

## Report of the First Half of 2001 to the Tamedia AG Shareholders

Dear Shareholders  
 Dear Colleagues  
 Dear Friends and Partners of the Tamedia Group

In the first half of 2001 Tamedia experienced a slight fall in operating revenues (turnover) of 407.9 Million CHF (-1.7%), primarily as a consequence of the decrease in advertising income in the area of printed media division caused by the general economic climate. In contrast, the electronic media managed to increase its operating revenues by 18% to 18.6 Million CHF.

The operating income before depreciation and amortization, EBITDA, fell primarily as a consequence of the full financing of TV3 (since 1.1.2001) by 18.4% to 74.6 Million CHF.

The results, in contrast to very good figures for the previous year (55.8 Million CHF), fell correspondingly to 37.0 Million CHF. Net investments in the first half of the year amounted to 42.9 Million CHF (previous year: 77.2 Million CHF).

### Print Media: Projects to Increase Efficiency

Print Media	Effective		Pro forma		1st January - 30th June in Million CHF
	2001	2000	2001	2000	
Operating revenues	349.6	360.3	349.6	360.3	
Operating expenses	(243.0)	(244.2)	(243.0)	(244.2)	
<b>EBITDA</b>	<b>106.6</b>	116.1	<b>106.6</b>	116.1	
EBITDA Margin	30.5%	32.2%	30.5%	32.2%	
Average number of employees	959	943	959	943	

The Swiss newspaper market has been characterised by two phenomena over the last six months: free newspapers and the weakening economy. For the "Tages-Anzeiger" this has had a clear corresponding effect in the reduction of commercial ads and classified ads. Job advertising volumes are stagnating at a high level - "Alpha" has maintained its leading position in the professional recruitment area. The changes to the readership have led to a drop in circulation of 5%. These market changes have been countered by the "Tages-Anzeiger" by means of projects to ensure that profitability and margins remain at a high level, above average with regard to its competitors. These projects consist of investments in areas relevant to the publication of the "Tages-Anzeiger" on the one hand and the creation of potential savings on the other. In spite of the fall in circulation, the price per thousand readers (PTR) remains competitive; as a result, the drop in circulation had no direct impact on advertising income.

The Sunday market is characterised by a high degree of consistency, both in readership and advertising. The "SonntagsZeitung" meets the readership needs of important and interesting target groups with its journalistic concept of relevance and entertainment. The paper distinguishes itself by its high market share even in difficult economic circumstances. In addition, preparations were made in editorial and publishing to arm themselves for the changes likely to be seen in the attractive Sunday market over the next few months.

Within the economic press, which is very important to the Swiss market, "Finanz und Wirtschaft" has traditionally played a successful special role. By the end of June it had managed to attain an increase of 0.6% over the previous year in terms of Francs; however, the difficult economic conditions are likely to lead to a fall by the end of the year.

“Facts” has also felt the drop in advertising investment. The change in the editorship is already showing a positive effect on the readership. Thus the duration of the fixed subscriptions could slightly be increased.

Within the category of free newspapers in the Zürich area, the “ZürichExpress” has been able to maintain its position and remains the uninterrupted No. 1 in the city of Zürich. As a result of the negative trends in the development of advertising volume, a cost reduction programme was launched in March, which is to show its effects in the second half of the year.

“annabelle” has created a new line extension with “annabelle business” to appeal to active professional women, which has met with high levels of interest among the target audience and other interested parties.

Good news from the “Schweizer Familie”, which, for the first time in years, has slightly increased its circulation thanks to the successful relaunch.

### Electronic Media: Successful TV3

Electronic Media	Effective		Pro forma		1st January – 30th June in Million CHF
	2001	2000	2001	2000	
Operating revenues	<b>18.6</b>	15.7	<b>18.6</b>	15.7	
Operating expenses	<b>(46.8)</b>	(38.4)	<b>(46.8)</b>	(54.8)	
<b>EBITDA</b>	<b>(28.2)</b>	(22.7)	<b>(28.2)</b>	(39.0)	
EBITDA Margin	<b>(151.9%)</b>	(144.3 %)	<b>(151.9%)</b>	(248.1 %)	
Average number of employees	<b>152</b>	122	<b>152</b>	122	

Over the first six months, TV3 has doubled its primetime evening market share among 15 to 49 year olds to reach 7.4%. In addition, advertising income has been increased, which contributes to 9.4% of the overall income of the Swiss German television market. The excellent performance of TV3 has led to an increase in operating revenues (Basis: 100%) from 9.0 Million CHF to 19.0 Million CHF in the first half of 2001. Over the same period, the EBITDA improved by 10.0 Million CHF to -19.5 Million CHF. Losses fell from -32.7 Million CHF to -23.7 Million CHF.

Since January 2001, Tamedia AG has taken over the full financing of TV3. The operating revenues of Tamedia, however, show only 50% of the operating revenues of TV3. Alongside 50% of the expenditure of TV3, the operating expenses of Tamedia also includes a provision of 11.8 Million CHF, so that 100% of the losses of TV3 are shown. Negotiations are under way with SBS concerning the shareholding.

The extremely difficult banner advertising market and the concentration of **Winner** activities on the three platforms Job, Immo (Real estate) and Partner (contact) led to a drop in operating revenues in the internet area of 0.4 Million CHF or 11.2% to 3.5 Million CHF and an EBITDA of -6.1 Million CHF. At **Condor Communications** significantly lower turnover was achieved with two major clients, which led to a fall in operating revenues of 2.9 Million CHF to 5.7 Million CHF; however, it has also been possible to reduce costs by practically the same proportion.

## Services: Process Optimisation

Services	Effective		Pro forma		1st January - 30th June in Million CHF
	2001	2000	2001	2000	
Operating revenues	39.7	39.0	39.7	39.0	
Operating expenses	(43.5)	(40.9)	(43.5)	(40.9)	
EBITDA	(3.8)	(1.9)	(3.8)	(1.9)	
EBITDA Margin	(9.6%)	(4.8%)	(9.6%)	(4.8%)	
Average number of employees	848	835	848	835	

In printing, sales and logistics, projects to simplify processes and thus increase efficiency were in the foreground. The delivery of the "Tages-Anzeiger" and the "SonntagsZeitung" improved noticeably since April. The installation of the four new delivery lines has been successfully completed. Production and distribution are continuing as normal.

The increase in operating revenues lies primarily with the acquisition of **BD Bücherdienst AG** on 1st January 2001. One-off expenses in conjunction with the concentration on the two locations at Werd and Bubenberg, as well as the move into the media house Werd explain the worsening in results; from next year, however, we anticipate an improvement in results of 3.5 Million CHF.

## Outlook

According to the independent investigation carried out by Media Focus, the gross advertising expenditure fell by -0.4% over the first six months. The decline for newspapers and magazines was -2.6%. TV advertising rose by 2.1%.

In the main business of the print media division, the job/classified ads and commercial ads are likely to continue to show a negative trend over the second half of 2001. If the economy should continue to weaken, Tamedia expects to see similar operation for the second half of the year as for the first half.

The placement of a further tranche of 13% of the capital stock by the family shareholders is currently being postponed. The stock market constitution and rate trends mean that the syndicate banks do not consider it to be advisable to place additional shares. It remains, however, a primary aim of the family shareholders to extend the shareholders and thus the shares placed with the public according to the planned framework.

Yours faithfully



Dr. Hans Heinrich Coninx  
President of the Board of Directors



Michel M. Favre  
Chairman of the Group Board

Zurich, 23rd August 2001

## Financial Report on the First Half of 2001 for Tamedia AG

### Operating Revenues

Between January and June 2001, Tamedia achieved operating revenues of 407.9 Million CHF. In contrast to the corresponding period for the previous year, this equates to a decrease of 7.2 Million CHF or 1.7%. The most significant absolute decline was seen by the print media division with 10.7 Million CHF or 3.0%. The corresponding operating revenues fell from 360.3 Million CHF to 349.6 Million CHF. The electronic media showed the greatest growth with 18.0 % from 15.7 Million CHF to 18.6 Million CHF. The services division increased its operating revenues by 1.8% to 39.7 Million CHF.

### EBITDA

Operating income before depreciation and amortization, EBITDA, fell from 91.5 Million CHF by 16.9 Million CHF or 18.4% to 74.6 Million CHF. The EBITDA margin fell from 22.0% to 18.3%. In the print sector, the margin fell from 32.2% to 30.5% in comparison with the high level of the previous year.

In the group accounts for Tamedia, TV3 is handled as follows: the operating revenues returns rose from 3.2 Million CHF by 6.2 Million CHF to 9.4 Million CHF. On the EBITDA level, -15.5 Million CHF were entered for the first six months of the previous year. Together with the provision of 11.8 Million CHF from the full financing of TV3, the group's EBITDA for the year 2001 was -21.5 Million CHF.

Lower financial, non-operating and extraordinary items and disproportionately high taxes resulting from the full financing of TV3 by Tamedia explain the drop in net income from 55.8 Million CHF to 37.0 Million CHF.

### Capital and Asset Structure

The dividend distribution made in connection with the IPO resulted in a change in the capital and asset structure. Total assets fell from 963.1 Million CHF by 184.3 Million CHF or 19.1 % to 778.8 Million CHF. The equity ratio is now 44.0% (57.4%). On the asset side, cash and cash equivalents and marketable securities were reduced accordingly. Taken together, cash and cash equivalents and marketable securities classified as current assets continue to exceed interest-bearing debt.

### Accounting Principles

In order to ensure the comparability of the 2001/2000 half-yearly results due to the full financing of TV3 since 1.1.2001, income statements, balance sheet and statements of cash flows for 2000 are also shown pro forma, as if the full financing had commenced on 1.1.2000. The interim financial statements here were drawn up according to the Swiss Accounting and Reporting Recommendations (ARR). The same accounting principles were used as for the 2000 business report. The consolidated financial statements for the 2001 business year will be prepared for the first time in accordance with the International Accounting Standards (IAS).

## Consolidated Income Statement

	Effective		Pro forma		1st January - 30th June in Million CHF
	2001	2000	2001	2000	
Publishing revenues	359.6	365.7	359.6	365.7	
Printing revenues	26.2	27.2	26.2	27.2	
Other operating income	21.6	20.9	21.6	20.9	
Changes in inventories	0.6	1.3	0.6	1.3	
Capitalised production costs	0.0	0.0	0.0	0.0	
<b>Operating revenues</b>	<b>407.9</b>	<b>415.1</b>	<b>407.9</b>	<b>415.1</b>	
Costs of material and services	(102.4)	(104.2)	(102.4)	(104.2)	
Personnel expenses	(132.5)	(132.2)	(132.5)	(132.2)	
Other operating expenses	(98.3)	(87.2)	(98.3)	(103.5)	
<b>Operating income before depreciation and amortization</b>	<b>74.6</b>	<b>91.5</b>	<b>74.6</b>	<b>75.2</b>	
Depreciations and amortization	(22.3)	(19.4)	(22.3)	(19.4)	
<b>operating income</b>	<b>52.3</b>	<b>72.1</b>	<b>52.3</b>	<b>55.8</b>	
Financial income, net	3.9	10.6	3.9	10.6	
Non-operating income (expense), net	(0.0)	(0.7)	(0.0)	(0.7)	
<b>Income before extraordinary items</b>	<b>56.2</b>	<b>82.1</b>	<b>56.2</b>	<b>65.7</b>	
Extraordinary items, net	1.0	1.9	1.0	1.9	
<b>Income before taxes</b>	<b>57.2</b>	<b>83.9</b>	<b>57.2</b>	<b>67.6</b>	
Taxes	(22.3)	(30.1)	(22.3)	(26.0)	
<b>Income before minority interests</b>	<b>34.9</b>	<b>53.9</b>	<b>34.9</b>	<b>41.6</b>	
Minority interests in net income	2.1	2.0	2.1	2.0	
<b>Net income</b>	<b>37.0</b>	<b>55.8</b>	<b>37.0</b>	<b>43.6</b>	
Net income per share <sup>1)</sup>	3.70	5.58	3.70	4.36	1st January - 30th June in CHF

## Consolidated Balance Sheet

	Effective		Pro forma		30th June in Million CHF
	2001	2000	2001	2000	
Cash and marketable securities	197.2	381.7	197.2	381.7	
Trade accounts receivable	139.6	149.9	139.6	149.9	
Other current assets	37.8	81.4	37.8	81.4	
<b>Current assets</b>	<b>374.7</b>	<b>612.9</b>	<b>374.7</b>	<b>612.9</b>	
Property, plant and equipment	263.6	255.4	263.6	255.4	
Long-term investments	107.5	55.2	107.5	55.2	
Intangible assets	33.1	39.6	33.1	39.6	
<b>Non-current assets</b>	<b>404.1</b>	<b>350.1</b>	<b>404.1</b>	<b>350.1</b>	
<b>Total assets</b>	<b>778.8</b>	<b>963.1</b>	<b>778.8</b>	<b>963.1</b>	
Current debt	20.0	0.1	20.0	0.1	
Trade accounts payable	43.4	37.0	43.4	37.0	
Other current liabilities	236.8	246.0	236.8	246.0	
<b>Current liabilities</b>	<b>300.1</b>	<b>283.1</b>	<b>300.1</b>	<b>283.1</b>	
Long-term debt	35.8	40.1	35.8	40.1	
Other long-term liabilities	26.5	28.6	26.5	28.6	
Provisions	73.5	58.6	73.5	70.9	
<b>Long-term liabilities</b>	<b>135.8</b>	<b>127.3</b>	<b>135.8</b>	<b>139.6</b>	
<b>Total liabilities</b>	<b>435.9</b>	<b>410.4</b>	<b>435.9</b>	<b>422.6</b>	
Shareholders' equity before minority interests	345.5	550.7	345.5	538.4	
Minority interests in equity	(2.6)	2.0	(2.6)	2.0	
<b>Shareholders' equity</b>	<b>342.9</b>	<b>552.7</b>	<b>342.9</b>	<b>540.4</b>	
<b>Total liabilities and shareholders' equity</b>	<b>778.8</b>	<b>963.1</b>	<b>778.8</b>	<b>963.1</b>	

## Consolidated Statement of Cash Flows

	Effective		Pro forma		1st January – 30th June in Million CHF
	2001	2000	2001	2000	
Net income	37.0	55.8	37.0	43.6	
Expenses, revenues and changes in net working capital not impacting cash and cash equivalents	45.2	15.3	45.2	27.6	
<b>Net cash flow from operations</b>	<b>82.2</b>	<b>71.2</b>	<b>82.2</b>	<b>71.2</b>	
Net capital expenditures in property, plant and equipment	(17.6)	(14.9)	(17.6)	(14.9)	
Net long-term investments <sup>1)</sup>	(18.5)	8.1	(18.5)	8.1	
Net investments in Group companies	(0.1)	(35.5)	(0.1)	(35.5)	
Net investments in intangible assets	(6.8)	(34.9)	(6.8)	(34.9)	
<b>Net cash flow for investment activities</b>	<b>(42.9)</b>	<b>(77.2)</b>	<b>(42.9)</b>	<b>(77.2)</b>	
<b>Net cash flow after investment activities</b>	<b>39.3</b>	<b>(6.0)</b>	<b>39.3</b>	<b>(6.0)</b>	
Payment of dividends	(42.0)	(52.3)	(42.0)	(52.3)	
Increase (decrease) in debts	0.2	8.6	0.2	8.6	
Increase (decrease) in other long-term liabilities	(2.4)	1.6	(2.4)	1.6	
Change in minority interests in equity	(2.0)	(1.8)	(2.0)	(1.8)	
<b>Net cash flow for financing activities</b>	<b>(46.3)</b>	<b>(43.9)</b>	<b>(46.3)</b>	<b>(43.9)</b>	
Reorganisation/changes in Group companies	0.8	2.6	0.8	2.6	
<b>Change in cash and cash equivalents</b>	<b>(6.2)</b>	<b>(47.4)</b>	<b>(6.2)</b>	<b>(47.4)</b>	

<sup>1</sup> In June 2000, marketable securities amounting to 245.5 Million CHF were reclassified from long-term investments to current marketable securities without impacting cash flows.