent to CHF 285.0 million. The decline is mainly due to falling print advertising revenue. Operating income before depreciation and amortisation (EBITDA) of the Paid Media business division fell from CHF 37.1 million to CHF 21.6 million. This equates to an EBITDA margin of 7.6 per cent (previous year: 12.5 per cent). The drop in EBITDA was dominated by the CHF 3.0 million valuation allowance following the bankruptcy of the advertising agency Publicitas, the costs of closing the print version of Le Matin and lower net income from newspaper printing centres, which faced higher purchase costs for paper, printing plates and ink due to the rising euro. EBIT was CHF 7.4 million (previous year: CHF 22.9 million) and the EBIT margin stood at 2.6 per cent. Excluding structural adjustments and investment in the digital transformation of our offers, the Paid Media segment would post a loss. The measures we have put in place give us confidence for the future, however.

Free Media and Commercialisation

What was previously the “Free Media” business division is to be called “Free Media and Commercialisation” in future because it now also encompasses the out-of-home company Neo Advertising in addition to the media network 20 Minuten and the stakes in L’essentiel, Heute/heute.at and Metroxpress/BT. At CHF 75.8 million, operating revenues in the Free Media and Commercialisation segment increased by 5.5 per cent year-on-year. This rise is primarily attributable to the acquisition of Neo Advertising. Operating income before depreciation and amortisation (EBITDA) dropped to CHF 14.7 million (previous year: CHF 18.9 million), putting the EBITDA margin at 19.4 per cent (previous year: 26.3 per cent). This drop is attributable in particular to the decline in print advertising revenue, which could not be fully offset by digital forms of advertising. Operating income (EBIT) fell from CHF 17.5 million to CHF 12.7 million, putting the EBIT margin at 16.8 per cent (previous year: 24.3 per cent).

Marketplaces and Ventures

The Marketplaces and Ventures business division, which encompasses all non-publishing digital products, posted operating revenues of CHF 124.9 million. This equates to an increase of 5.7 per cent year-on-year. The JobCloud AG job platforms performed particularly well and significantly increased their net income once again. The Marketplaces and Ventures business division’s operating income before depreciation and amortisation (EBITDA) increased as a result to CHF 53.2 million (previous year: CHF 47.6 million). The EBITDA margin now amounts to an outstanding 42.6 per cent (previous year: 40.2 per cent). Operating income (EBIT) improved from CHF 31.1 million in the previous year to CHF 36.7 million. The EBIT margin was 29.4 per cent (previous year: 26.3 per cent).

Equity fell by CHF 1.1 million to CHF 1,968.5 million. The self-financing ratio is a very respectable 78.3 per cent (78.4 per cent as of the end of 2017).

We shall provide you with more information on the company’s most important projects and the performance of our media group when the annual report for 2018 is published on Tuesday, 12 March 2019.

Yours sincerely,

Dr Pietro Supino
Publisher and Chairman of the Board of Directors

Christoph Tonini
Chief Executive Officer

Financial reporting by Tamedia on the first half of 2018

Consolidated income statement

in CHF mn	30.06.2018	30.06.2017 [1]
Media revenue	431.2	430.4
Print revenue	36.7	38.0
Other operating revenue	9.5	9.1
Other income	0.1	0.3
Revenues	**477.5**	**477.8**
Costs of material and services	(66.3)	(60.3)
Personnel expenses	(215.5)	(181.2)
Other operating expenses	(118.3)	(115.4)
Operating expenses	**(400.2)**	**(356.9)**
Share of net income/(loss) of associates / joint ventures	8.1	6.5
Operating income before depreciation and amortisation (EBITDA)	**85.4**	**127.3**
Depreciation and amortisation	(14.6)	(14.5)
Depreciation and amortisation from business combinations	(18.1)	(17.7)
Operating income (EBIT)	**52.7**	**95.2**
Financial income	4.0	0.8
Financial expense	(4.1)	(1.4)
Income before taxes	**52.6**	**94.6**
Income taxes	(12.7)	(18.0)
Net income	**39.9**	**76.6**
of which		
attributable to Tamedia shareholders	26.3	65.5
attributable to non-controlling interests	13.6	11.0

1 Impairments of financial assets are now reported under other operating expenses. The previous year's figures have been restated.

Earnings per share

in CHF	30.06.2018	30.06.2017
Net income per share (undiluted)	2.48	6.19
Net income per share (diluted)	2.48	6.17

Consolidated statement of total comprehensive income

in CHF mn	30.06.2018	30.06.2017
Net income	**39.9**	**76.6**
Value fluctuation of hedges	(0.9)	(0.2)
Currency translation differences	(1.1)	1.2
Income tax effects	0.2	(0.1)
Other comprehensive income/(loss) – to be reclassified via the income statement in future periods	**(1.8)**	**0.8**
Actuarial gains/(losses) IAS 19	11.1	57.9
Share of net income/(loss) recognised directly in equity of associates/joint ventures	11.0	0.3
Income tax effects	(2.3)	(12.2)
Other comprehensive income/(loss) – not to be reclassified via the income statement in future periods	**19.8**	**46.0**
Other comprehensive income/(loss)	**18.0**	**46.8**
Total comprehensive income	**57.9**	**123.4**
of which		
Attributable to Tamedia shareholders	44.0	112.0
Attributable to non-controlling interests	13.8	11.4

Consolidated balance sheet

in CHF mn	30.06.2018	31.12.2017
Cash and cash equivalents	144.3	123.4
Current financial assets	1.9	2.1
Trade accounts receivable	133.5	158.8
Current financial receivables	10.4	12.1
Current tax receivables	10.5	10.5
Other current receivables	13.7	8.4
Accrued income and prepaid expenses	20.9	11.1
Inventories	4.0	4.3
Current assets	**339.2**	**330.9**
Property, plant and equipment	269.6	270.5
Investments in associates / joint ventures	279.4	291.0
Employee benefit plan assets	97.7	94.4
Other non-current financial assets	11.3	11.6
Deferred tax assets	4.3	3.4
Intangible assets	1 513.3	1 511.7
Non-current assets	**2 175.6**	**2 182.5**
Total assets	**2 514.8**	**2 513.3**
Current financial liabilities	0.5	4.0
Trade accounts payable	28.1	38.9
Current tax liabilites	13.3	12.1
Other current liabilities	30.1	29.4
Deferred revenues and accrued liabilities from contracts with customers	203.5	206.4
Other accrued liabilities	71.3	61.0
Current provisions	3.6	2.1
Current liabilities	**350.5**	**353.9**
Non-current financial liabilities	14.1	6.4
Employee benefit obligations	17.3	19.3
Deferred tax liabilities	153.8	153.4
Non-current provisions	10.6	10.7
Non-current liabilities	**195.8**	**189.8**
Total liabilities	**546.3**	**543.7**
Share capital	106.0	106.0
Treasury shares	(2.8)	(1.6)
Reserves	1 621.5	1 627.2
Equity, attributable to Tamedia shareholders	**1 724.7**	**1 731.6**
Equity, attributable to non-controlling interests	243.8	238.0
Equity	**1 968.5**	**1 969.6**
Total liabilities and shareholders' equity	**2 514.8**	**2 513.3**

Consolidated statement of cash flows

in CHF mn	30.06.2018	30.06.2017
Direct method		
Receipts from products and services sold	457.9	473.5
Personnel expense	(210.0)	(206.4)
Expenditures for material and services received	(158.9)	(167.6)
Dividends from associates / joint ventures	30.1	24.9
Cash flow from/(used in) operating activities before financial result and taxes	**119.2**	**124.4**
Interest paid	(0.5)	(0.3)
Interest received	0.1	0.2
Other financial result	(3.0)	0.7
Income taxes paid	(16.9)	(18.1)
Cash flow from/(used in) operating activities	**98.8**	**106.9**
Investment in property, plant and equipment	(5.9)	(2.3)
Sale of property, plant and equipment	0.0	0.0
Investments in consolidated companies	(7.8)	–
Investments in interests in associates/joint ventures	(0.2)	(0.1)
Investment in other financial assets	(4.5)	(1.4)
Sale of other financial assets	2.1	7.5
Investments in intangible assets	(5.1)	(1.7)
Cash flow from/(used in) investing activities	**(21.3)**	**2.0**
Cash flow after investing activities	**77.6**	**109.0**
Dividends paid to Tamedia shareholders	(47.6)	(47.7)
Dividends paid to non-controlling interests	(22.9)	(20.5)
Proceeds of current financial liabilities	–	0.1
Repayment of current financial liabilities	(1.7)	(30.0)
Repayment of non-current financial liabilities	–	(0.3)
(Purchase)/sale of treasury shares	(2.8)	(0.6)
Acquisition of non-controlling interests	–	(2.4)
Sale of interests held by minority shareholders	10.0	3.5
Cash flow used in financing activities	**(56.6)**	**(97.9)**
Impact of currency translation	**(0.1)**	**0.1**
Change in cash and cash equivalents	**20.9**	**11.1**
Cash and cash equivalents as of 1 January	123.4	55.9
Cash and cash equivalents from assets held for sale as of 1 January	–	7.3
Cash and cash equivalents as of 30 June	144.3	74.4
Cash and cash equivalents from assets held for sale as of 30 June	–	–
Change in cash and cash equivalents	**20.9**	**11.1**

Statement of changes in equity

in CHF mn	Share capital	Treasury shares	Currency translation differences	Reserves	**Equity, attributable to Tamedia shareholders**	Minority interests in equity	**Equity**
As of 31 December 2016	**106.0**	**(1.3)**	**(7.0)**	**1 427.6**	**1 525.3**	**230.8**	**1 756.1**
Net income/(loss)	–	–	–	65.5	**65.5**	11.0	**76.6**
Share of net income/(loss) recognised directly in equity of associates/joint ventures	–	–	–	0.3	**0.3**	–	**0.3**
Value fluctuation of hedges	–	–	–	(0.2)	**(0.2)**	–	**(0.2)**
Actuarial gains/(losses) IAS 19	–	–	–	57.5	**57.5**	0.3	**57.9**
Currency translation differences	–	–	1.1	–	**1.1**	0.1	**1.2**
Income tax effects	–	–	(0.2)	(12.0)	**(12.2)**	(0.1)	**(12.3)**
Total comprehensive income	**–**	**–**	**0.9**	**111.1**	**112.0**	**11.4**	**123.4**
Dividends paid	–	–	–	(47.7)	**(47.7)**	(20.5)	**(68.2)**
Acquisition of non-controlling interests	–	–	–	(1.7)	**(1.7)**	(0.6)	**(2.4)**
Sale of minority interests	–	–	–	2.1	**2.1**	0.7	**2.7**
Contractual obligations to purchase non-controlling interests	–	–	–	3.4	**3.4**	–	**3.4**
Share-based payments	–	–	–	(0.6)	**(0.6)**	–	**(0.6)**
(Purchase)/sale of treasury shares	–	0.3	–	–	**0.3**	–	**0.3**
As of 30 June 2017	**106.0**	**(0.9)**	**(6.0)**	**1 494.0**	**1 593.0**	**221.7**	**1 814.7**
As of 31 December 2017	**106.0**	**(1.6)**	**(2.7)**	**1 629.9**	**1 731.6**	**238.0**	**1 969.6**
Net income/(loss)	–	–	–	26.3	**26.3**	13.6	**39.9**
Share of net income/(loss) recognised directly in equity of associates/joint ventures	–	–	–	11.0	**11.0**	–	**11.0**
Value fluctuation of hedges	–	–	–	(0.9)	**(0.9)**	–	**(0.9)**
Actuarial gains/(losses) IAS 19	–	–	–	10.8	**10.8**	0.3	**11.1**
Currency translation differences	–	–	(1.1)	–	**(1.1)**	0.0	**(1.1)**
Income tax effects	–	–	–	(2.1)	**(2.1)**	(0.1)	**(2.1)**
Total comprehensive income	**–**	**–**	**(1.1)**	**45.1**	**44.0**	**13.8**	**57.9**
Dividends paid	–	–	–	(47.6)	**(47.6)**	(22.9)	**(70.5)**
Change in the group of consolidated companies	–	–	–	–	**–**	4.2	**4.2**
Sale of minority interests	–	–	–	(0.4)	**(0.4)**	10.6	**10.1**
Share-based payments	–	–	–	(1.6)	**(1.6)**	–	**(1.6)**
(Purchase)/sale of treasury shares	–	(1.2)	–	–	**(1.2)**	–	**(1.2)**
As of 30 June 2018	**106.0**	**(2.8)**	**(3.7)**	**1 625.3**	**1 724.7**	**243.8**	**1 968.5**

General

The unaudited interim consolidated financial statements as of 30 June 2018 were prepared in accordance with the International Accounting Standard (IAS) 34, "Interim Financial Reporting". The same accounting policies were applied as in the 2017 Annual Report and the adjustments, which have been introduced since 1 January 2018, listed in the Accounting section were also taken into consideration. The interim consolidated statements were approved by the Board of Directors of Tamedia AG on 22 August 2018.

The accounting requires assessments and assumptions from the executive management and Board of Directors, which influence the reported assets and liabilities as well as contingent liabilities but also expenses and income during the reporting period. These estimates and assumptions take account of past experience as well as changes in the economic situation and are mentioned where relevant. As they are subject to risks and uncertainties, the actual results may differ from these estimates. In particular, the estimate and assumption regarding the adjustment of tax rates in the canton of Vaud (see income statement) had a material impact on the consolidated financial statements in the reporting year.

Accounting

Tamedia applied the following new and revised standards and interpretations for the first time in the Half-Year Report 2018 (not earlier than required).

- IFRS 9 "Financial Instruments" – 2018
- IFRS 15 "Revenue from Contracts with Customers" – 2018
- IFRS 2 "Classification and Measurement of Share-based Payment Transactions" (amendments to IFRS 2 "Share-based Payment") – 2018

Their first-time application did not lead to any significant changes in the consolidation and measurement principles or in the assets or income situation. As regards disclosures, the first-time application of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" means that losses on receivables and the change in doubtful trade accounts receivable (as impairments of financial assets) are now reported under other operating expenses. The figures for the previous year, in which these impairments were still recognised as a reduction in revenues, have been restated accordingly. In all other respects, the introduction of the new standards will not have any further material impact on the disclosures in the consolidated financial statements.

IFRS 9 Financial Instruments

The introduction of IFRS 9 "Financial Instruments" does not have any material impact on the consolidated financial statements. The Group is applying the simplified approach in accordance with IFRS 9 to measure anticipated loan losses, factoring in the need to make valuation allowances based on past experience for all trade accounts receivable. Trade accounts receivable are written off if it is unlikely that they will be recovered. Impairments of financial assets are included in other operating expenses and not reported separately for reasons of materiality.

IFRS 15 Revenue from Contracts with Customers

On 28 May 2014, the IASB published a new standard on revenue recognition (IFRS 15 "Revenue from Contracts with Customers"). IFRS 15 combines the previous standards and interpretations that contained provisions on revenue recognition into a single standard. IFRS 15 must be applied to all revenue transactions across all sectors and comprises a principle-based five-level model for determining the time (or time period) and amount at which revenues are to be recognised. The standard also requires extensive disclosure requirements in the Notes to the Annual Report. Tamedia has analysed material consolidated revenues with customers based on the five-step IFRS 15 model. Among other things, this entailed a review of the requirements of IFRS 15 with regard to the timing or period of recognition of revenues, the recognition of multiple-element arrangements and variable revenue components.

Tamedia is applying the new IFRS 15 standard "Revenue from Contracts with Customers" retrospectively. The implementation of the new standard did not entail any material adjustments to the revenue figures in the consolidated income statement and there was no restatement of the figures in the previous year's consolidated income statement. The application of IFRS 15 did not result in any estimates or assumptions with a material impact on the consolidated financial statements.

The following measurement principles apply to the recognition of operating revenues in accordance with IFRS 15:

- Revenues are realised if Tamedia has satisfied its performance obligation and control of the asset has been transferred to the purchaser or the service has been rendered.
- As regards activities where material opportunities and risks do not apply to Tamedia or sums are collected in the interest of third parties, the revenues at the time of the brokerage activity are only shown in the amount of the relevant commission or the share of the revenues to which the Group is entitled. In these cases, Tamedia commissioned a third party to render the service and acted as broker between supply and demand.
- Operating revenues are stated net of sales reductions and value-added tax, while losses on receivables are reported under other operating expenses. Variable considerations (for example refunded media revenue) are usually limited and are estimated based on the contractual agreement and on anticipated figures and internal forecasts. Revenues and expenses from barter transactions are reported gross. Any consideration not yet received is accounted for on an accruals basis. Contracts with customers generally stipulate a payment term of 30 days. As less than 12 months usually elapses between the service being provided and the customer paying, the simplified approach in accordance with IFRS 15 can be applied and no financing components need to be considered. There are no take-back or refund obligations or other similar obligations or guarantees.
- Revenues from contracts with multiple performance obligations (multi-component contracts) are allocated based on the individual sales prices for the respective performance obligation. If no individual sales prices are available, revenues are allocated using allocation formulae which reflect the best-possible estimate of the customers' willingness to pay for the relevant performance components.
- Tamedia does not usually dispose of any material assets from contracts with customers since its services have either already been invoiced or not yet rendered. In particular, there are no contractual assets from work in progress which do not yet give rise to an unconditional right to receive the consideration due to unsettled performance obligations to be taken into account and no material costs to be capitalised arising in connection with the initiation or performance of a contract with the customer. If the customer has already furnished the consideration before the goods or service is/are transferred, the contract is reported as deferred revenues and accrued liabilities from contracts with customers.
- Tamedia divides operating revenues in the income statement according to its core competencies with regard to the type of service and goods: media revenue, print revenue, other operating revenue and other income. Media revenue is also further subdivided according to the type of sales market (see income statement section). Segment reporting is structured based on the market-specific business segments reported internally. In segment reporting, the total amount of media revenue, print revenue, other operating revenue and other income corresponds to the total "Revenues after eliminations and IAS 19 reconciliations".
- Revenues within the advertising market include revenue from the sale of advertising space (e.g. commercial advertisements and classified advertising) in published newspapers and magazines and revenues from digital business models within the categories of displays, affiliate marketing and online classified. Revenues from the advertising market in the digital area are equivalent to the sale of advertising space in the publishing area. Revenue from the advertising market generated through selling individual advertisements or online classifieds is realised at the specific time the advertisement appears, while revenues from preparing advertising spaces over a contractually defined period is recognised over that period.
- Revenues within the user market include revenues from the sale of newspapers and magazines to subscribers, retailers and wholesalers. Revenues from sales also include the sale of digital applications and formats. Revenues from the user market in the digital area are equivalent to those in the publishing area. Here, the service is provided over a period of time (the duration of the subscription). Revenues are therefore recognised over the course of the relevant subscription, which provides a reliable representation of the transfer of the service.
- Print revenue includes proceeds from newspaper printing. Proceeds are realised when printed products are delivered and recognised as revenues at this time.
- Other operating revenue mainly includes revenues from transport, management fees and services, revenue from buildings used for operational purposes and other revenue items which would not be

material on their own. The various items incorporate various smaller sources of revenue. These include income from the staff restaurant, intermediary fees for mortgages, visualisation support for the marketing of property, sale of petrol, etc.
– Other income includes income from asset disposals, income from evaluations of previously non-consolidated investments and other income items which would not be material on their own.

The new and revised standards and interpretations that are to be applied to the consolidated financial statements for the first time in 2019 or later were not applied earlier than required. Apart from the introduction of the new IFRS 16 standard "Leases", the introduction of the revised standards is not expected to have any material impact on the consolidated financial statements.

IFRS 16 Leases

On 13 January 2016, the IASB published its new standard on leases (IFRS 16 "Leases"). Lessees generally have to recognise all leases with their assets and liabilities in the balance sheet, except for short-term leases with a term of less than one year and leases where the underlying asset is of low value. The first mandatory adoption of IFRS 16 is planned for the financial years beginning on or after 1 January 2019. The analysis of the impacts and changes resulting from the implementation of IFRS 16 is still ongoing. A more detailed estimate will be made in the second half of 2018. However, the capitalisation and depreciation of right-of-use assets under IFRS 16 will significantly reduce EBITDA, whilst only a slight impact on EBIT and net income is expected.

Segment information

in CHF mn	Paid Media	Free Media and Commer-cialisation	Marketplaces and Ventures	Eliminations and reconciliation IAS 19	**Total**
As of 30 June 2018					
Revenue third parties	277.3	75.5	124.7	–	**477.5**
Revenue intersegment	7.7	0.3	0.2	(8.3)	**–**
Revenues	**285.0**	**75.8**	**124.9**	**(8.3)**	**477.5**
Operating expenses	(263.8)	(61.5)	(79.1)	4.2	**(400.2)**
Share of net income/(loss) of associates / joint ventures	0.4	0.4	7.3	–	**8.1**
Operating income before depreciation and amortisation (EBITDA)	**21.6**	**14.7**	**53.2**	**(4.1)**	**85.4**
Margin [2]	7.6%	19.4%	42.6%	–	17.9%
Depreciation and amortisation	(9.9)	(0.5)	(4.2)	–	**(14.6)**
Amortisation from business combinations [3]	(4.3)	(1.5)	(12.3)	–	**(18.1)**
Operating income (EBIT)	**7.4**	**12.7**	**36.7**	**(4.1)**	**52.7**
Margin [2]	2.6%	16.8%	29.4%	–	11.0%
Average number of employees [4]	2 225	346	654	–	**3 224**
As of 30 June 2017 [1]					
Revenue third parties	288.8	70.9	118.1	–	**477.8**
Revenue intersegment	9.1	1.0	0.1	(10.2)	**–**
Revenues	**297.9**	**71.8**	**118.2**	**(10.2)**	**477.8**
Operating expenses	(262.2)	(52.8)	(75.8)	33.9	**(356.9)**
Share of net income/(loss) of associates / joint ventures	1.5	(0.2)	5.2	–	**6.5**
Operating income before depreciation and amortisation (EBITDA)	**37.1**	**18.9**	**47.6**	**23.7**	**127.3**
Margin [2]	12.5%	26.3%	40.2%	–	26.6%
Depreciation and amortisation	(9.9)	(0.5)	(4.1)	–	**(14.5)**
Amortisation from business combinations [3]	(4.3)	(1.0)	(12.4)	–	**(17.7)**
Operating income (EBIT)	**22.9**	**17.5**	**31.1**	**23.7**	**95.2**
Margin [2]	7.7%	24.3%	26.3%	–	19.9%
Average number of employees [4]	2 400	297	612	–	**3 308**

1 Impairments of financial assets are now reported under other operating expenses. The previous year's figures have been restated.
2 The margin relates to operating revenues.
3 The amortisation from business combinations comprises amortisation from customer bases and publishing rights acquired and capitalised as part of a business combinations.
4 The average headcount does not include employees in associates/joint ventures.

Further information on the individual segments can be found in the operational reporting.

Changes to the group of consolidated companies

There were the following changes to the group of consolidated companies in the first half of 2018.

Neo Advertising SA

As of 28 February 2018, Tamedia acquired a 52 per cent majority stake in Neo Advertising SA, which is headquartered in Geneva. Neo Advertising is active in the area of out-of-home advertising and operates and markets around 12,000 digital and analogue outdoor advertising spaces in German-speaking and French-speaking Switzerland.

The purchase price for Neo Advertising SA is CHF 9.8 million. The assets acquired amount to CHF 32.3 million and the liabilities to CHF 18.3 million. In addition to cash and cash equivalents of CHF 2.0 million, the assets comprise goodwill and non-amortisable intangible assets of CHF 16.5 million. The goodwill of CHF 5.2 million was created from the strong market position occupied in digital and analogue outdoor advertising space, especially in French-speaking Switzerland, as well as combinations with existing advertising offers from Tamedia. Neo Advertising SA is reported in the Free Media and Commercialisation segment.

It is assumed that the goodwill is not deductible for tax purposes.

Joint Venture involving autoricardo and AXA

Tamedia and AXA are joining forces to provide combined new offers for the Swiss vehicle market. For this purpose, the autoricardo part of the business was transferred to the new subsidiary autoricardo Ltd, in which AXA holds a 50 per cent stake since of 27 April 2018 – as well as providing expertise in the areas of insurance, mobility and finance. Rights stipulated by contract will ensure Tamedia retains control.

Additional changes to the group of consolidated companies

Tradono Switzerland AG was merged with Tamedia Espace AG retroactively to 1 January 2018. As of 26 June 2018, Zürcher Regionalzeitungen AG established FZ Furttaler Zeitung AG using non-monetary contributions from Furttaler Zeitung's activities.

Income statement

Tamedia divides operating revenues in the income statement according to its core competencies as regards the type of service:

in CHF mn	30.06.2018	30.06.2017
Advertising market	271.0	265.1
User market	126.6	130.3
Other media activities	33.6	35.0
Media revenue	**431.2**	**430.4**

in CHF mn	30.06.2018	30.06.2017
Newspaper printing	25.2	27.3
Other printing revenues	11.5	10.8
Print revenue	**36.7**	**38.0**

in CHF mn	30.06.2018	30.06.2017
Transport	4.4	4.5
Merchandise revenues	0.2	0.3
Management fees and services to related parties and third parties	2.0	1.5
Gain on buildings used for operational purposes	1.6	1.3
Handling charges, shipping costs	0.5	0.6
Various items	0.9	0.9
Other operating revenue	**9.5**	**9.1**

in CHF mm	30.06.2018	30.06.2017
Gain on disposal of property, plant and equipment	0.0	0.3
Various items	0.1	0.0
Other income	**0.1**	**0.3**

Further information on the business segments' revenues, EBITDA and EBIT as well as on selected media can be found in the segment information in the operational reporting.

At CHF 477.5 million, operating revenues are stable compared with the prior period.

Costs of material and services rose by CHF 6.0 million to CHF 66.3 million, CHF 4.7 million of which is attributable to the change in the group of consolidated companies and includes the rental costs for Neo Advertising SA advertisers, which have been recognised as a service.

Personnel expenses increased by CHF 34.3 million from the previous year to CHF 215.5 million. CHF 1.8 million of the increase is due to the changes in the group of consolidated companies, CHF 2.0 million to the recognition of provisions for social plans and CHF 27.8 million to the increase in employee benefit expense as per IAS 19 "Employee Benefits". This increase is linked to the one-off effects due to plan amendments taken into consideration in the previous year (lowering of the technical interest rate and the conversion rate).

Other operating expenses rose by CHF 2.9 million to CHF 118.3 million. Among other things, this increase is attributable to the fact that impairments of financial assets are now reported under other operating expenses due to the first-time application of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers". In particular, the figure includes CHF 5.0 million of specific valuation allowances for the receivables due from Publicitas. The figures from the previous year, in which impairments of CHF 2.7 million were still recognised as a reduction in revenues, have been restated accordingly.

The share of net income of associates and joint ventures rose by CHF 1.6 million to CHF 8.1 million year-on-year due to the positive operating performance enjoyed by various minority interests.

Depreciation and amortisation remain largely unchanged, rising a mere CHF 0.5 million to CHF 32.7 million in comparison to the previous year.

In the first half of 2018, other financial income totalled CHF –0.1 million, an improvement of CHF 0.5 million on the previous year. At CHF –0.1 million, net interest remained stable compared with the previous year. In the first half of the year, one-off costs were also reported under financial expenses in connection with the signing of a new general loan agreement. At CHF 0.1 million, exchange rate effects were virtually neutral in the first half of 2018 (previous year: CHF –0.3 million), whilst financial income in accordance with IAS 19 was CHF 0.2 million for the first half of the year (previous year: CHF –0.1 million).

As in the same period of the previous year, there were no discontinued operations as of 30 June 2018.

The anticipated average tax rate remains unchanged at 21.3 per cent. The effective tax rate rose sharply from 19.1 per cent in the first half of 2017 to 24.2 per cent in the first half of 2018. This is due to unrecognised deferred tax assets relating to loss carryforwards, which have not been realised due to the income situation of the companies concerned and to effects on deferred taxes resulting from a change in tax rate. In the first half of 2017, changes to tax deferrals in respect of current income taxes had also led to a drop in the tax rate; these were smaller in the first half of 2018. In the run-up to the vote on the Corporate Tax Reform Act III, the canton of Vaud has decided to reduce tax rates significantly with effect from 1 January 2019. Following the rejection by voters of the Corporate Tax Reform Act III at the start of 2017, the cantonal government has to report to the cantonal parliament with a view to reassessing the situation. On 1 November 2017, the cantonal government published details of how it planned to proceed and confirmed the reduced cantonal income tax rate of 3.33 per cent as of 1 January 2019, which will lead to a reduction in the combined effective tax rate from the present figure of roughly 21.5 per cent to around 14 per cent. The report is expected to be available in 2018 and will need to be approved by the cantonal parliament. Tamedia's view is that tax rates will only be adjusted once approval has been granted. Tamedia will only therefore apply the new tax rate once the report has been approved. The adjusted tax rate would reduce deferred tax liabilities by CHF 13.4 million, which would result in tax revenue of the same amount.

Balance sheet

In the first half of 2018, total assets increased by CHF 1.5 million from CHF 2,513.3 million to CHF 2,514.8 million. Equity decreased by CHF 1.1 million to CHF 1,968.5 million. The self-financing ratio now stands at 78.3 per cent. The actuarial changes required as per IAS 19 resulted in a positive amount of CHF 11.1 million (before deferred taxes), which was recorded directly in equity in the statement of total comprehensive income, while an increase of CHF 57.9 million had to be taken into consideration in the first half of the prior year. CHF 47.6 million (CHF 4.50 per share) was distributed to the Tamedia AG shareholders as a dividend. In the course of the first six months of 2018, treasury shares worth CHF 1.6 million were also used for equity components due from the executive management's profit sharing. The minority interests in equity increased by CHF 5.8 million to CHF 243.8 million.

Current assets rose by CHF 8.4 million to CHF 339.2 million as a result of the usual seasonal fluctuations in cash and cash equivalents, trade accounts receivable, and accrued income and prepaid expenses. Non-current assets decreased by CHF 6.9 million to CHF 2,175.6 million. In the first half of 2018, investments in property, plant and equipment and intangible assets totalled CHF 11.0 million, of which around CHF 2.9 million are attributable to the capitalisation of IT equipment and software projects, CHF 2.9 million to extensive adjustments and updates to plants (including the dispatch facility) at the printing facility in Zurich and a further CHF 2.0 million to the acquisition of licences. The investments were offset by depreciation and amortisation of CHF 32.7 million. The acquisition of Neo Advertising SA resulted in an increase in property, plant and equipment and intangible assets of CHF 22.9 million. By contrast, no disposals or material currency effects need to be considered for the first half of 2018. Shares in investments in associates and joint ventures decreased by CHF 11.5 million net to CHF 279.4 million. The change comprises the positive share of net income in associates and joint ventures and the reduction due to the dividends paid by those investments. At 30 June 2018, there are employee benefit plan assets totalling CHF 94.7 million held by various benefit plans (CHF 94.4 million at 31 December 2017). Non-current financial assets amount to CHF 11.3 million and remain stable in comparison to the previous year. Deferred tax assets increased slightly to CHF 0.9 million.

At the end of the first half of 2018, there are no assets held for sale.

Current liabilities posted a fall of CHF 3.5 million to CHF 350.5 million. This is mainly due to the seasonal fluctuations in trade accounts payable (decrease of CHF 10.8 million) and in other deferred revenues and accrued liabilities (increase of CHF 10.3 million). Accruals and deferrals from contracts with customers, which are being reported for the first time following the introduction of IFRS 15 "Revenue from Contracts with Customers", include considerations already furnished by the customer before the goods or service is/are transferred by Tamedia. Current financial liabilities fell due to the settlement of the purchase price obligation from the purchase of Swiss Classified Media in 2015 and to the drop in current financial liabilities from derivative hedging. The increase in current provisions totalling CHF 1.5 million is attributable in particular to agreed social plans.

Non-current liabilities decreased by CHF 5.0 million to CHF 194.8 million. Employee benefit obligations as per IAS 19 fell by CHF 2.0 million to CHF 17.3 million. Non-current financial liabilities rose by CHF 7.7 million, primarily because of loans granted by related parties to autoricardo Ltd and Neo Advertising AG. There were no short- or long-term bank loans at 30 June 2018. Deferred tax liabilities increased marginally by CHF 0.4 million to CHF 153.8 million. Non-current provisions remained virtually unchanged from 31 December 2017.

Financial instruments

in CHF 000	category	30.06.2018 Carrying value	30.06.2018 Fair value	31.12.2017 Carrying value	31.12.2017 Fair value
Cash and cash equivalents	1	144 335	144 335	123 438	123 438
Current financial assets	4	1 901	1 901	2 119	2 119
of which other current financial assets	2	511	511	–	–
of which forward exchange contracts and interest rate hedges	4	1 390	1 390	2 119	2 119
Trade accounts receivable	2	133 539	133 539	158 824	158 824
Current financial receivables	2	10 357	10 357	12 125	12 125
Other non-current financial assets		11 295	11 283	11 579	11 565
of which forward exchange contracts and interest rate hedges	4	24	24	–	–
of which other investments	3	10 625	10 625	10 787	10 787
of which loans receivable	2	401	389	401	387
of which other non-current financial assets	2	246	246	391	391
Current financial liabilities	5	534	534	3 973	3 973
Trade accounts payable	5	28 106	28 106	38 940	38 940
Other liabilities	5	15 385	15 385	10 939	10 939
Non-current financial liabilities		14 135	14 428	6 412	6 378
of which liabilities to banks and loans	5	10 767	11 060	3 094	3 060
of which purchase price obligations	4	3 368	3 368	3 318	3 318
Categorisation of financial instruments as per IAS 39					
Cash and cash equivalents	1	144 335	144 335	123 438	123 438
Loans and trade accounts receivable	2	145 053	144 531	171 741	171 727
Financial instruments held for sale	3	10 625	10 625	10 787	10 787
Financial instruments held for trading purposes	4	(1 954)	(1 443)	(1 200)	(1 200)
Financial liabilities measured at amortised cost	5	(54 793)	(55 086)	(56 946)	(56 912)

Wherever possible, fair value is determined by market prices. If these are not available, the Group does its own calculations, which are generally based on the discounted cash flow method.

Tamedia uses the following measurement hierarchy for determining the fair value of financial instruments:

- Level 1
  Listed, unadjusted market price in active markets.
- Level 2
  Fair values calculated on the basis of observable market data. Either listed prices on non-active markets or non-listed prices are used.
  Such market values may also be derived from prices indirectly.
- Level 3
  Fair values that are not calculated on the basis of observable market data.

The forward exchange contracts and interest rate hedges included under current and non-current financial assets and liabilities are the only financial instruments that are classified as Level 2 in the fair value hierarchy. The other investments as well as the purchase price obligations and the obligations to purchase own equity instruments are classified as Level 3 in the fair value hierarchy. All other financial instruments carried at fair value are classified as Level 1. There are no transfers between the three levels.

Important events after the balance sheet date

Goldbach Media

Tamedia acquired acquired more than 97 per cent of the listed shares in Goldbach Group AG, which has its registered office in Küsnacht, with effect from 24 August. The Goldbach Group comprises, among other entities, the TV marketer Goldbach Media (Switzerland) AG, in which the RTL subsidiary IP Deutschland GmbH and the ProSiebenSat.1 subsidiary SevenOne Media (Schweiz) AG each hold 23 per cent of the shares, as well as the digital advertising marketer Goldbach Audience (Switzerland) AG, in which IP Deutschland and SevenOne Media each hold 24.95 per cent. Further significant investments in Switzerland include swiss radioworld AG, in which IP Deutschland and SevenOne Media each hold 23 per cent, and Goldbach lnteractive (Switzerland) AG, a 100 per cent subsidiary of Goldbach Group AG.

The Swiss Federal Competition Commission approved the transaction on 15 August 2018 without imposing any restrictions or conditions.

As part of a public offer, 6,098,790 shares in all had been tendered to Tamedia by the end of the tender period on 11 April 2018 and the company has now acquired these in cash for a price of CHF 35.50 per registered share as per the offer. The purchase price for the shares acquired is CHF 216.5 million. Tamedia plans to cancel the share certificates by means of a public notice procedure and to compensate the remaining retail equity investors in cash. It also plans to delist Goldbach Group AG (GBNME) from the SIX Swiss Exchange by spring 2019 at the latest.

No details on the assets and liabilities that were acquired as part of a first-time consolidation can be provided yet.

Basler Zeitung

Tamedia is to acquire 100 per cent of the shares in Basler Zeitung AG, which publishes the Basler Zeitung, from Zeitungshaus AG. In return, Zeitungshaus AG is to acquire 65 per cent of the shares in Tagblatt der Stadt Zürich AG from Tamedia, 100 per cent of the shares in FZ Furttaler Zeitung AG, which publishes the free Furttaler and Rümlanger newspapers, and the stakes in GHI and Lausanne Cités, although the joint venture partner has a right of first refusal in respect of these interests.

The transactions are subject to COMCO approval. Therefore, no details on the assets and liabilities that would be acquired as part of a first-time consolidation can yet be provided.

Zattoo International AG

Tamedia increases its stake in Zattoo International AG to more than 50 per cent and thus takes over the majority. Zattoo is the clear market leader in Internet TV in Switzerland and also the number 1 in Germany. In addition to its consumer business, Zattoo is also a technical service provider for cable TV and IPTV providers. The strategic partnership between Tamedia and Goldbach creates new synergy opportunities for the marketing of Zattoo in Switzerland and Germany.

The transaction is still subject to the approval of the COMCO. No details on the assets and liabilities that would be acquired as part of a first-time consolidation can be provided yet.

Financial calendar

The annual report for 2018 will be published on Tuesday, 12 March 2019.

Investor Relations

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