Financial Report 2003

(Excerpt from the Annual Report)

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Financial reporting

Accounting policies

The consolidated financial statements for the year 2003 show information for the four operating divisions Newspapers, Magazines, Electronic Media and Services. The film production company Condor has been reallocated to the business division Electronic Media instead of Services. The figures of 2002 were reclassified accordingly in the segment reporting.

As in the past, in order to enable a better evaluation of the performance of the Tamedia Group without TV3, the costs related to its discontinuation are shown separately in the consolidated income statement as “discontinued operations”.

Operating revenues

In 2003, Tamedia achieved operating revenues of CHF 568.9 million, down from the prior year by CHF 71.4 million or 11%. The largest absolute decline was experienced in the Newspaper division, with CHF 57.8 million. The operating revenues for this division declined from CHF 401.2 million to CHF 343.4 million. In the Magazines division, operating revenues decreased from CHF 109.7 million to CHF 97.9 million, representing a decline of CHF 11.8 million. Operating revenues in the Electronic Media division showed a slight increase by CHF 1.5 million, going up from CHF 44.5 million to CHF 46.0 million. The Services division achieved operating revenues of CHF 81.6 million, a decrease of CHF 3.3 million from the prior year.

The decline in the Newspaper division is primarily attributable to the decline in job advertisements. The unemployment rate 2003 in the Canton Zurich is on a very high level compared to other Swiss German Cantons. The orders for commercial advertisements decreased both within the Newspaper division and within the Magazine division in the year 2003 caused by the difficult economic environment. In the Electronic Media division, Radio Basilisk is included for the first time at a full 12 months operation . TeleZüri also contributed with an encouraging development to the increase in the operating revenues of this division.

Group revenues for 2003 still reflect the negative impact of the current economic situation which was reinforced by events like the war in Iraq and the crisis in connection with the respiratory disease SARS. According to statistics regarding advertisements published by the Swiss press (compiled by WEMF), advertising volume in the largest German-language Swiss newspapers which includes the “Tages-Anzeiger”, decreased by 15% during the year. This decline was most heavily impacted by a drop of 36% in classified job advertisements. For magazines, particularly magazines for the general public as well as women’s and fashion magazines, advertising volume declined in the German-speaking part of Switzerland by 4% and 13%, respectively.

Operating income before depreciation and amortization (EBITDA)

The operating income before depreciation and amortization (EBITDA) declined by CHF 44.0 million, or 61%, going from CHF 71.7 million in the prior year to CHF 27.7 million in 2003. The EBITDA margin, which was 11% in the prior year, experienced a reduction to 5%. Altogether extraordinary expenditures of CHF 57.2 million were recorded in the financial year 2003. Of those approximately CHF 29.9 million relate to restructuration and further CHF 15.5 million to an impairment on goodwill in connection with Radio Basilisk and Radio 24.

In the Newspaper division, the margin declined from 22% in 2002 to 14% in the current year. For Magazines, EBITDA represented –3% (prior year: –4%) of operating revenues. The impact of the Electronic Media division, once again restructuring its Internet activities, was compensated by the improved operating revenues of TeleZüri and led to a marked improvement of EBITDA margin of CHF –7.1 million compared to CHF –12.3 million in the prior year. In the Services division, EBITDA experienced a drop from CHF –1.4 million to CHF –11.0 million which is largely attributable to a drop in printing orders as well as adjustments to the book inventory of Werd Verlag.

Net income (loss)

For the Group's continuing operations, net income decreased by CHF 39.1 million, from CHF 20.2 million to CHF –18.9 million. The positive contributions in financial income and taxes could only partially offset the decline in EBITDA. The release of provisions no longer required of CHF 1.2 million related to the closing of TV3 also had a positive impact on net income. Net income was CHF –17.7 million, compared to CHF 35.6 million in the prior year.

Balance sheet

In the cash and cash equivalents including marketable securities a strong decrease was stated from CHF 102.6 million to CHF 67.7 million. This is essentially due to the completely self-financed replacement of the newspaper printing press, the expansion of the printing center and to the acquisition of 49.5% of 20 Minutes (Schweiz) AG. Nevertheless, cash and cash equivalents including marketable securities exceeded financial debt at year-end by CHF 43.7 million (prior year: CHF 70.8 million). The decrease in trade receivables related to lower operating revenues as well as the capital expenditures in property, plant and equipment reduced the assets by another CHF 9.7 million.

The equity ratio reported for the business year 2003 is now 54%, compared with 55% in the prior year.

Three-year comparison

		2003	2002	2001
Operating revenues	CHF mill.	**568.9**	640.3	756.1
Growth	%	**(11.2)**	(15.3)	(7.6)
Operating income before depreciation and amortization (EBITDA)	CHF mill.	**27.7**	71.7	145.7
Growth	%	**(61.4)**	(50.8)	(27.6)
Margin [1]	%	**4.9**	11.2	19.3
Net (loss) income from continuing operations	CHF mill.	**(18.9)**	20.2	43.4
Growth	%	**(193.7)**	(53.5)	(69.1)
Margin [1]	%	**(3.3)**	3.2	5.7
Personnel/employees (average)	Number	**1 919**	2 004	1 982
Revenues per employee	CHF 000	**296.5**	319.6	381.5
Current assets	CHF mill.	**186.9**	240.0	287.4
Non-current assets	CHF mill.	**407.8**	401.3	460.6
Total assets	CHF mill.	**594.7**	641.3	748.0
Total liabilities	CHF mill.	**275.9**	290.7	421.6
Shareholders' equity	CHF mill.	**318.7**	350.6	326.4
Cash flow from operations	CHF mill.	**51.9**	72.1	119.3
Cash flow for investment activities	CHF mill.	**(68.8)**	(36.8)	(142.3)
Cash flow after investment activities	CHF mill.	**(16.9)**	35.4	(23.0)
Cash flow (for)/from financing activities	CHF mill.	**(17.6)**	(45.7)	57.8
Change in cash and cash equivalents	CHF mill.	**(34.5)**	(10.3)	34.8
Return on equity [2]	%	**(6.3)**	5.5	12.2
Equity ratio [3]	%	**53.6**	54.7	43.6
Internal financing ratio for investment activities [4]	%	**75.4**	196.3	83.8
Quick ratio [5]	%	**89.4**	112.0	86.4
Debt factor [6]		**1.8**	0.8	1.2

1 As a percentage of operating revenues
2 Income before minority interests to shareholders' equity at year-end
3 Shareholders' equity to total liabilities
4 Cash flow from investment activities to cash flow from operations
5 Current assets excluding inventories to current liabilities
6 Net debt (liabilities less current assets excluding inventories) to cash flow from operations

Exhibit 1

Development in stock market prices from October 2, 2000 to March 15, 2004

Capital structure

The share capital of CHF 100 million is comprised of 10 000 000 registered shares with a nominal value of CHF 10 each. Of this total, 9 520 000 shares were issued in connection with the capital increase carried out in May 2000 prior to the IPO. There is no additional approved or conditional capital. The company holds treasury shares as described in notes 36 and 50 for the employee stock participation program. A shareholders agreement exists for 67% of all shares. Currently, those shareholders who are participants in the shareholders' agreement own 76% of the company's shares. The deadline for placing a second block expired on October 2, 2001.

Allocation of available earnings

Tamedia has a policy of distributing dividends based on earnings. Generally, 35 to 45% of net income is distributed annually.

Investor relations

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Calendar

Annual shareholders' meeting	May 26, 2004
Semi-annual reporting	August 19, 2004

Stock market prices
in CHF

	2003	2002	2001
High	**111.0**	128.00	193.00
Low	**50.1**	60.00	70.60
Year-end	**110.0**	74.00	101.00

Key figures per share
in CHF

		2003	2002	2001
Net (loss) income per share (undiluted)		**(1.77)**	3.56	(1.18)
Net (loss) income per share (diluted)		**(1.77)**	3.56	(1.18)
EBIT per share		**(4.07)**	1.76	7.92
EBITDA per share		**2.77**	7.17	14.57
Free cash flow per share		**(1.69)**	3.54	(2.30)
Shareholders' equity per share		**31.87**	35.06	32.64
Dividends per share		**0.00**	1.50	1.50
Dividend pay-out rate [1]	%	**0.0**	74.4	34.6
Dividend rate of return	%	**0.0**	2.0	1.5
Price earnings ratio [2]	x	**(62.0)**	20.8	(85.4)
Price to EBIT ratio [2]	x	**(27.1)**	42.1	12.8
Price to EBITDA ratio [2]	x	**39.8**	10.3	6.9
Price to sales ratio [2]	x	**1.9**	1.2	1.3
Price to free cash flow ratio [2]	x	**(65.1)**	20.9	(43.9)
Price to equity ratio [2]	x	**3.5**	2.1	3.1

1 based on year-end market price
2 based on net income from continuing operations

Corporate Governance

Group structure and shareholders

Group structure

The Group's operational structure is shown in the diagram on page 7 of the annual report.

The following Group company is listed at the stock exchange:

Name	Tamedia AG, Zürich
Location of registration	SWX Swiss Exchange, Switzerland, registered since October 2, 2000
Market capitalization	see "Capital structure" section
Treasury shares (at December 31, 2003)	6 024
Trading number	1117825
Symbol:	
• Bloomberg	TAMN SW
• Reuters	TMDZ.x
• Telekurs	TAMN

Group companies which are not listed are described in note 47 of the consolidated financial statements.

Significant shareholders

Significant shareholders and groups of shareholders (including their shareholdings, to the extent that these are known to Tamedia) are shown in the following table.

Significant shareholders in % [1]	**2003**	2002	2001
Dr. Hans Heinrich Coninx, Küsnacht	**12.64**	12.64	12.64
Annette Coninx Kull, Wettswil am Albis	**12.56**	12.56	12.56
Dr. Severin Coninx, Berne	**14.39**	14.39	14.39
Rena Maya Coninx Supino, Zurich	**13.72**	13.72	13.72
Lawena GmbH, D-Hamburg [2]	**7.36**	7.36	7.36
Rappenstein GmbH, D-Munich [3]	**6.21**	6.21	6.21
Ellermann Pyrit GmbH, D-Stuttgart [4]	**7.35**	7.35	7.35
Other participants in the shareholders' agreement	**1.86**	1.86	1.86
Total participants in the shareholders' agreement	**76.09**	**76.09**	**76.09**
Tweedy Browne Company LLC [5]	**5.51**	6.74	5.22

1 expressed as a percentage of the 10 million total issued and outstanding registered shares.
2 The share capital of Lawena GmbH is held by the Ellermann Lawena Foundation, FL-Vaduz.
3 The share capital of Rappenstein GmbH is held by the Ellermann Rappenstein Foundation, FL-Vaduz.
4 The share capital of Ellermann Pyrit GmbH is held by Ellermann Pyrit Foundation, FL-Balzers.
5 The voting rights are limited to 3% and are held by bank depositories.

Published in the Swiss Commercial Gazette, which was carried out during the year of review in compliance with Art. 20 BEHG and the Ordinance of the Federal Banking Commission on the Stock Exchange and Securities Trading.

In this connection, the following central features of the shareholders' agreement of the Coninx family are also made available to the public.

- All shareholders who are members of the Coninx family (pool shareholders), with the exception of Regula Hauser-Coninx, are bound by the shareholders' agreement (pool agreement). The pool agreement became effective as of the date of registration for an 8-year period, with a possibility to extend the contract for an additional 2 years.
- Among other items, the pool agreement serves the purpose of coordinating the voting rights of pool members regarding their representation in the Board of Directors.
- In addition, the agreement regulates the exercise of pool members' voting rights in other areas requiring the approval of shareholders, such as the determination of dividends.
- Other issues brought before the shareholders during the General Meeting are made known to the pool members prior to the General Meeting. If two thirds of the voting rights represented by the pool members at their meeting are cast for such a proposal, the pool members must unanimously vote for the proposal during the general meeting. Otherwise, pool members are free to exercise their voting rights as they chose.
- The agreement does not relate to the responsibilities of the Board of Directors or the management of Tamedia or its subsidiary companies.

- In the event that a shareholder wishes to sell his shares to an independent third party (either with or without compensation), the agreement grants all parties to the shareholders' agreement a pre-purchase right. In such a case, the shareholder must first render his shares to other pool members. Other pool members have the right to purchase such shares at a price equal to the then prevailing market price less a 20% reduction.
- The pool members represent a group of shareholders who act in conformance with the requirements of Art. 20 paragraph 3 of the Federal Stock Exchanges and Securities Trading Act. Any future exchange of shares between the current pool members will not result in an obligation to notify nor be published as a change. If, however, the entire pool sells shares, and as such the percentage of pooled shares should fall below the legal thresholds (e.g. below $66^2/_3$% or below 50%), the pool is required to inform the Swiss Stock Exchange and Tamedia. An obligation to notify also exists when a new member enters the pool or when a pool member no longer holds shares.

Cross-shareholdings

During the current year, there were no cross-shareholdings, based either on capital shareholdings or voting rights.

Capital structure

Capital structure and changes in capital structure

Capital structure in CHF million	**2003**	2002	2001
Ordinary share capital	**100.0**	100.0	100.0
Ordinary increase in share capital	–	–	–
Conditional share capital	–	–	–
Conditonal increase in share capital	–	–	–
Participation certificates	–	–	–
Dividend rights certificates	–	–	–
Convertible bonds	–	–	–

Additional information regarding the developments in shareholders' equity can be found in the statement of changes in shareholders' equity on page 58 of the consolidated financial statements.

Registered shares number	**2003**	2002	2001
Nominal value per share (in CHF)	**10**	10	10
Voting rights per share	**1**	1	1
Number issued and outstanding	**10 000 000**	10 000 000	10 000 000
Number of shares entitled to dividends	**10 000 000**	10 000 000	10 000 000
Total number of voting rights	**9 993 976**	9 992 474	9 987 223
Number outstanding (weighted average)	**9 993 458**	9 990 724	9 995 064
Number of treasury shares	**6 024**	7 526	12 777

There are no differences in dividend rights or other preferential rights with the exception of those described in the following section “Limitations on transferability and nominee registrations”.

Market capitalization in CHF million	**2003**	2002	2001
High	**1 110**	1 280	1 930
Low	**501**	600	706
Year-end	**1 100**	740	1 010

Limitations on transferability and nominee registrations
Upon their request, purchasers of registered shares will be registered as shareholders with voting rights if they specifically declare that they have purchased such shares in their own name and on their own behalf.

The Board of Directors has the power to deny purchasers of registered shares, acting on their own behalf or on behalf of others, voting rights to the extent that the sum of such voting rights associated with all shares owned would exceed 5% of the total number of registered shares. For these purposes, legal entities or partnerships which are bound together by capital, voting power, common management or other means, as well as to groups of shareholders acting in concert or with a view to circumvent the limitation are considered to be one person.

Shareholders who were registered as of September 14, 2000, or new transferees who are family members of such shareholders, are exempt from this restriction on registration.

During the current year, no exceptions to the regulations referred to were granted.

The Board of Directors may register nominees up to a maximum of 3% of the number of registered shares. Nominees are persons who do not specifically declare that they hold the shares on their own behalf. A prerequisite for registration is that the applicable nominee informs the company of the names, addresses and number of shares held by beneficiaries for whom he holds 0.5% or more of the total number of registered shares. The Board of Directors concludes agreements with such nominees which govern, among other items, the representation of the shareholders and their voting rights.

The administration may cancel the registration of shareholders or their nominees retroactively to the date of registration following questioning if such registration was based on false information. Such persons must be informed of the cancellation immediately.

Convertible bonds and options

At the present time, there are no convertible bonds.

Information regarding the stock options outstanding can be found in note 50 to the consolidated financial statements. No other options exist currently.

Board of Directors

Members

The names of the company's directors and their additional activities and business connections are shown on pages 26 and 27 of the annual report.

Elections and terms of office

The Board of Directors is comprised of at least five members, who are elected individually by the shareholders during the General Meeting for a term of three financial years. The term of office expires on the date of the General Meeting of the last financial period of this term. If elections to replace directors are held during the designated term, the newly elected directors serve the remaining term of their predecessor. The General Meeting also elects the Chairman of the Board. Otherwise, the Board of Directors is responsible for its own organization.

Definition of areas of responsibility

The composition of the Board of Directors and the membership of the individual directors in its committees are shown below.

Name	Function	Director since	Term of office until	Executive Committee	Audit Committee
Hans Heinrich Coninx	Chairman	1978	2005	C	
Robert Karrer	Vice chairman	1992	2005		C
Pietro Supino	Vice chairman	1991	2005	M	M
Iwan Rickenbacher	Member	1996	2005	M	
Karl Dietrich Seikel	Member	1996	2005		
Christina von Wackerbarth	Member	2000	2005		
Ueli Maurer	Member	2002	2005		M

C: Chairman
M: Member

Authority and responsibilities

The Board of Directors is responsible for Group strategy. They examine the underlying plans and goals defined for the company and identify external risks and opportunities. The authority and responsibilities of the Board and its committees as well as its authority in relation to the company's management are governed by the Organizational Guidelines. These are based on the most recent information and correspond to international standards. In particular, these are comprised of the supervisory and control responsibilities of the Board of Directors, supported directly by external parties, as well as the continuous and complete information of all members of the Board.

The Board of Directors is also responsible for monitoring and supervising the company's management. Management informs the Board of Directors during their regular meetings as well as upon special request regarding the business developments and the Group's planned activities. In addition, management informs the Chairman of the Board of any incidents of particular note.

Power of decision

The Board of Directors has the power to make decisions when the majority of its members are present. Decisions are made based upon the majority of those members present. In the event of a tied vote, the Chairman casts the deciding vote. There are no statutory decision quorums. Furthermore, decisions may be made via mail voting.

Meetings

The Board meets as often as required by the business, or when any member requests a meeting, but at least six times annually. During the current year, the Board of Directors conducted nine full day meetings and one three-day retreat together with management.

Committees

In addition to those committees described below, the Board of Directors may form additional committees for specific purposes. Committees are defined and members appointed in conjunction with the organization of the Board of Directors and by the same procedures. Basically, committees do not have the power to make binding decisions, but instead report to the Board as a whole and, when appropriate, propose decisions and guidelines to the Board.

Currently, there are the following standing committees:

- Executive Committee
- Audit Committee

Executive Committee

The Executive Committee serves to increase the efficiency of the Board's activities, strengthens the strategic orientation of the entire company, and intensifies communication with executive management.

It is comprised of three members, who generally meet on a weekly basis.

Audit Committee

The Audit Committee supervises financial reporting, compliance with accounting and reporting standards and with SWX Swiss Exchange Listing Rules, risk management and internal control of Group companies, financial communication within the Group, and compliance with the information obligations of the company (ad-hoc publicity), as well as unusual accounting events. In addition, the Audit Committee represents the Board of Directors as liaison with the independent auditors and monitors and evaluates their work and independence on an ongoing basis.

It is comprised of three members, of whom not more than one member, excluding the Chairman, may be a member of the Executive Committee. Meetings are conducted regularly, at a minimum four times per annum, as a rule with the participation of the company's management and independent auditors. In 2003 the Audit Committee held five meetings each of them lasting half a day.

Management Board

Members

Information regarding the members of the company's Management Board and their additional activities and interests can be found on page 28 of the annual report.

Management contracts

During the current year, no management contracts for the transfer of management responsibilities were entered between Tamedia and other companies or natural persons.

Compensation, shareholdings and loans

Content and method of determining compensation and shareholding programs

The Board of Directors determines compensation, shares and loans granted to both the Management Board and the Board of Directors. Fees for Board members are determined by the Board itself. Management compensation is decided by the Board based on recommendations made by management. In order to obtain and retain persons with the necessary capabilities and character, compensation is determined considering both the market circumstances and individual performance.

Board of Directors' fees and fees paid to the members of the Board committees are fixed amounts. In addition, out of pocket expenses are reimbursed.

Compensation of management is comprised of a fixed amount, which is paid in cash, and a variable component (participation in earnings), which is based on quantitative and qualitative personal goals set in advance in conjunction with the employee, and based on the goals of the individual operating divisions as well as the consolidated EBIT.

In addition, a supplemental bonus is granted which depends upon the Tamedia Group's pre-tax earnings.

Top management members are also granted the use of a company car. In compliance with the normal social security and legal requirements, they are provided social security, death and disability insurance. No employment contracts exist with a notification period exceeding 18 months.

Compensation to active and former members of the Board of Directors and management

The information provided agrees with that contained in notes 49 and 50 of the consolidated financial statements, which disclose the employee compensation recorded as expense during the year (regardless of when paid). Persons who left the service of the company during the current year are thereby considered as active employees. Former employees are those who left the service of the company during the prior or previous financial periods.

Type of compensation in CHF 000	Directors active [1]	Directors former	Management active [2]	Management former	Total
Number	7	0	5	0	12
Basic salary [3]	2 260	0	2 480	0	4 740
Participation in earnings	0	0	198	0	198
Supplementary Bonus	0	0	0	0	0
Options [4]	0	0	0	0	0
Shares [4]	0	0	0	0	0
Benefits in kind [4]	0	0	0	0	0
Termination benefits [4]	0	0	0	0	0
Total	**2 260**	**0**	**2 678**	**0**	**4 938**

1 comprised currently only of non-executive members
2 Eberle, Patrick until March 2003
Tonini, Christoph since April 2003
3 The basic salary is comprised of the following elements:
– Salaries
– Fees (for the Board of Directors)
– Lump-sum expense reimbursements
– Employer's contributions to pension funds
4 Valued at market value. One option entitles to the acquisition of one registered share of Tamedia AG.

Share allotments and ownership

The following table shows the shares and options for shares of Tamedia AG which have been granted to active and former members of the Board and management.

Number	Directors		Management		Total
		active [1]	former	active [1]	former
Total	7	–	5	–	**12**
Shares allotted	–	–	–	–	–
Shares owned	1 304 305	0	5 815	3 647	**1 313 767**
Options granted	–	–	–	–	–
Exercisable until	–	–	–	–	–
Exercise price (in CHF)	–	–	–	–	–
Options owned	–	–	–	–	–
Alloted as of	–	–	–	–	–
Exercisable until	–	–	–	–	–
Exercise price (in CHF)	–	–	–	–	–

1 see preceding table

Additional fees and remuneration

No additional honoraria or remuneration to members of the company's Board of Directors or Management Board had to be recorded as expense during the year.

Loans

As of the balance sheet date, no loans to active or former members of the Board of Directors or Management Board were outstanding.

Highest total compensation

The following compensation to the Board member having the highest total compensation was recorded as expense during the year.

	Number	CHF 000
Compensation	–	945
Shares allotted	–	–
Options alloted	–	–
Total	–	**945**

Shareholders' participation rights

Restrictions on voting rights and representation

A shareholder can directly or indirectly exercise or cause to have exercised voting rights associated with his own shares or shares which he represents up to a combined maximum of 3% of the total shares registered. For this purpose, legal entities and partnerships which are associated or related through common management, capital shareholdings or voting rights, as well as natural persons and legal entities who cooperate by mutual agreement or with the intention of circumventing this restriction, are considered as a single person.

Institutional proxy representatives according to Art. 689c of the Swiss commercial law (depository representatives, representatives of the Board of Directors or Management, and independent proxy representatives) are not subject to the restriction imposed by the company's by-laws as referred to in the preceding paragraph to the extent that this is not violated by the individual share owners represented.

Shareholders who are registered with more than 3% of voting rights are not subject to this restriction.

Statutory quorums

According to Tamedia AG's articles of incorporation, the shareholders can make decisions and hold elections during their General Meeting based on an absolute majority of those voting rights represented. The following decisions require at least two thirds of the voting rights represented and an absolute majority of the share capital represented: change in the company's purpose, introduction of voting shares, restrictions on the transfer of registered shares, approved or conditional capital increases, capital increases through shareholders' equity, contributions in kind or for the purpose of an asset takeover or to grant particular advantages, restriction or cancellation of drawing rights, transfer of the company's domicile, and dissolution of the company without liquidation.

Calling of the General Meeting

The General Meeting is held annually within six months following the end of the company's financial year. Extraordinary shareholders' meetings are to be conducted as needed. Likewise, in addition to the independent auditors, one or more shareholders representing together at least 10% of the company's share capital, may make a written request for a shareholders' meeting, indicating the subject of negotiations and proposals.

The General Meeting is called by the Board of Directors no later than 20 days prior to the date of the meeting. The shareholders are notified via Tamedia's normal publication institutions (see further information in the section Information policy, page 51).

Agenda

Shareholders who together represent shares having a combined nominal value of CHF 1 000 000 may request that a subject be included in the agenda for discussion or negotiation. This request must be submitted in writing at least 60 days prior to the General Meeting with an indication of the subject of negotiation.

Registration in share register

All shareholders who are entered in the share register with voting rights are admitted to and are entitled to vote during the General Meeting. For organizational reasons, registration is discontinued during the 20 days prior to the General Meeting. Shareholders who sell their shares prior to the General Meeting are no longer entitled to vote.

Changes of control and defense measures

According to the Swiss Federal Stock Exchanges and Securities Trading Act, whoever directly, indirectly or acting in concert with third parties, acquires equity securities which, when added to equity securities already owned, exceed the threshold of 33.3% of the voting rights of a targeted enterprise, whether or not such voting rights may be exercised, must make an offer to acquire all listed equity securities of such company. The company may state in its articles of incorporation that there is no such requirement for a public offer (opting out). Tamedia AG's articles do not foresee such opting out. Similarly, no clauses governing changes of control exist.

Auditors

Duration of the mandate and term of office of the head auditor

The independent auditors are elected by the General Meeting for a period of one year.

Ernst & Young accepted their assignment as auditors of the consolidated financial statements for the first time for the financial year 1993. The unconsolidated financial statements of Tamedia AG have been audited by Ernst & Young since 1936. Mr. Felix Ort has served as head auditor in charge since January 1, 2002.

Audit honorarium

Total fees for the audit of the Group's consolidated financial statements and the financial statements of the individual Group companies, amounted to CHF 0.7 million (2002: CHF 0.6 million).

Additional honoraria

Total honoraria paid to the auditors and/or persons related to the auditors during the year under review for additional financial services amounted to CHF 0.1 million (2002: CHF 0.2 million).

Supervisory and control instruments vis-à-vis the auditors

The supervisory and control instruments used by the Board of Directors to evaluate the independent auditors are described in the section Audit Committee.

Information policy

Information policy / ad hoc publicity

Tamedia follows an open and timely information policy, under which all target groups in the capital market are treated equally. Informative reports are published annually and semi-annually. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS; see pages 60–67 to the consolidated financial statements).

Tamedia AG's articles of incorporation can be obtained under www.tamedia.ch.

As a listed company, Tamedia has the obligation to inform the public of any information relevant to the trading of its shares (ad hoc publicity, Art. 72 of the Listing Rules). In addition to information regarding the financial progress of the company, Tamedia also informs the public regarding current changes and developments.

Complete information regarding the company can be found under www.tamedia.ch. The Swiss Commercial Gazette is the company's official publication instrument.

The contact person for specific questions regarding Tamedia is:

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Tamedia-Group

Consolidated income statement
in CHF 000

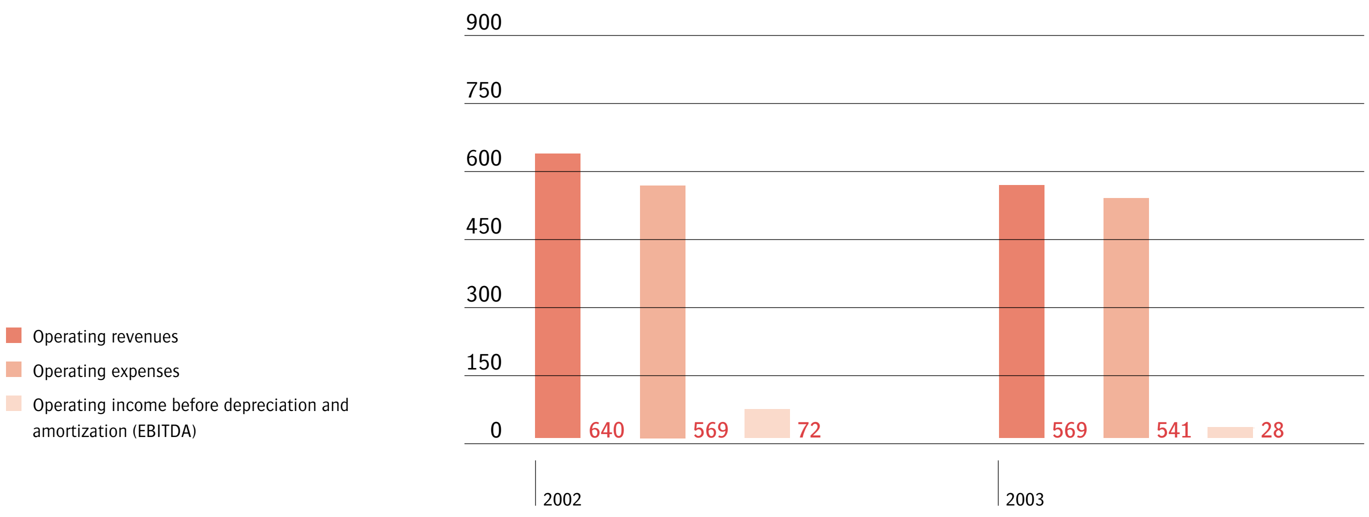
	Note	**2003**	2002
Publishing revenues	4	**473 713**	537 484
Printing revenues	5	**29 498**	36 116
Other operating revenues	6	**65 665**	66 670
Operating revenues		**568 875**	640 270
Costs of material and services	7	**(130 302)**	(155 488)
Personnel expenses	8	**(268 796)**	(260 274)
Other operating expenses	9	**(142 107)**	(152 832)
Operating income before depreciation and amortization (EBITDA)		**27 671**	71 676
Depreciation and amortization	10	**(68 323)**	(54 118)
Operating (loss) income (EBIT)		**(40 652)**	17 558
Share in earnings of associated companies	11	**4 435**	6 432
Other financial income (expense), net	12	**3 947**	7 988
(Loss) income before taxes		**(32 270)**	31 979
Income taxes	13, 14	**12 355**	(12 849)
(Loss) income before minority interests		**(19 915)**	19 130
Minority interests in net (loss) income	15	**1 016**	1 043
Net (loss) income from continuing operations		**(18 899)**	20 173
Discontinuing operations	16	**1 176**	15 389
Net (loss) income		**(17 723)**	35 562

Earnings per share	in CHF		
Net (loss) income per share (undiluted)	17	**(1.77)**	3.56
Net (loss) income per share (diluted)	17	**(1.77)**	3.56

The accompanying notes form an integral part of these financial statements.

Exhibit 2

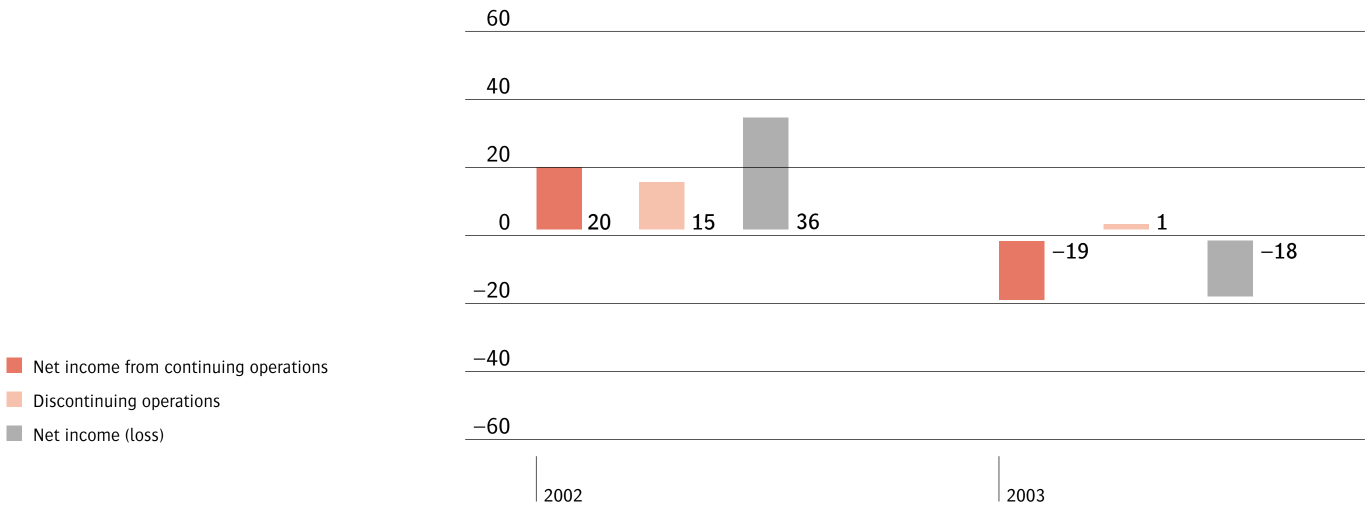
Operating income before depreciation (EBITDA)
in CHF million



The exhibits 2–12 are not part of the audited financial statements.

Exhibit 3

Net income (loss)
in CHF million



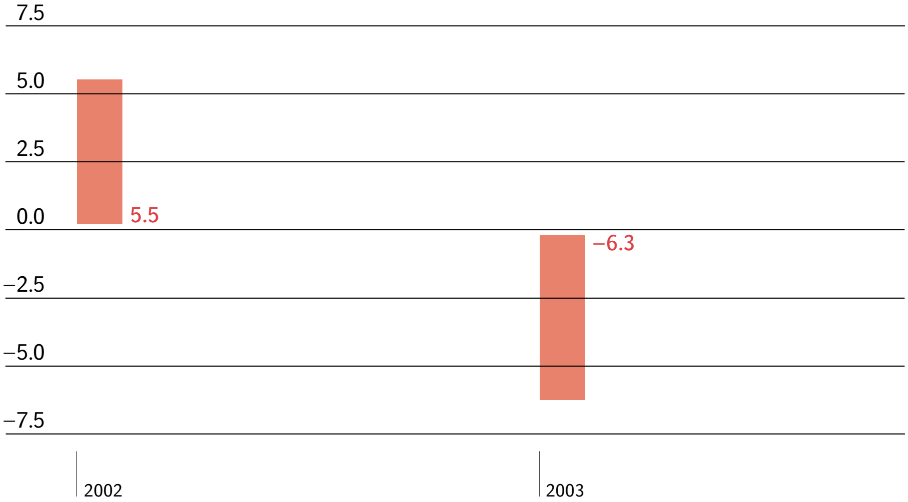
Consolidated balance sheet
in CHF 000, as of December 31

	Note	2003	2002
Cash and cash equivalents		**64 924**	99 462
Current financial assets		**2 792**	3 143
Trade accounts receivable	18	**87 148**	107 657
Current financial receivables		**859**	1 197
Current taxes receivable		**13 222**	13 203
Other accounts receivable		**6 671**	4 627
Accrued income and prepaid expenses		**7 876**	2 678
Inventories	19	**3 375**	8 037
Current assets		**186 867**	240 004
Property, plant and equipment	20, 21	**266 590**	244 211
Investments in associated companies	22	**5 825**	6 044
Other financial assets	23, 24	**44 940**	30 361
Deferred tax assets	25	**8 233**	8 495
Intangible assets	27	**82 200**	112 169
Non-current assets		**407 788**	401 279
Total assets		**594 655**	641 283
Current debt	28	**4 960**	12 461
Trade accounts payable	29	**42 480**	42 029
Current taxes payable		**2 454**	10 963
Other current payables	30, 33	**38 325**	18 529
Deferred revenues and accrued liabilities	31	**117 069**	123 158
Current liabilities		**205 289**	207 140
Long-term debt	28	**19 098**	19 303
Provisions for deferred taxes	32	**42 648**	57 221
Other long-term provisions	33	**8 870**	5 961
Other long-term liabilities	34	**5**	1 031
Long-term liabilities		**70 622**	83 517
Total liabilities		**275 910**	290 657
Share capital	35	**100 000**	100 000
Treasury shares	36	**(558)**	(794)
Reserves		**219 188**	248 690
Consolidated shareholders' equity		**318 630**	347 896
Minority interests in equity		**114**	2 731
Shareholders' equity		**318 744**	350 626
Total liabilities and shareholders' equity		**594 655**	641 283

The accompanying notes form an integral part of these financial statements.

Exhibit 4

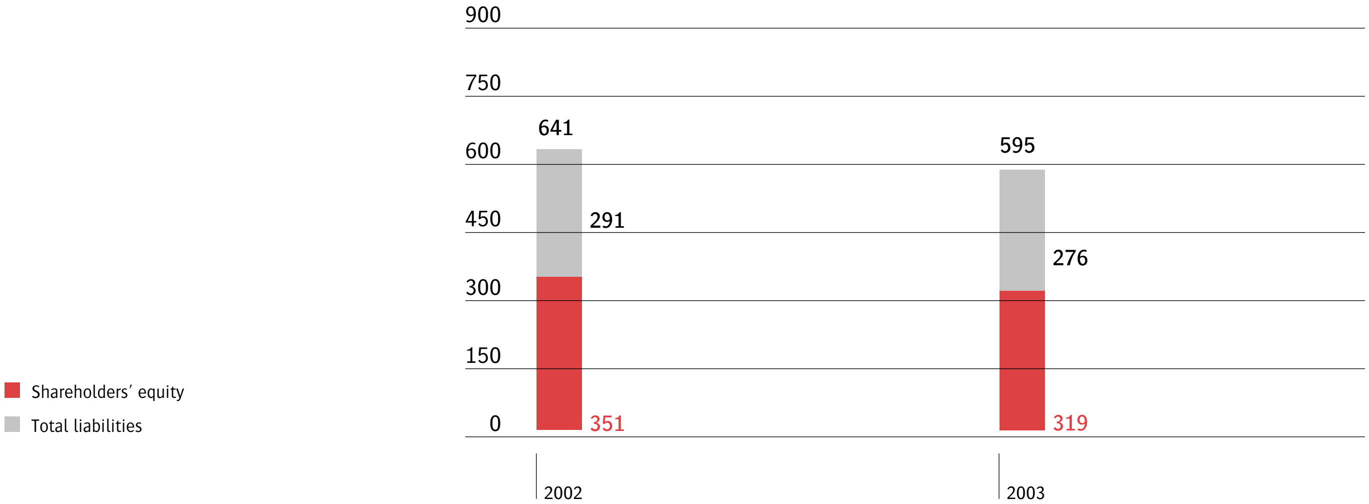
Return on equity [1]
in %



1 Income before minority interests in shareholders' equity as of year-end.

Exhibit 5

Liabilities and shareholders' equity
in CHF million



Consolidated cash flow statement

in CHF 000

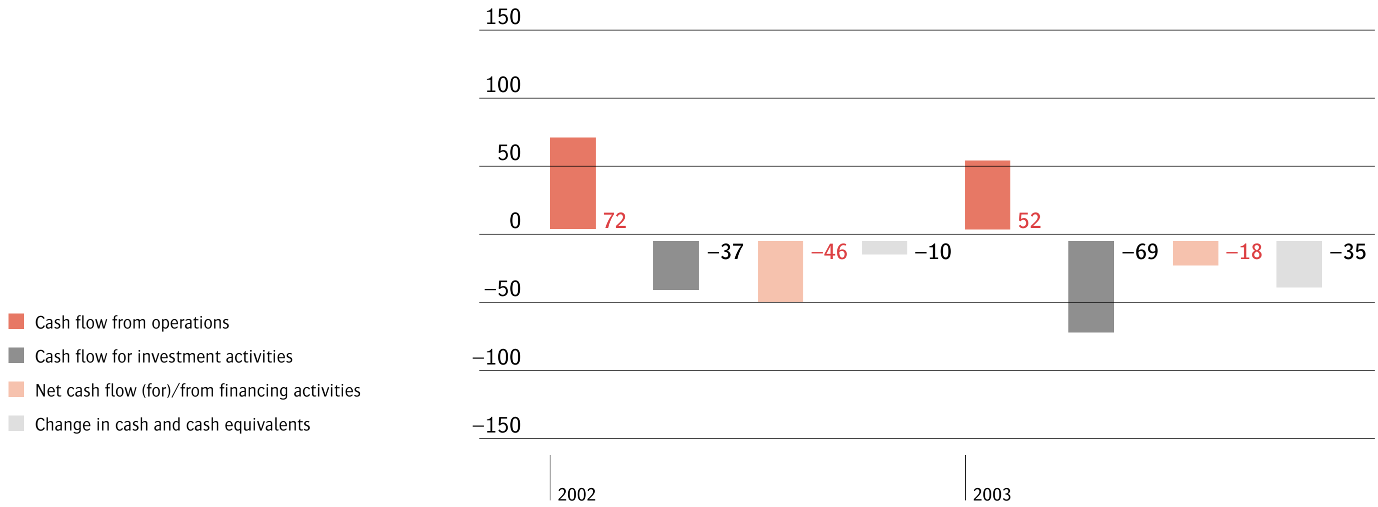
	Note	2003	2002
Direct method			
Receipts from products and services sold		**576 531**	670 668
Expenditures for personnel		**(240 550)**	(260 067)
Expenditures for material and services		**(285 148)**	(335 131)
Cash flow from operating activities		**50 833**	75 470
Dividends from associated companies		**4 760**	7 280
Interest paid		**(1 720)**	(1 342)
Interest received		**2 046**	1 520
Other financial income (expense), net		**1 779**	530
Income taxes paid		**(5 313)**	(3 360)
Cash flow from ordinary operations		**52 384**	80 098
Discontinuing operations	16	**(492)**	(7 962)
Cash flow from operations		**51 893**	72 136
Capital expenditures in property, plant and equipment		**(49 260)**	(20 430)
Sales of property, plant and equipment		**3**	1 955
Investment in associated companies		**(450)**	2 257
Net investment in other financial assets		**(16 982)**	13 888
Investment in consolidated companies	37	**(67)**	(25 869)
Sales of consolidated companies	37	**(326)**	0
Capital expenditures in intangible assets		**(1 704)**	(8 658)
Sales of intangible assets		**0**	105
Cash flow for investment activities		**(68 786)**	(36 753)
Cash flow after investment activities		**(16 894)**	35 384
Payment of dividends		**(15 000)**	(15 000)
(Increase)/decrease in current financial assets		**3 026**	737
(Increase)/decrease in current financial receivables		**339**	(1 195)
Increase/(decrease) in current debt		**(7 234)**	(14 351)
Increase/(decrease) in long-term debt		**3 320**	(17 505)
Increase/(decrease) in other long-term liabilities		**(1 026)**	(5 175)
Net sale/(purchase) in treasury shares		**236**	604
Increase/(decrease) in minority interests		**(1 305)**	6 217
Cash flow (for)/from financing activities		**(17 645)**	(45 668)
Change in cash and cash equivalents		**(34 538)**	(10 285)
Cash and cash equivalents at January 1		**99 462**	109 747
Cash and cash equivalents at December 31		**64 924**	99 462
Change in cash and cash equivalents	38	**(34 538)**	(10 285)

The accompanying notes form an integral part of these financial statements.

Exhibit 6

Cash flow

in CHF million



Consolidated statement of changes in shareholders' equity

in CHF 000	**Share capital**	Treasury shares	Retained earnings	Net income (Loss)	Valuation adjustments on financial assets [1]	**Reserves**	**Consolidated shareholders' equity**	Minority interest's in equity	**Share-holders' equity**
Balance at December 31, 2000	**100 000**	**0**	**166 029**	**117 129**	**0**	**283 159**	**383 159**	**(339)**	**382 819**
Dividends paid	**0**	0	0	(42 000)	0	**(42 000)**	**(42 000)**	0	**(42 000)**
Allocation of earnings	**0**	0	75 129	(75 129)	0	**0**	**0**	0	**0**
First-time application IAS 39	**0**	0	0	0	1 652	**1 652**	**1 652**	0	**1 652**
Net income (loss)	**0**	0	0	(11 825)	0	**(11 825)**	**(11 825)**	(3 241)	**(15 066)**
Changes in Group companies	**0**	0	(92)	0	0	**(92)**	**(92)**	25	**(67)**
Purchase/sale of treasury shares	**0**	(1 398)	0	0	0	**0**	**(1 398)**	0	**(1 398)**
Net adjustment of financial assets to market values	**0**	0	0	0	429	**429**	**429**	0	**429**
Balance at December 31, 2001	**100 000**	**(1 398)**	**241 067**	**(11 825)**	**2 081**	**231 322**	**329 924**	**(3 555)**	**326 369**
Dividends paid	**0**	0	0	(15 000)	0	**(15 000)**	**(15 000)**	0	**(15 000)**
Allocation of earnings	**0**	0	(26 825)	26 825	0	**0**	**0**	0	**0**
Net income (loss)	**0**	0	0	35 562	0	**35 562**	**35 562**	(1 043)	**34 519**
Changes in Group companies	**0**	0	(1 112)	0	0	**(1 112)**	**(1 112)**	7 328	**6 216**
Purchase/sale of treasury shares	**0**	604	0	0	0	**0**	**604**	0	**604**
Net adjustment of financial assets to market values	**0**	0	0	0	(2 081)	**(2 081)**	**(2 081)**	0	**(2 081)**
Balance at December 31, 2002	**100 000**	**(794)**	**213 129**	**35 562**	**0**	**248 690**	**347 896**	**2 731**	**350 626**
Dividends paid	**0**	0	0	(15 000)	0	**(15 000)**	**(15 000)**	(677)	**(15 677)**
Allocation of earnings	**0**	0	20 562	(20 562)	0	**0**	**0**	0	**0**
Net income (loss)	**0**	0	0	(17 723)	0	**(17 723)**	**(17 723)**	(1 016)	**(18 739)**
Changes in Group companies	**0**	0	402	0	0	**402**	**402**	(925)	**(523)**
Purchase/sale of treasury shares	**0**	236	0	0	0	**0**	**236**	0	**236**
Net adjustment of financial assets to market values	**0**	0	0	0	2 819	**2 819**	**2 819**	0	**2 819**
Translation differences	**0**	0	0	0	0	**0**	**0**	2	**2**
Balance at December 31, 2003	**100 000**	**(558)**	**234 092**	**(17 723)**	**2 819**	**219 188**	**318 630**	**114**	**318 744**

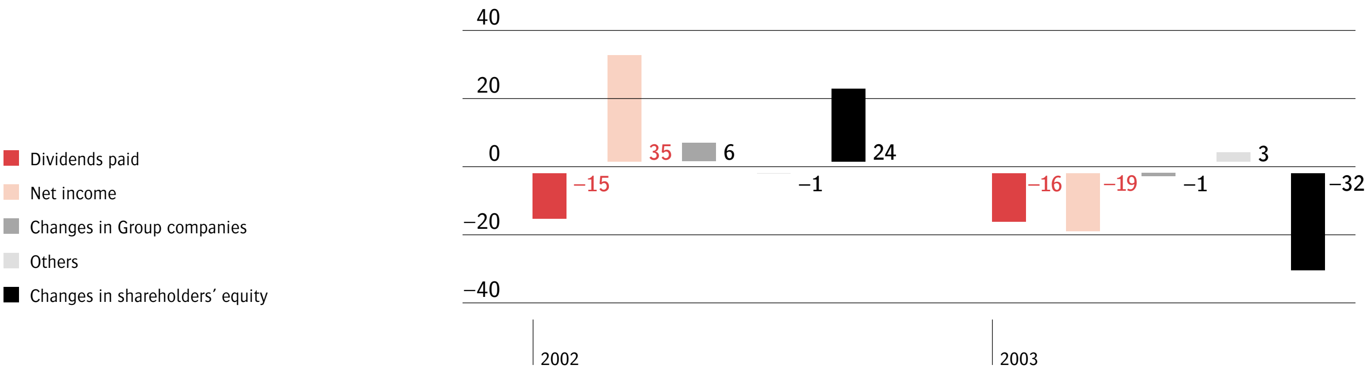
1 Net of deferred taxes.

The accompanying notes form an integral part of these financial statements.

Exhibit 7

Changes in shareholders' equity

in CHF million



Notes to the consolidated financial statements

Consolidation and valuation principles

Consolidation principles

General
The consolidated financial statements of Tamedia AG and its subsidiaries are prepared in compliance with Swiss law and in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), on a historical cost basis. The consolidation is based on the audited financial statements of the individual subsidiaries as of December 31, which were prepared according to uniform accounting principles. All standards issued by the IASB and all interpretations issued by the International Financial Reporting Interpretations Committee (FRIC) which were in effect as of the balance sheet date have been considered in the preparation of the consolidated financial statements.

The preparation of the financial statements requires that management and the Board of Directors make estimates and assumptions which have an impact on the amounts of the assets and liabilities, contingent liabilities, and expenses and income shown in the financial statements. Actual events could differ from these estimates.

The consolidated financial statements were approved by the Board of Directors on March 18, 2004. It is proposed that the shareholders approve these financial statements in their annual meeting on May 26, 2004.

At the beginning of 2002, the standard IAS 19 Employee Benefits (revised 2003) was adopted, the effect of which is described in note 24.

In 2003, no new standards were adopted.

Group companies
All companies in which Tamedia AG holds either a direct or indirect interest of 50% or more of the voting rights are consolidated. Group companies acquired during the year are included in the consolidation as of the acquisition date, and Group companies sold are eliminated from the consolidation as of the date sold.

Method of consolidation
Using the full consolidation method, the assets, liabilities, revenues and expenses of Group companies in which Tamedia AG directly or indirectly holds more than 50% of voting rights are included in their entirety. Minority interests in shareholders' equity and in net income are shown separately in the consolidated balance sheet and income statement.

Subsidiaries in which Tamedia AG holds a direct or indirect interest of 50 per cent of voting rights are consolidated on a pro-rata basis.

Capital consolidation
The capital consolidation is performed according to the purchase method.

Goodwill
At the time of their initial consolidation, the assets and liabilities of consolidated subsidiaries, or the net assets acquired, are valued according to uniform Group principles. The difference arising between the purchase price and the net assets acquired based on such valuation is capitalized as goodwill or as badwill in the year of acquisition and amortized over its expected useful life, usually over a period of 10 years, but not in excess of 20 years. When indications exist that goodwill may be impaired, a new evaluation is made and any necessary impairment losses are recognized.

At the time Group companies are sold, the difference between the sales price and the net assets, as well as any remaining balance in goodwill, is reported as a gain or a loss on the sale of subsidiaries in the consolidated income statement.

Treatment of intercompany profits
Profits on intercompany sales not yet realized through sales to third parties as of year-end, as well as intercompany results on transfers of fixed assets and investments in subsidiaries, are eliminated in the consolidation.

Translation of foreign currencies
As of year-end, amounts receivable and payable recorded by the individual Group companies which are denominated in foreign currencies are translated to the company currency using year-end exchange rates. During the year, transactions in foreign currencies are recorded at month-end rates. The resulting translation differences are included in net income.

For the translation of the individual subsidiaries' financial statements into Swiss francs, year-end rates are used for assets and liabilities, and monthly averages are used for the income statement items. The resulting translation differences, as well as translation differences arising on shareholders' equity transactions, are recorded directly in shareholders' equity.

Valuation principles

Cash and cash equivalents
Cash and cash equivalents include cash on hand, postal and bank accounts, time deposits maturing within up to three months and checks, reported at their fair values.

Current financial assets

Current financial assets include marketable securities, time deposits as well as demand deposits with an original maturity of more than three months but less than twelve months, as well as current derivative financial instruments.

Publicly traded marketable securities are carried at quoted market prices as of year-end. Securities which are not publicly traded are reported at fair value. Time and demand deposits are stated at fair value. For these items, as well as for marketable securities, all valuation differences – both realized and unrealized – are recorded in net income, except for those derivative instruments which are designated as accounting hedges (see also valuation principles for financial instruments).

Trade accounts receivable

Trade accounts receivable are carried at their nominal value. Allowance is made and charged against net income for doubtful accounts receivable. An allowance for general credit risks is also made based on past experience.

Inventories

Inventories are stated at their purchase or production cost, determined by the weighted average method, or at their lower market value.

An allowance is made for slow-moving and obsolete items based on economic criteria.

Property, plant and equipment

Values reported for property, plant and equipment are not to exceed their historical cost less economically necessary depreciation, with the exception of developed land, which is not depreciated.

Land and buildings are classified as investment properties when they are for the most part not used in operations. The fair values of such properties which is disclosed in the notes of the financial statements is determined periodically based on a discounted cash flow method. The same valuation principles applied to other fixed assets used in the Group's operations also apply to investment properties.

Leasehold improvements are capitalized and depreciated over the term of the lease agreement, disregarding any option to extend the term of the agreement. To the extent that the lease agreement requires that the property be restored to its original condition upon termination of the agreement, provisions are made as planned over the term of the lease. The costs of maintenance and repairs which do not increase the value of the assets are charged against net income.

Art objects are shown in the balance sheet at their historical cost less any necessary adjustments for declines in value.

Except for special write-offs which are economically necessary, depreciation is recorded on a straight-line basis over uniform useful lives established within the Group.

The estimated useful lives are as follows:

Production and administrative buildings	40 years
Investment properties	40 years
Remodeling and renovations	3–25 years
Leasehold improvements	3–25 years
Installations	3–25 years
Machinery and equipment	3–15 years
Motor vehicles	4–10 years
Office equipment and furniture	5–10 years
IT systems	3–5 years

Long-term financial assets

Long-term financial assets include investments in related companies, other investments, long-term loans, held to maturity financial assets, long-term derivative financial instruments, and the other long-term financial assets.

Investments in associated companies (subsidiaries in which Tamedia AG directly or indirectly holds between 20% and less than 50% of voting rights) are accounted for on a proportional basis using the equity method. (The Group's share in losses which exceed the original investment are recorded only when Tamedia has either the legal obligation or the intention to assume continuing losses or to participate in a restructuring which is in process or has been introduced.)

Other investments (where less than 20 per cent of voting rights are held) are stated at fair value. Unrealized gains and losses are recorded net of related taxes directly in shareholders' equity. Reductions in value due to impairment are recorded in net income.

Long-term loans are carried at historical cost. Financial assets held to maturity are stated at amortized cost value.

Long-term derivative financial instruments (held for trading) are valued at fair values. Both realized and unrealized gains and losses are recorded in net income, except for those derivative instruments which are designated as accounting hedges (see also valuation principles for financial instruments).

Other long-term financial assets (available for sale) are reported at fair values, and the resulting unrealized gains and losses are recorded net of taxes directly in shareholders' equity. Declines in value due to impairment are recorded in net income.

Intangible assets

Purchased intangible assets are capitalized at their cost and amortized according to the straight-line method over their expected useful lives. Intangible assets generated internally by the Group are not capitalized; such expenses are charged against current earnings as incurred.

The following amortization periods apply:

Goodwill	5–20 years
Publishing rights	5–10 years
Software project costs	3–5 years

The amortization of broadcasting rights for series or films is recorded as a minimum at the rate of 60% at the time of the initial broadcast (100% for one-time broadcasting rights) and the remaining balance at the time of the second broadcast, and is included in costs of materials. To the extent that no initial or additional broadcasts are likely, the entire remaining balance is written off.

Impairment of assets

The carrying values of property, plant and equipment and other non-current assets, including goodwill and other intangible assets, are evaluated when events or changes in circumstances indicate that such assets may be overstated (impaired). If the book value exceeds the recoverable value, it is written down to the estimated value in use – determined based on the present value of estimated future expected cash flows from the asset – or, if higher, the net realizable value.

Leasing

Fixed assets purchased under financial leasing agreements, where Group companies have the rights and risks of ownership, are recorded as financial leases. Thereby, these assets are capitalized at the inception of the agreement at the lower of their market value or the discounted present value of future non-cancelable lease payments, and the corresponding liability is recorded and reported as appropriate under current or long-term liabilities.

Unrealized gains from sale and leaseback transactions which meet the definition of financial leases are deferred and realized over the life of the lease agreement.

Payments under operating leases are charged directly against net income.

Provisions

Provisions are recorded only when an obligation exists or will probably result from a past event, and the amount of the obligation can be reliably estimated.

Possible obligations and those which cannot be reliably estimated are disclosed as contingent liabilities.

Employee benefits

Employee benefit plans maintained by the Group are designed in accordance with regulations and circumstances existing in Switzerland. The majority of employees are insured in the event of retirement, disability or death by the Group's own autonomous employee benefit plan. The remaining employees are insured under the provisions of collective contracts with insurance companies.

Employee benefit plans are financed through employer and employee contributions according to the requirements set forth by the applicable plan regulations.

Projected benefit obligations under all defined contribution plans are calculated every year by independent actuaries using the projected unit benefit method, and a roll-forward calculation is made for the interim period. The obligations thus calculated represent the discounted cash value of expected future benefit payments. The plan assets and income are determined annually. Actuarial gains and losses which exceed 10% of the higher of the plan liability or the plan's assets are recorded in net income over the remaining service lives of employees.

For defined benefit plans, the under-funding (the excess of projected benefit obligations over plan assets at market values) is recorded as a provision after considering unrecognized actuarial gains or losses. The amounts of over-funding are disclosed in the notes to the consolidated financial statements, but are recorded as assets only when they can be used to reduce the Group's future expenses.

Contributions made to defined contribution plans are recorded as expenses in the income statement.

Taxes

Current year income taxes are accrued based on the current year income reported locally by the individual Group companies.

Deferred taxes resulting from differences between the values of assets and liabilities for tax and for Group financial reporting purposes are accrued based on the comprehensive liability method. Thereby, all temporary differences between tax and Group values are considered using the expected local tax rates. Changes in deferred taxes are included in net income.

The benefits of tax loss carry-forwards are capitalized only when the offset of such carry-forwards against future earnings is deemed probable.

Product development

All expenditures for product development incurred during the year are charged against net income, unless the restrictive requirements under IAS 38 for capitalizing such charges are completely met.

Operating revenues

Revenues are recognized at the time products are delivered or services are rendered. Revenues are stated net of sales reductions, accounts receivable losses and value added taxes.

Costs of external financing

The costs of external financing are recorded in the period to which they relate.

Segment reporting

Segment information has been provided for the different business divisions. No geographical data is presented, as business operations are concentrated in the German-speaking part of Switzerland.

The accounting principles described above are also applied in the segment reporting.

Revenues, expenses and results of the various business segments include invoices between segments. Such inter-segment invoices are recorded at cost to the Group.

The assets and liabilities include all balance sheet items which directly relate to a given segment or which can meaningfully be allocated to a segment.

Financial instruments

Forward contracts and options are not entered into on a speculative basis, but are used exclusively to reduce specific foreign currency and interest rate risks associated with the Group's business. Counter-parties are financial institutions. Foreign currency derivatives are valued either directly with the underlying hedged transactions, to the extent that such transactions are reflected in the balance sheet, or are shown separately at fair value as of the balance sheet date.

All derivative financial instruments, such as interest rate swaps, foreign currency derivatives and certain embedded derivatives, are shown in the balance sheet at fair value, either as current or long-term financial assets or liabilities. The changes in fair values are recorded either in net income or directly in shareholders' equity, depending on the purpose of the individual financial instruments.

In the case of fair value hedges (hedges of the exposure to changes in the fair values of recognized assets or liabilities), the change in fair value of the effective portion of the hedging transaction is recorded immediately in the income statement. The changes in fair values of derivative instruments which qualify for treatment as cash flow hedges are recorded in shareholders' equity until the underlying hedged transaction is recorded and affects net income.

Changes in fair values of transactions which are not considered to be hedges or do not qualify as accounting hedges (as described above) are included in net income as components of financial income or expense. This also applies for fair value hedges and cash flow hedges as described above as soon as such transactions cease to qualify for hedge accounting treatment. In 2003, the changes in fair values were recorded directly in shareholders' equity for the first time.

Related party transactions

Transactions with related parties are conducted on an arm's length basis. Information regarding the remuneration of members of management and the Board of Directors is included in the notes to the consolidated financial statements as well as in the Corporate Governance section.

Employee stock ownership plans

Management and employees may purchase shares and options under various employee stock ownership plans offered by Tamedia. The costs related to these plans are recorded in personnel expense as a component of net income as they arise. Treasury shares are purchased in order to cover the risk associated with such plans.

Notes to the consolidated financial statements

Amounts shown in the following exhibits have been rounded. Because the calculations have been made based on this higher level of numerical accuracy, rounding differences may occur.

Changes in Group companies

Note 1

During 2003, the following changes occurred in the Group companies:

Additions

Meier Waser Druck AG	(Services division, Date: October 29, 2003)

Divestments

TeleZüri AG:	Merged with Tamedia AG (Electronic Media division, Date: retroactively January 1, 2003)
Belcom AG, Takeoff-Communicatons AG:	Merged with Belcom Holding AG (Electronic Media division, Date: retroactively January 1, 2003), afterwards Belcom Holding AG was renamed Belcom AG
Medag AG für Medienarbeit:	Merged with LH Holding AG (Electronic Media division, Date: retroactively January 1, 2003), afterwards LH Holding AG was renamed Medag AG für Medienarbeit
DMT Marketing Support AG:	Merged with Tamedia AG (Services division, Date: retroactively January 1, 2003)
BD Bücherdienst AG:	Sale (Services division, Date: September 25, 2003)

Note 2

Conversion rates

in CHF

The following rates were used to convert foreign currencies into Swiss francs:

Year-end rates	**2003**	2002
1 EUR	**1.56**	1.45
1 GBP	**2.20**	2.23
1 USD	**1.24**	1.39

Average rates	**2003**	2002
1 EUR	**1.52**	1.47

Note 3

Segment reporting

in CHF 000	Newspapers	Magazines	Electronic Media[2]	Services[2]	Not allocable	Eliminations	**Total Group**
As of December 31, 2002							
Revenues third parties	401 167	109 693	44 508	84 902	0	0	**640 270**
Revenues intercompany	0	0	0	178 143	0	(178 143)	**0**
Operating revenues	**401 167**	**109 693**	**44 508**	**263 045**	**0**	**(178 143)**	**640 270**
Operating expenses	**(311 234)**	**(114 213)**	**(56 848)**	**(264 442)**	**0**	**178 143**	**(568 594)**
Operating income before depreciation and amortization (EBITDA)	**89 933**	**(4 520)**	**(12 340)**	**(1 397)**	**0**	**0**	**71 676**
Margin [1]	22.4%	(4.1%)	(27.7%)	(1.6%)			**11.2%**
Depreciation and amortization	(24 660)	(5 252)	(10 992)	(15 235)	2 021	0	**(54 118)**
of which impairment on goodwill	0	0	(7 000)	0	0	0	**(7 000)**
Operating income (EBIT)	**65 273**	**(9 772)**	**(23 332)**	**(16 632)**	**2 021**	**0**	**17 558**
Margin [1]	16.3%	(8.9%)	(52.4%)	(6.3%)			**2.7%**
Share in earnings of associated companies	3 989	0	412	1 856	175	0	**6 432**
Total assets	270 908	65 730	156 430	84 070	64 145	0	**641 283**
Total liabilities	69 829	31 487	19 903	53 887	115 551	0	**290 657**
Capital expenditures in property, plant and equipment	14 136	4 417	819	31	1 027	0	**20 430**
Capital expenditures in intangible assets	5 184	23	408	646	2 396	0	**8 657**
Average number of employees	748	204	219	833	0	0	**2 004**
As of December 31, 2003							
Revenues third parties	343 369	97 933	45 996	81 577	0	0	**568 875**
Revenues intercompany	0	0	0	145 134	0	(145 134)	**0**
Operating revenues	**343 369**	**97 933**	**45 996**	**226 711**	**0**	**(145 134)**	**568 875**
Operating expenses	**(294 394)**	**(101 225)**	**(53 055)**	**(237 664)**	**0**	**145 134**	**(541 204)**
Operating income before depreciation and amortization (EBITDA)	**48 975**	**(3 292)**	**(7 059)**	**(10 953)**	**0**	**0**	**27 671**
Margin [1]	14.3%	(3.4%)	(15.3%)	(4.8%)			**4.9%**
Depreciation and amortization	(27 047)	(5 470)	(27 578)	(8 228)	0	0	**(68 323)**
of which impairment on goodwill	0	0	(15 500)	0	0	0	**(15 500)**
Operating income (EBIT)	**21 928**	**(8 762)**	**(34 637)**	**(19 181)**	**0**	**0**	**(40 652)**
Margin [1]	6.4%	(8.9%)	(75.3%)	(8.5%)			**(7.1%)**
Share in earnings of associated companies	4 284	0	(48)	199	0	0	**4 435**
Total assets	288 137	46 786	105 296	85 529	68 907	0	**594 655**
Total liabilities	69 260	37 894	14 282	57 688	96 786	0	**275 910**
Capital expenditures in property, plant and equipment	40 399	2 824	2 865	16 759	0	0	**62 847**
Capital expenditures in intangible assets	1 776	5	177	702	0	0	**2 660**
Average number of employees	738	206	207	768	0	0	**1 919**

1 The margin refers to operating revenues with third parties.
2 Condor has been reallocated to the Electronic Media division (prior year: Services division). 2002 figures were reclassified accordingly.

Exhibit 8

Operating revenues by business division
in CHF million

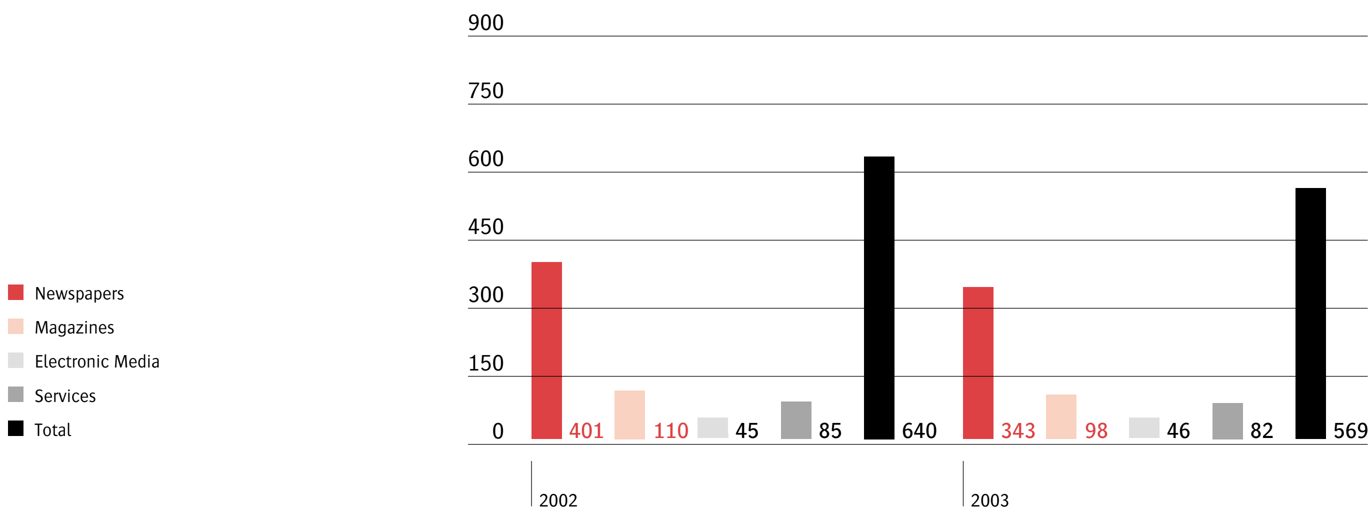
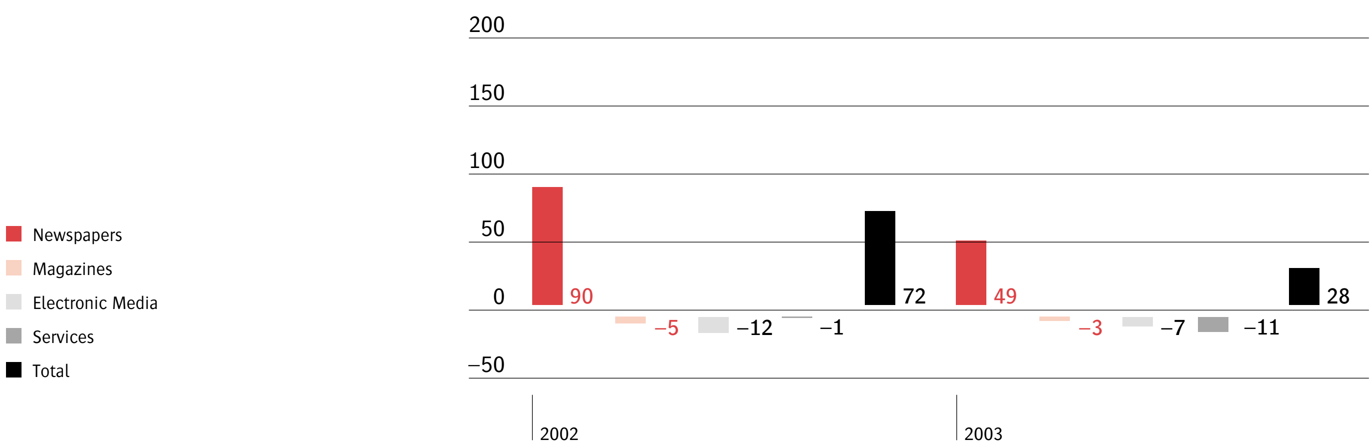


Exhibit 9

EBITDA by business division
in CHF million

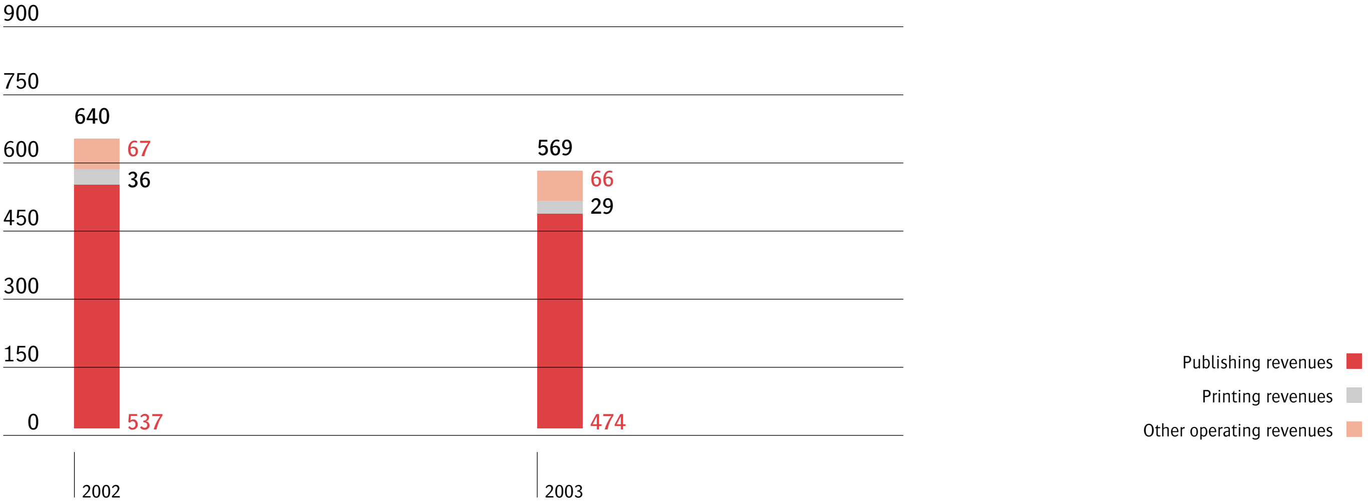


Notes to the consolidated income statement

Operating revenues

Exhibit 10

in CHF million



Publishing revenues

Note 4

in CHF 000

	2003	2002
Advertising revenues	**288 563**	353 447
Circulation revenues	**145 477**	151 484
Other publishing revenues	**39 673**	32 553
Total	**473 713**	537 484

Publishing revenues decreased by CHF 63.8 million, representing a decline of 12%, compared with the prior year. Advertising revenues showed the strongest decline.

The "Tages-Anzeiger" (including all supplements), with a decline of CHF 43.9 million, fell short of prior year revenues. Revenues decreased from CHF 274.7 million to CHF 231.0 million, representing a decline of 16%. The weak economy led on the one hand to lower advertising revenues, and to a marked decline in the real estate and job ads as well. As a result, revenues from "Stellen-Anzeiger" and from "Alpha" fell by a total of CHF 26.4 million or 33%, dropping from CHF 79.5 million to CHF 53.1 million. With an increase of CHF 0.1 million, the "SonntagsZeitung" (excluding "Alpha") reported revenues a little higher than in 2002, going from CHF 74.1 million to CHF 74.2 million. "Finanz und Wirtschaft" showed revenues of CHF 24.1 million for the year, which represented a decrease of CHF 5.4 million or 18%. The relaunch of "ZürichExpress" as "Tagblatt der Stadt Zürich" also had an impact on the revenues. They fell from CHF 23.9 million in the prior year to CHF 16.3 million, a decrease by CHF 7.6 million.

Revenues reported for the "Schweizer Familie" went from CHF 34.1 million to CHF 34.6 million, an increase of CHF 0.5 million. The decline for the news magazine “Facts” was CHF 6.0 million, or 18%. Revenues dropped from CHF 32.8 million to CHF 26.9 million. The women’s magazine “annabelle” achieved revenues of CHF 26.4 million, representing a decrease of CHF 4.2 million, or 14%. The remaining publications “Spick”, “du”, and “TVtäglich” showed decreases totaling CHF 2.1 million compared to 2002.

The revenues for Radio 24 and TeleZüri increased by CHF 3.0 million from CHF 19.8 million to CHF 22.7 million. The results of the Radio Basilisk operations for the entire 12 months were included for the first time in 2003 and achieved an operating income of CHF 7.9 million.

Note 5

Printing revenues
in CHF 000

	2003	2002
Newspaper offset press revenues	**3 894**	11 262
Rotary offset job press revenues	**8 107**	8 795
Sheet printing revenues	**11 898**	11 583
Other printing revenues	**5 598**	4 476
Total	**29 498**	36 116

Printing revenues accounted for 5% of total revenues (prior year: 6%). The decline of CHF 6.6 million, or 18%, brought revenues down to CHF 29.5 million. The largest decline with CHF 7,4 million was in the newspaper printing press revenues, which was attributable in particular to the printing contract for “Brückenbauer” which was not renewed.

Note 6

Other operating revenues
in CHF 000

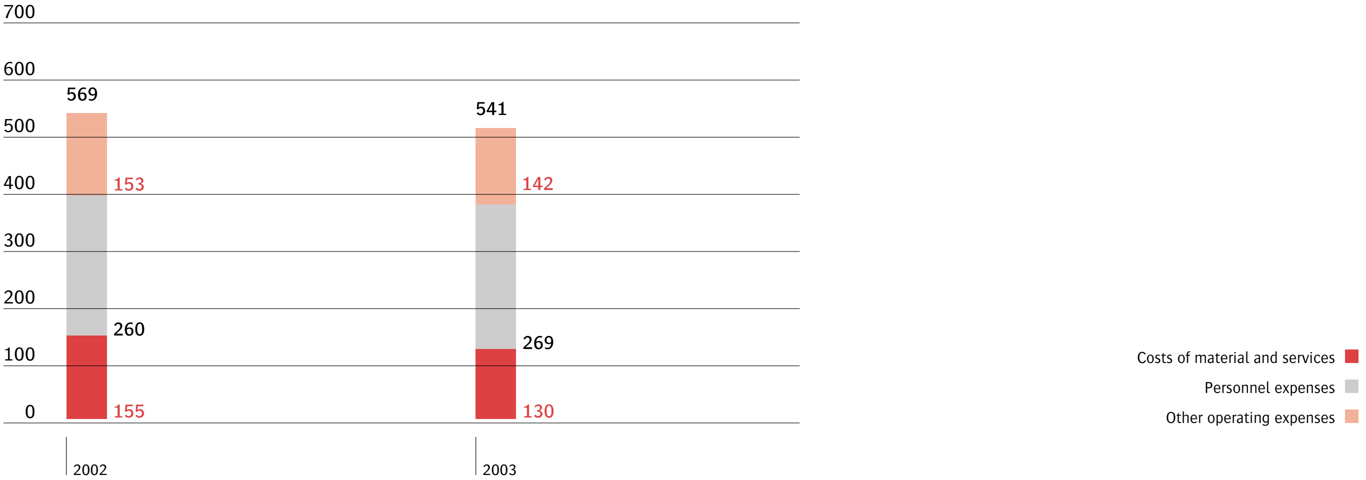
	2003	2002
Commissioned productions revenues	**9 625**	13 629
Lettershop revenues	**7 085**	6 824
Distribution revenues	**23 446**	22 109
Book publishing revenues	**3 550**	4 909
Sundry operating revenues	**21 959**	19 200
Total	**65 665**	66 670

Other revenues amounted to CHF 65.7 million or 12% of total revenues (prior year: 6%), a decline of CHF 1.0 million, or 2%. The largest declines were reported by Condor with CHF 4.0 million while other operating revenues were reported with an increase of CHF 2.7 million. The latter reflect revenues from sales of tangible assets as well as the reversal of provisions which proved unnecessary.

Operating expenses

in Mio. CHF

Exhibit 11



Costs of material and services

in CHF 000

Note 7

	2003	2002
Costs of material	**59 372**	76 848
Costs of services	**70 930**	78 640
Total	**130 302**	155 488

At 23% of operating revenues (prior year: 24%), the costs of material and services represent the second largest expense category. These costs declined from CHF 155.5 million by CHF 25.2 million, or 16%, to CHF 130.3 million. Of this decrease, CHF 17.4 million related to expenditures for paper, which decreased by 28% – from CHF 62.2 million to CHF 44.8 million – due to lower volumes as well as lower prices. The cost of services declined in the areas of printing, fees for editorial services and the production of Condor.

Personnel expenses

in CHF 000

Note 8

	2003	2002
Salaries and wages	**211 463**	209 214
Social security and retirement benefits	**47 447**	35 446
Other personnel expenses	**9 886**	15 614
Total	**268 796**	260 274

Personnel/employees

number

	2003	2002
as of December 31	**1 825**	2 007
Average	**1 919**	2 004

Personnel expenses, representing the largest expense category, amount to 47% of operating revenues (prior year: 40%). This represents an increase by CHF 8.5 million from CHF 260.3 million to CHF 268.8 million during the current year. This includes provisions of CHF 24.4 million regarding restructuring costs (see also note 33). The personnel expenses for salaries and wages amounted to CHF 244.4 million.

The number of employees declined from 2007 to 1825, a decrease of 182, or 9%. The average number of employees was 1919, a decline of 85, or 4% compared to the prior year.

Note 9

Other operating expenses

in CHF 000

	2003	2002
Distribution and selling expense	**55 420**	59 741
Advertising and public relations	**29 188**	36 037
General operating expense	**57 498**	57 053
Total	**142 107**	152 832

Other operating expenses amount to 25% of operating revenues (prior year: 24%) and declined from CHF 152.8 million to CHF 142.1 million. This improvement of 7%, or CHF 10.7 million, is largely attributable to lower distribution and selling expenses (–7%) on the one hand, and reduced expenses for advertising and PR (–19%).

Note 10

Depreciation and amortization

in CHF 000

	2003	2002
Depreciation of property, plant and equipment	**33 083**	31 138
Impairment on property, plant and equipment	**1 500**	0
Amortization of goodwill	**11 838**	11 481
Impairment on goodwill	**15 500**	7 000
Amortization of other intangible assets	**4 138**	3 754
Other write-offs and allowances	**2 263**	744
Total	**68 323**	54 118

Depreciation and amortization rose from CHF 54.1 million by a total of CHF 14.2 million, or 26%, reaching CHF 68.3 million in 2003. This increase was caused by an impairment on goodwill of CHF 15.5 million that was recorded on the goodwill related to Radio 24 and Radio Basilisk (see note 27). In addition an impairment of CHF 1.5 million was recorded regarding the carrying value of investment property.

Share in earnings of associated companies

Note 11

in CHF 000

	2003	2002
Share in earnings of associated companies	**4 558**	6 557
Share in losses of associated companies	**(123)**	(125)
Total	**4 435**	6 432

The share in earnings of associated companies decreased by CHF 2.0 million from CHF 6.4 million to CHF 4.4 million. The higher share in earnings as well as the effect of the sale of Adlink Internet Media AG were responsible for the performance in the prior year.

Other financial income (expense), net

Note 12

in CHF 000

	2003	2002
Interest income	**2 046**	1 520
Gains on marketable securities	**13**	8
Gain from sales of investment in subsidiaries	**331**	8 222
Exchange gains	**3 891**	1 051
Other financial income	**424**	667
Financial income	**6 706**	11 498
Interest expense	**(923)**	(393)
Interest expense on financial leases	**(796)**	(950)
Losses on marketable securities	**(255)**	(427)
Write-off of financial assets	**(113)**	0
Exchange loss	**(581)**	(1 623)
Other financial expense	**(90)**	(87)
Financial expense	**(2 759)**	(3 480)
Total	**3 947**	7 988

Net other financial income decreased to CHF 3.9 million from an income of CHF 8.0 million in the prior year, which was primarily a result of the sale of investment in subsidiaries. The gain from sales of such financial assets decreased by CHF 7.9 million from CHF 8.2 million to CHF 0.3 million. On the other hand, exchange gains (net) improved by CHF 3.9 million from CHF −0.6 million to CHF 3.3 million.

Note 13

Income taxes

in CHF 000

	2003	2002
Current taxes	**149**	(11 980)
Deferred taxes	**12 206**	(869)
Total	**12 355**	(12 849)

As an effect of the negative income before taxes a tax benefit resulted for 2003. The effective tax rate declined from 40% to 38%.

Note 14

Analysis of the effective tax rate

in CHF 000

	2003	2002
Income before taxes	**(32 270)**	31 979
Average income tax rate	**19.7%**	25.1%
Expected tax expense (using average rates)	**6 357**	(8 033)
Taxes related to earnings of prior periods	**1 846**	(4 178)
Non-deductible amortization of goodwill	**(2 722)**	(2 526)
Use of tax loss carry-forwards not capitalized or considered in the past	**6 420**	0
Not recognized tax assets on tax losses carried forward	**(1 649)**	0
Impact of changes in investment income deductions	**1 150**	2 109
Other items	**953**	(221)
Taxes	**12 355**	(12 849)
Effective tax rate	**38.3%**	40.2%

The expected average tax rate reflects the weighted average tax rate of the consolidated subsidiaries. The decline in the weighted average tax rate resulted primarily from the reduction of the number of subsidiaries with non-deductible expenses.

Note 15

Minority interests in net income

in CHF 000

	2003	2002
Minority interests in profits	**(127)**	(328)
Minority interests in losses	**1 144**	1 371
Total	**1 016**	1 043

Minority interests in net income remained largely unchanged.

Discontinuing operations

Note 16

in CHF 000

The discontinuing operations are comprised solely of TV3.

	2003	2002
Total assets	**107**	10 698
Total liabilities	**32**	1 168
Net assets	**75**	9 530
Release of provisions no longer needed and other income	**1 176**	21 162
Income taxes	**0**	(5 773)
Net loss	**1 176**	15 389
Cash flow from operations [1]	**(492)**	(7 962)
Cash flow for investment activities	**0**	2 043
Cash flow for financing activities [1]	**(10 000)**	0
Change in cash and cash equivalents	**(10 492)**	(5 919)

1 In 2003, TV3 no longer had operating activities. The expenditures caused by the liquidation were completely covered by provisions. The change in cash and cash equivalents refers to TV3 as a single entity. The net cash flow from financing activities is attributable to the offsetting of liabilities to group companies.

At the end of December 2001 Tamedia decided to liquidate TV3, which had been established in 1999 as a joint venture by Tamedia AG and SBS Broadcasting SA. Negotiations with creditors have been settled. During 2003, CHF 0.2 million of the provisions were used, and CHF 1.0 million proved to be unnecessary and were reversed. Additionally a gain of CHF 0.2 million was realized due to the sale of intangibles.

By end of 2003 an application to remove the company from the public register was filed.

Net income (loss) per share

Note 17

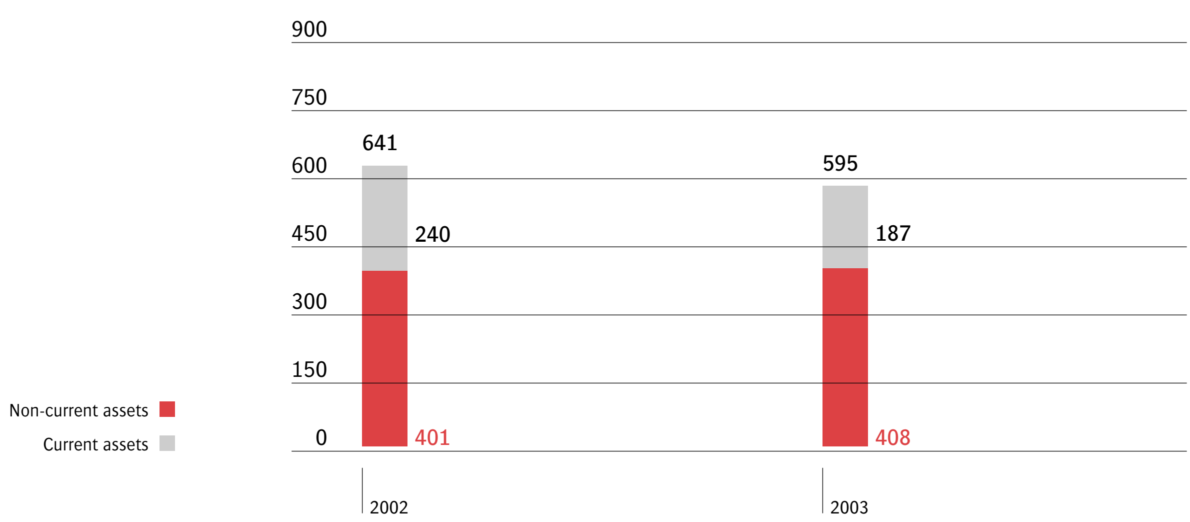
Number

		2003	2002
Weighted average of shares outstanding during the year:			
Number of shares outstanding		**10 000 000**	10 000 000
Number of treasury shares (weighted average)		**6 542**	9 276
Number of shares outstanding (weighted average)		**9 993 458**	9 990 724
Undiluted:			
Net (loss) income	in CHF 000	**(17 723)**	35 562
Weighted average of shares outstanding applicable for this calculation		**9 993 458**	9 990 724
Net (loss) income per share (undiluted)	in CHF	**(1.77)**	3.56
Diluted:			
Net (loss) income	in CHF 000	**(17 723)**	35 562
Weighted average of shares outstanding applicable for this calculation		**9 993 458**	9 990 724
Net (loss) income per share (diluted)	in CHF	**(1.77)**	3.56

Notes to the consolidated balance sheet

Exhibit 12

Assets
in CHF million



Note 18

Trade accounts receivable
in CHF 000

	2003	2002
Trade accounts receivable from third parties	**89 430**	107 904
Trade accounts receivable from associated companies	**2 042**	3 067
Allowance for doubtful accounts	**(4 324)**	(3 314)
Total	**87 148**	107 657

Trade accounts receivable decreased by CHF 20.5 million, or 19%, due to lower revenues, going from CHF 107.7 million to CHF 87.1 million.

An allowance for doubtful accounts of CHF 4.3 million has been made (prior year: CHF 3.3 million).

Note 19

Inventories
in CHF 000

	2003	2002
Raw materials	**1 622**	3 150
Work in process	**1 076**	1 790
Finished goods	**637**	2 027
Trade merchandise	**39**	1 059
Other inventories	**0**	10
Total	**3 375**	8 037

Inventories decreased from CHF 8.0 million to CHF 3.4 million. The change of CHF 4.7 million compared with the prior year is largely attributable to the sale of the heatset job press at Baslerstrasse, the printing facility Waser Druck and a reduction on stock of Werd Verlag. An additional reduction of CHF 0.4 million resulted from the sale of BD Bücherdienst.

Note 20

Property, plant and equipment

in CHF 000	Land	Buildings and fixtures	Non-operating land and buildings	Technical systems and machinery	Furnishings, automobiles and art objects	Advance payments and assets under construction	**Total**
Historical cost at							
Balance at December 31, 2001	**52 521**	**191 626**	**0**	**275 448**	**15 701**	**5 341**	**540 636**
Changes in Group companies	0	0	8 931	138	0	0	**9 070**
Additions	0	1 314	0	4 293	195	14 628	**20 430**
Disposals	0	(7 061)	0	(12 895)	(1 147)	0	**(21 103)**
Transfers	0	1 483	0	1 555	(22)	(3 016)	**1**
Balance at December 31, 2002	**52 521**	**187 362**	**8 931**	**268 539**	**14 727**	**16 953**	**549 033**
Changes in Group companies	814	2 657	0	(2 271)	(6)	0	**1 194**
Additions	0	1 119	0	5 779	316	55 634	**62 847**
Disposals	(600)	(8 791)	0	(24 043)	(1 610)	(35)	**(35 079)**
Transfers	(1 570)	(3 622)	5 192	0	0	0	**0**
Balance at December 31, 2003	**51 165**	**178 724**	**14 123**	**248 004**	**13 427**	**72 552**	**577 995**
Accumulated depreciation at							
Balance at December 31, 2001	**135**	**98 912**	**0**	**182 694**	**7 879**	**(2)**	**289 617**
Changes in Group companies	0	0	0	0	0	0	**0**
Annual depreciation	0	7 226	89	23 501	1 308	(1)	**32 124**
Impairment	0	0	0	0	0	0	**0**
Additions	0	0	0	0	0	0	**0**
Disposals	0	(6 660)	0	(9 404)	(858)	0	**(16 922)**
Transfers	0	0	0	0	1	2	**2**
Balance at December 31, 2002	**135**	**99 477**	**89**	**196 790**	**8 330**	**(1)**	**304 822**
Changes in Group companies	0	0	0	(1 712)	(6)	0	**(1 718)**
Annual depreciation	0	6 519	342	25 101	1 122	0	**33 083**
Impairment	0	0	1 500	0	0	0	**1 500**
Additions	0	0	0	0	(33)	0	**(33)**
Disposals	0	(3 868)	0	(21 035)	(1 346)	1	**(26 249)**
Transfers	(135)	(2 807)	2 942	0	0	0	**0**
Balance at December 31, 2003	**0**	**99 321**	**4 873**	**199 144**	**8 067**	**0**	**311 406**
Net book value of assets							
at December 31, 2002	**52 386**	**87 885**	**8 842**	**71 748**	**6 397**	**16 953**	**244 211**
of which leased	0	0	0	27 533	0	0	27 533
of which for sale	0	0	0	0	0	0	0
at December 31, 2003	**51 165**	**79 403**	**9 250**	**48 860**	**5 359**	**72 551**	**266 589**
of which leased	0	0	0	23 127	0	0	23 127
of which for sale	0	0	0	0	0	0	0

Capital expenditures increased from CHF 20.4 million to CHF 62.9 million and are largely attributable to the replacement of the newspaper printing press and the expansion of the printing center. An increase resulted especially in plant and equipment as well as IT systems. Depreciation expense was also higher than in 2002, and amounted to CHF 33.1 million (prior year: CHF 32.1 million). In addition an impairment of CHF 1.5 million was recorded regarding the carrying value of investment property (see also note 21). As a result of disposals, land and buildings declined by CHF 4.9 million, technical systems and machinery by CHF 3.0 million. The change is largely attributable to the sale of BD Bücherdienst and the carryover from Waser Druck to Meier Waser Druck, the latter being consolidated only on a pro-rata basis. Overall, net fixed assets increased by CHF 22.4 million, from CHF 244.2 million to CHF 266.6 million.

Note 21

Investment properties in CHF 000	**2003**	2002
Rent income	**728**	265
Real estate expense	**(538)**	(252)
Net rent income [1]	**190**	13
Fair value of investment property	**10 300**	8 931

1 The real estate property of Waser Druck was reclassified by the end of 2003. Rent income refers only to the property of Radio Basilisk. The 2002 figures show only the four month period Radio Basilisk was consolidated.

Investment property includes the real estate property of Radio Basilisk and recently Waser Druck. Due to the cooperation of Meier Waser Druck, the operations of Waser Druck were transferred to Feuerthalen by the end of 2003. The real estate property of Waser Druck in Buchs was then reclassified.

As a result of the internal evaluation the carrying values of investment property have been overstated. The book value exceeded the value in use – based on the DCF-method – as well as the net realizable value. Therefore an impairment of CHF 1.5 million was recorded. Future cash flows were discounted at a rate of 5.5%.

The following limitations exist regarding the realization of the value of the property of Radio Basilisk: It was purchased in construction rights, for which the contract expires in 2035. The contract may be extended for a maximum of 50 years. The party who granted the construction rights has a pre-purchase option. In the event that the property would have to be rendered back to the counter-party, the Group has the right to receive compensation based on the fair value of the property at that time.

Note 22

Investments in associated companies

in CHF 000

	2003	2002
Total	**5 825**	6 044

The decrease in investments in associated companies of CHF 0.2 million is due to the Group's lower shares in the net income of such companies, which were less than the dividends distributed.

Note 23

Other financial assets

in CHF 000

	2003	2002
Other investments	**51**	152
Long-term loans receivable from third parties	**2 460**	2 550
Long-term loans receivable from associated companies	**17 675**	325
Pension plan assets	**19 902**	24 527
Other financial assets	**4 852**	2 806
Total	**44 940**	30 361

Other financial assets increased by CHF 14.6 million from CHF 30.3 million to CHF 44.9 million. This increase includes long-term loans granted to 20 Minuten (Schweiz) AG and the not consolidated part of the long-term loans granted to the joint venture Meier Waser Druck. Due to a higher fair value of the forward foreign currency contracts their share in the other financial assets increased by CHF 2.1 million.

Note 24

Employee benefits

For the Swiss pension funds, only the Board of Trustees can make decisions regarding the use of available free funds. Therefore, the capitalization of any over-funding is only possible to the extent that benefits accrue to the employer according to the law and by decision of the Board of Trustees. In so doing, the actual financial situation of the pension fund must be considered and the equal treatment of active employees and retirees covered must be respected.

Because for the pension plans with PBO's in excess of plan assets, the unrecognized actuarial losses exceeded this under-funding after considering employer's reserves, the under-funding was not recorded as a liability. Amounts recorded as pension plan assets consist of employer reserves and a portion of the pension plans' free funds for those plans which are over-funded.

The presentation was adapted to net actuarial gain/loss and unrecognized part thereof in accordance with IAS 19 § 58A.

The plans of Verlag Finanz und Wirtschaft AG as well as Regor AG were reclassified from defined contribution plans to defined benefit plans. The effect of CHF 3.2 million as a result of this requalification was recognized additionally in the income statement.

Analysis of defined benefit asset recognized

in CHF 000

	2003	2002
Present value of obligations	**759 750**	824 695
Fair value of plan assets	**(811 993)**	(793 257)
Present value of net obligation (asset)	**(52 243)**	31 438
Unrecognized actuarial (loss)/gain	**23 520**	(169 219)
Unrecognized part of defined benefit asset (obligation)	**8 194**	113 254
Effect of adjustment of asset ceiling [1]	**627**	0
Defined benefit obligation/(asset) recognized	**(19 902)**	(24 527)

1 The asset ceiling as of January 1 has been shown in the balance sheet as a projection as per December 31 2003.

Analysis of retirement benefit expense from defined benefit plans

in CHF 000

	2003	2002
Current service cost	**30 024**	33 076
Interest cost	**26 664**	31 592
Expected return on assets	**(36 216)**	(42 897)
Recognition of actuarial (gain)/loss	**0**	2 748
Effect of requalification [2)]	**2 691**	0
Net periodic pension cost	**23 163**	24 519
Employee contributions	**(10 427)**	(10 795)
Company's net periodic pension cost	**12 736**	13 724
Employer contributions	**(12 746)**	(14 752)
Pension cost/(income) not yet recognized in income statement	**(10)**	(1 028)
Past service costs – non-expiring benefits	**4 008**	1 870
Effect of adjustment of asset ceiling [1]	**627**	0
Pension cost/(income) to be recognized additionally in income statement	**4 625**	842

1 The asset ceiling as of January 1 has been shown in the balance sheet as a projection as per December 31 2003.
2 New classification of plans of Verlag Finanz und Wirtschaft AG as well as Regor AG as defined benefit plans.

Change in net asset recognized

in CHF 000

	2003	2002
Net obligation/(asset) recognized as of January 1	**(24 527)**	(25 369)
Net periodic pension cost	**10 045**	13 724
Employer contributions	**(12 746)**	(14 752)
Unrecognized (gain)/loss (§61, cf. upper bound in the balance sheet)	**4 008**	1 870
Effect of adjustment of asset ceiling [1]	**627**	0
Effect of requalification [2]	**2 691**	0
Net obligation/(asset) recognized as of December 31	**(19 902)**	(24 527)

1 The asset ceiling as of January 1 has been shown in the balance sheet as a projection as per December 31 2003.
2 New classification of plans of Verlag Finanz und Wirtschaft AG as well as Regor AG as defined benefit plans.

Return on plan assets

in CHF 000

	2003	2002
Actual return on plan assets	**36 216**	42 897
Projected return on plan assets	**68 027**	(59 287)
Actuarial gain/(loss) on plan assets	**31 811**	(102 184)

Actuarial assumptions

in %

	2003	2002
Discount rate	**3.5**	4.0
Long-term rate of return on assets	**4.8**	5.0
Salary progression	**1.0**	1.5
Pension benefit progression	**0.6**	1.1

The most recent actuarial appraisal (based on the projected unit credit method) was performed as of December 31, 2003.

Contributions to defined contribution plans

in CHF 000

	2003	2002
Total	**1 073**	1 846

Value of property, plant and equipment belonging to pension funds and used by the Group

in CHF 000

	2003	2002
Total	**0**	0

Liabilities to employee benefit plans

in CHF 000

	2003	2002
Liabilities to Tamedia pension funds	**43**	432
Liabilities to other pension funds	**347**	15
Total	**390**	447

Deferred tax assets

Note 25

in CHF 000

	2003	2002
Deferred taxes due to timing differences in the valuation of:		
Investments in associated companies	**6 920**	7 036
Land and buildings	**159**	159
Tax loss carry-forwards capitalized	**1 083**	1 300
Other assets	**71**	0
Total	**8 233**	8 495

Tax loss carry-forwards not capitalized

Note 26

in CHF 000

	2003	2002
Tax loss carry-forwards not capitalized	**(74 721)**	(87 994)
expiring within 1 year	**0**	(2 706)
expiring in 2 to 5 years	**(61 777)**	(28 816)
expiring beyond 5 years	**(12 944)**	(56 472)

At the end of 2003, not capitalized tax loss carry-forwards amounted to CHF 74.7 million, relating primarily to Winner, «Tagblatt der Stadt Zürich» and «Express« Zeitung. The utilization of these tax loss carry-forwards to reduce future taxable income must be regarded as unlikely.

Intangible assets

in CHF 000	Goodwill	Publishing rights and other legal rights	Software development costs	Film licenses	Other intangible assets	**Total**
Historical cost at						
Balance at December 31, 2001	**131 417**	**1 579**	**16 040**	**25 688**	**1 758**	**176 482**
Changes in Group companies	0	0	0	0	0	**0**
Additions	23 261	0	6 331	0	2 327	**31 919**
Disposals	(1 603)	(1 498)	(4 935)	(25 688)	0	**(33 724)**
Transfers	0	0	3 886	0	(3 886)	**0**
Balance at December 31, 2002	**153 075**	**81**	**21 322**	**0**	**200**	**174 677**
Changes in Group companies	0	0	0	0	0	**0**
Additions	453	182	2 025	0	0	**2 660**
Disposals	(1 713)	0	(1 198)	0	(107)	**(3 019)**
Transfers	0	0	0	0	0	**0**
Balance at December 31, 2003	**151 815**	**263**	**22 148**	**0**	**93**	**174 319**
Accumulated depreciation at						
Balance at December 31, 2001	**35 172**	**1 033**	**11 310**	**17 624**	**0**	**65 139**
Changes in Group companies	0	0	0	0	0	**0**
Annual depreciation	11 606	228	3 613	0	0	**15 448**
Impairment loss	7 000	0	0	0	0	**7 000**
Additions	0	0	0	0	0	**0**
Disposals	(1 530)	(1 216)	(4 706)	(17 624)	0	**(25 076)**
Transfers	(1)	(1)	0	0	0	**(2)**
Balance at December 31, 2002	**52 248**	**44**	**10 217**	**0**	**0**	**62 509**
Changes in Group companies	0	0	0	0	0	**0**
Annual depreciation	11 961	73	4 066	0	0	**16 100**
Impairment loss	15 500	0	0	0	0	**15 500**
Additions	0	0	0	0	0	**0**
Disposals	(849)	0	(1 139)	0	0	**(1 988)**
Transfers	0	0	0	0	0	**0**
Balance at December 31, 2003	**78 859**	**117**	**13 143**	**0**	**0**	**92 119**
Net book value of assets at						
December 31, 2002	**100 827**	**37**	**11 105**	**0**	**200**	**112 169**
of which leased	0	0	0	0	0	**0**
of which for sale	0	0	0	0	0	**0**
December 31, 2003	**72 956**	**146**	**9 005**	**0**	**93**	**82 200**
of which leased	0	0	0	0	0	**0**
of which for sale	0	0	0	0	0	**0**

Intangible assets decreased from CHF 112.2 million to CHF 82.2 million. The decrease of CHF 30.0 million relates largely to the current depreciation expense of CHF 12.0 million and the additional impairment on goodwill of CHF 15.5 million. Also in goodwill the additions relating to the acquisition of 20 Minuten (Schweiz) AG and Meier Waser Druck AG are shown as well as the disposal in connection with the sale of BD Bücherdienst AG.

Calculations based on the DCF-method were made to determine the carrying value of goodwill as of December 31. These included revised business plans and the actual assumptions on the mid-term to growth and market position. Future cash flows were discounted at a rate (WACC) of 8.0%, the estimated business risks were reflected in the business plans. On this basis an impairment loss was recorded in the amount of CHF 8.0 million for Radio 24 and of CHF 7.5 million for Radio Basilisk.

Financial debt

in CHF 000

Note 28

	2003	2002
Current bank debt	**18**	0
Current leasing obligations	**4 942**	4 942
Current maturities of long-term financial debt	**0**	6 435
Other short-term financial debt	**1**	1 084
Current debt	**4 960**	12 461
Long-term bank debt	**0**	0
Long-term leasing obligations	**14 218**	18 475
Long-term loans from third parties	**830**	830
Long-term loans from associated companies	**4 050**	0
Long-term debt	**19 098**	19 303
Financial debt	**24 058**	31 764
Maturities		
within 1 year	**4 960**	12 461
1 to 5 years	**19 098**	19 303
beyond 5 years	**0**	0
Total	**24 058**	31 764
Weighted average interest rate		
within 1 year	**3.7%**	3.8%
1 to 5 years	**3.6%**	3.7%
beyond 5 years	**n/a**	n/a

Financial debt declined by CHF 7.7 million, from CHF 31.8 million to CHF 24.1 million. This change is attributable in particular to the repayment of a mortgage in the amount of CHF 6.4 million.

Note 29

Trade accounts payable

in CHF 000

	2003	2002
Trade accounts payable to third parties	**41 838**	40 335
Trade accounts payable to associated companies	**643**	1 694
Total	**42 480**	42 029

Note 30

Other current payables

in CHF 000

	2003	2002
Payable to public authorities	**2 457**	4 482
Advance payments from customers	**1 526**	3 382
Current provisions	**24 426**	1 668
Other current accounts payable	**9 917**	8 996
Total	**38 325**	18 529

Other current payables show a marked increase of CHF 19.8 million, up from CHF 18.5 million to CHF 38.3 million. This is mainly due to the current provisions increasing by CHF 22.8 million as an effect of the restructuring measures implemented (see note 33).

Note 31

Deferred revenues and accrued liabilities

in CHF 000

	2003	2002
Deferred subscription revenues	**88 651**	86 181
Other accrued liabilities	**28 418**	36 977
Total	**117 069**	123 158

Higher levels of subscriptions over several years resulted again in an increase in deferred subscription revenues of CHF 2.5 million. The decrease in other accrued liabilities of CHF 8.6 million relates mainly to lower liabilities for employee profit participation, obligations from holidays and overtime as well as for closed redundancy payment plans.

Provisions for deferred taxes — **Note 32**

in CHF 000	2003	2002
Deferred taxes due to timing differences in the valuation of:		
Land and buildings	**9 875**	10 992
Other property, plant and equipment	**9 474**	15 145
Pension plans	**4 569**	5 907
Provisions and accruals including taxes	**13 475**	13 420
Marketable securities, loans	**1 792**	9 708
Other balance sheet items	**3 463**	2 049
Total	**42 648**	57 221

Provisions — **Note 33**

in CHF 000	Reorganization	Personnel, redundancy payment plans	Renovation + contaminated sites	Risks of law suits, others	Total
Balance at January 1, 2002	**57 928**	**16 642**	**2 655**	**13 839**	**91 064**
Increase	4	0	0	1 881	**1 885**
Reversal	(5 969)	(16 558)	(227)	(3 045)	**(25 799)**
Used during the period	(50 015)	0	0	(9 506)	**(59 521)**
Balance at December 31, 2002	**1 948**	**84**	**2 428**	**3 169**	**7 629**
of which current	407	84	500	677	**1 668**
of which long-term	1 541	0	1 928	2 492	**5 961**
Balance at January 1, 2003	**1 948**	**84**	**2 428**	**3 169**	**7 629**
Increase	0	24 372	510	2 934	**27 816**
Reversal	(667)	(84)	0	(552)	**(1 303)**
Used during the period	0	0	(428)	(313)	**(741)**
Balance at December 31, 2003	**1 281**	**24 372**	**2 510**	**5 238**	**33 401**
of which current	156	22 372	500	1 502	**24 530**
of which long-term	1 125	2 000	2 010	3 736	**8 871**

Current and long-term provisions rose from CHF 7.6 million to CHF 33.3 million. The increase of CHF 25.8 million largely results from provisions for personnel following the reorganization in the Magazine division, in Overhead/Shared Services and the Newspaper division. The provisions made for redundancy plans amount to CHF 24.4 million. The long-term provisions are mostly due within five years.

Note 34

Other long-term liabilities

in CHF 000

	2003	2002
Total	**5**	1 031

Other long-term liabilities have declined by CHF 0.5 million due to the reduction of the fair value of the forward foreign currency contracts on the one hand. On the other hand an amount of CHF 0.5 million was transferred to deferred revenue and accured libailities due to the maturity of certain liabilities within the next twelve months.

Note 35

Share capital

in CHF 000

	2003	2002
10 000 000 registered shares with a nominal value of CHF 10 each, fully paid in	**100 000**	100 000

A shareholders' agreement exists for 76% of the ten million registered shares.

On July 19, 2003 the shareholders approved the payment of a dividend of CHF 1.50 per share for the business year 2002. The Board of Directors will recommend to the General Meeting on May 26, 2004, that no dividend is to be paid for the financial year 2003.

Note 36

Treasury shares

Number of treasury shares (Number)	2003	2002
Balance at January 1	**7 526**	12 777
Purchases	**26**	0
Sales	**(1 528)**	(5 251)
Balance at December 31	**6 024**	7 526

Cost of treasury shares (in CHF 000)	2003	2002
Balance at January 1	**794**	1 398
Purchases	**2**	0
Sales	**(153)**	(604)
Adjustment	**(86)**	0
Balance at December 31	**558**	794

Prices paid/received in CHF	**2003**	2002
Purchases (weighted average)	**86.88**	–
min.	**75.00**	–
max.	**87.36**	–
Sales (weighted average)	**100.00**	115.00
min.	**100.00**	115.00
max.	**100.00**	115.00

During the year, 1528 treasury shares at a total cost of CHF 0.2 million were allocated to employees in connection with the 2002 employee stock option program (see note 50). 26 treasury shares were bought.

Notes to the consolidated cash flow statement

Note 37

Additional information regarding the acquisition and sale of Group companies

in CHF 000

	2003	2002
Acquisitions		
Current assets	**67**	3 116
Non-current assets	**0**	9 069
Total assets	**67**	12 185
Current liabilities	**0**	2 220
Long-term liabilities	**0**	7 297
Net assets	**67**	2 668
Minority interests in net assets	**0**	0
Net assets acquired	**67**	2 668
Share previously held	**0**	0
Goodwill	**0**	23 261
Purchase price	**67**	25 929
Cash and cash equivalents acquired	**0**	(60)
Cash funds used / (provided)	**67**	25 869
Operating revenues	**0**	3 413
Operating expenses	**(2)**	(2 601)
Operating income before depreciation and amortization (EBITDA)	**(2)**	**812**
Sale		
Current assets	(7 875)	0
Non-current assets	**(3 756)**	0
Total assets	**(11 631)**	0
Current liabilities	**(7 365)**	0
Long-term liabilities	**(3 321)**	0
Net assets	**(945)**	0
Sales price	**(1 512)**	0
Cash and cash equivalents sold	**1 838**	0
Cash funds used / (provided)	**326**	0
Operating revenues	**4 020**	0
Operating expenses	**(3 891)**	0
Operating income before depreciation and amortization (EBITDA)	**129**	0

During 2003, a share of 50% in Meier Waser Druck AG was purchased. The price paid reflects the value of the net assets of CHF 0.1 million acquired. This company starts its business activities on January 1, 2004 and therefore made no contribution to the results of the Group.

The sale of the share in BD Bücherdienst resulted in a cash drain of CHF 0.3 million.

Overall, the acquisitions and sales of subsidiaries in 2003 led to a net reduction in cash and cash equivalents of CHF 0.4 million.

Changes in cash and cash equivalents

Note 38

Cash and cash equivalents include cash on hand, postal and bank accounts, time deposits with maturities of up to three months, and checks.

Note 39

Other notes to the consolidated financial statements

Joint-Ventures

in CHF 000

	2003	2002
Current assets	**13 750**	11 792
Non-current assets	**17 122**	1 971
Total assets	**30 872**	13 763
Current liabilities	**7 543**	8 096
Long-term liabilities	**16 510**	114
Total liabilities	**24 053**	8 210
Shareholders' equity	**6 819**	5 553
Total liabilities and shareholders' equity	**30 872**	13 763
Operating revenues	**66 373**	71 934
Operating expenses	**(66 345)**	(71 427)
Operating income before depreciation and amortization (EBITDA)	**28**	507

The amounts shown above exclude TV3.

Note 40

Guarantees and assets pledged for the benefit of third parties

in CHF 000

	2003	2002
Subordinated debt	**13 300**	0
Joint and several guarantees	**650**	0
Total	**13 950**	0

A provision of CHF 0.7 million was made for a possible liability in connection with a guarantee granted. There were no other guarantees or assets pledged for the benefit of third parties. The subordinated debt relates to long-term loans granted to associated companies.

Financial-leases
in CHF 000

Note 41

	2003	2002
Due within 1 year	**5 054**	5 054
Due between 1 and 5 years	**15 663**	19 616
Due beyond 5 years	**0**	1 100
Total	**20 717**	25 770
Less interest component	**(1 557)**	(2 353)
Financial lease obligations	**19 160**	23 417
of which current	**4 942**	4 942
of which long-term	**14 218**	18 475

No new financial leases were concluded during 2003. The two existing agreements expire in 2007 and in 2008. The interest rate price risk associated with these agreements had not been hedged.

Non-cancelable operating leases and rental commitments
in CHF 000

Note 42

	2003	2002
Land, buildings and fixtures	**60 270**	69 447
Machinery and furnishings	**928**	1 467
Total	**61 197**	70 914
Due within 1 year	**5 872**	6 531
Due between 1 and 5 years	**18 594**	19 951
Due beyond 5 years	**36 732**	44 432
Total	**61 197**	70 914

Purchase commitments
in CHF/EUR 000

Note 43

	2003	2002
	in EUR	in EUR
Purchase commitments for paper	**17 058**	39 605
	in CHF	in CHF
Purchase commitments project "Rota 2005"	**33 670**	87 663

One- to three-year contracts to purchase newspaper and magazine paper have been entered into with large suppliers. Valued at prices which prevailed as of the balance sheet date, the resulting purchase commitments amounted to EUR 17.1 million.

In connection with the replacement of the newspaper print machine and the expansion of the printing center, commitments decreased by CHF 54.0 million to CHF 33.7 million for the purchase of property, plant and equipment exist.

Note 44

Derivative financial instruments

in CHF 000

	2003	2002
Forward currency contracts		
Contract volume	**56 364**	117 014
Fair value	**4 911**	(592)
Additional information		
Cash flow hedges recorded directly in shareholders' equity [1]	**2 819**	0
Recorded together with the underlying hedged transaction	**1 596**	0
Recorded directly to net income	**1 940**	0

1 The amount of CHF 2.8 million recorded directly in shareholders' equity is net after deduction of deferred taxes of CHF 0.8 million.

The forward currency contracts, consisting of EUR forward contracts and currency swaps with total contract volumes of CHF 56.4 million (prior year CHF 117.0 million), serve as hedges for commitments to purchase materials and to purchase the new newspaper printing press. They will be recorded to net income together with the underlying hedged transaction. The latest maturity is in 2006.

Depending upon the maturity of such financial instruments, their fair values are included either in current or in non-current financial assets or liabilities. Currently outstanding hedge transactions are treated as "cash flow hedges" for accounting purposes.

Note 45

Encumbrance of assets

in CHF 000

	2003	2002
Mortgages and long-term advances secured by land and buildings	**414**	6 165
Related to land and buildings with a net book value of	**9 250**	128 963
Subscription insurance secured by assets	**843**	1 011
Related to marketable securites with a net book value of	**3 263**	5 781
Assets pledged as collateral or subject to liens	**1 257**	7 176
Related to assets with a total book value of	**12 513**	134 744

Note 46

Insured values of property, plant and equipment

in CHF 000

	2003	2002
Total	**666 018**	671 906

Subsidiaries

Note 47

The following companies are included in the Tamedia Group as of December 31, 2003:

Company name	Domicile	Currency	Share capital (in CHF 000)	Business division	Method of consolidation	Share of capital held 2003	Share of voting rights
Tamedia AG	Zurich	CHF	100 000	N	F	–	–
alaCasa.ch AG	Zurich	CHF	100	E	E	25.0%	25.0%
Anzeiger von Uster AG	Uster	CHF	600	N	C	10.0%	10.0%
Belcom AG (form. Belcom Holding AG)	Zurich	CHF	506	E	F	100.0%	100.0%
Radio 24 AG	Zurich	CHF	100	E	F	100.0%	100.0%
Zürivision AG [2]	Zurich	CHF	60	E	F	66.6%	66.6%
Berner Zeitung AG	Berne	CHF	500	N	E	49.0%	49.0%
Betriebsgesellschaft SonntagsZeitung [1]	Zurich	CHF	–	N	F	85.0%	85.0%
Bevo AG	Berne	CHF	100	S	E	25.0%	25.0%
Condor Communications AG	Zurich	CHF	900	E	F	70.0%	70.0%
Condor Communications GmbH	D-Berlin	EUR	25	E	F	70.0%	70.0%
Express Zeitung AG	Zurich	CHF	100	N	F	100.0%	100.0%
20-Minuten (Schweiz) AG	Zurich	CHF	5 000	N	E	49.5%	49.5%
Facts-Media AG	Zurich	CHF	100	M	F	100.0%	100.0%
Immovista AG	Zurich	CHF	100	E	C	3.3%	3.3%
Medag AG für Medienarbeit (form. LH Holding AG)	Basle	CHF	224	E	F	100.0%	100.0%
Basilisk Medienverlag	Basle	CHF	200	E	F	100.0%	100.0%
Balmedia AG	Basle	CHF	100	E	Q	50.0%	50.0%
MCC Media Clearing	Basle	CHF	100	E	F	100.0%	100.0%
Metro Media AG	Basle	CHF	100	E	E	25.0%	25.0%
Meier Waser Druck AG	Feuerthalen	CHF	500	S	Q	50.0%	50.0%
Partner Winner AG	Zurich	CHF	100	E	F	100.0%	100.0%
Presse Publicité Rep SA	Geneva	CHF	200	S	E	50.0%	50.0%
PrintOnline AG	Schlieren	CHF	1 600	S	E	25.0%	25.0%
Radio Basilisk Betriebs AG	Basle	CHF	250	E	F	100.0%	100.0%
Regor AG	Rorbas	CHF	400	S	F	100.0%	100.0%
Schweizerische Depeschenagentur AG	Berne	CHF	2 000	S	C	5.0%	5.0%
SECM World Media Network, in Liquidation	F-Paris	FRF	50	S	C	53.0%	53.0%
SMD Schweizer Mediendatenbank AG	Zurich	CHF	900	S	E	33.3%	33.3%
Tagblatt der Stadt Zürich AG	Zurich	CHF	200	N	F	60.0%	60.0%
Tages-Anzeiger Verlag AG	Zurich	CHF	100	N	F	100.0%	100.0%
TV3 AG, in Liquidation	Zurich	CHF	100	E	F	100.0%	100.0%
TVtäglich [1]	Zurich	CHF	–	M	Q	50.0%	50.0%
Verlag Finanz und Wirtschaft AG	Zurich	CHF	1 000	N	F	100.0%	100.0%
Verlags-AG SonntagsZeitung	Zurich	CHF	1 000	N	F	85.0%	85.0%
Waser Druck AG	Buchs ZH	CHF	2 500	S	F	100.0%	100.0%
Winner AG	Zurich	CHF	100	E	F	100.0%	100.0%

Editorial changes subject to alteration

Company name	Domicile	Currency	Share capital (in CHF 000)	Business division	Method of consolidation	Share of capital held 2003	Share of voting rights
ZUVO Zustell- und Vertriebsorganisation AG	Zurich	CHF	1 500	S	Q	50.0%	50.0%
AZ Vertriebs AG	Aarau	CHF	100	S	E	12.5%	12.5%
PVG Pressevertriebs GmbH	Lucerne	CHF	102	S	E	25.0%	25.0%
Südostschweiz Pressevertrieb AG	Chur	CHF	100	S	E	17.5%	17.5%

1 simple company
2 Tamedia AG and Belcom AG each hold 33,3 % interest

Business segment:
N= Newspapers
M= Magazines
E = Electronic Media
S = Services

Method of consolidation:
F = Full consolidation
Q= Quota consolidation
E = Equity Method
C= Cost or market value

In connection with the simplification of the structures of Belcom Group TeleZüri AG was merged retroactively January 1, 2003 with Tamedia AG. Belcom AG as well as Takeoff-Communications AG were merged with Belcom Holding AG. Afterwards Belcom Holding AG was renamed Belcom AG. With the same intention Medag AG für Medienarbeit was merged retroactively January 1, 2003 with LH Holding AG and afterwards renamed Medag AG für Medienarbeit. Also retroactively as of January 1, 2003 DMT Marketing Support AG was merged with Tamedia AG. A share capital increase of Immovista AG was taken as an occasion to reduce the share held from 5% to 3.3%.

On September 25, the share of 72% held in BD Bücherdienst AG was sold to Stuttgarter Verlagskontor SVK GmbH and Diogenes Verlag AG.

On October 9, Express Zeitung AG acquired 49.5% of 20 Minuten (Schweiz) AG. The remaining 50.5% will be acquired by end of 2006. The contingent future liability will be determined on the basis of factors related to the future success. The 50% investment in Meier Waser Druck AG was acquired on October 29. In this company the sheet printing activities of Waser Druck AG and Meier + Cie. AG are combined.

Related party transactions

Note 48

Transactions between the Group and associated companies mainly took place in the areas of publishing revenues and distribution expense.

in CHF 000	**2003**	2002
Operating revenues	**6 164**	7 050
Operating expenses	**(11 381)**	(11 912)

The trade receivables from and trade liabilities to associated companies are disclosed in the notes 18 and 29.

With the exception of the transactions described in notes 49 and 50, there were no other transactions with related parties.

Remuneration of directors and executives

Note 49

in CHF 000	**2003**	2002
Board of directors		
Fees, participation in earnings and supplementary bonus	**2 095**	1 905
Social security and retirement benefits	**57**	43
Lump-sum expense reimbursments	**108**	103
Total	**2 260**	2 051
Management		
Basic Salary, participation in earnings and supplementary bonus	**2 416**	3 882
Social security and retirement benefits	**200**	177
Lump-sum expense reimbursments	**96**	220
Provisions	**(34)**	482
Total	**2 678**	4 761

During 2003, remuneration of the seven members of the Board of Directors included total fees of CHF 2.3 million (2002: CHF 2.1 million) and remuneration of the members of Tamedia AG's Executive Board included aggregate amounts of CHF 2.7 million (2002: CHF 4.8 million).

Note 50

Employee stock ownership plan

An employee stock ownership plan was introduced in connection with the IPO for practically all employees of Tamedia, whereby the following four blocks of shares were defined. The first block A involved a pure investment in shares on which a 20% discount against the issue price was granted. In the remaining blocks B, C and D, employees were entitled to purchase registered shares at the applicable issue price and options to purchase registered shares subject to various terms and restrictions. One option entitles to the acquisition of one registered share of Tamedia AG. The costs resulting from these programs were recorded at the time such shares were issued.

Shares and options granted to employees are subject to the following restrictions regarding their sale or exercise:

Number	**2003**	2002
Shares:		
blocked until 4/14/2003	**0**	1 084
blocked until 9/30/2003	**0**	48 536
blocked until 5/4/2004	**1 528**	0
blocked until 9/30/2004	**6 731**	6 921
blocked until 9/30/2005	**2 443**	2 748
Total	**10 702**	**59 289**
Staff employees	**1 268**	16 957
Management	**5 285**	10 426
Top Management	**4 392**	4 523
Senior Management	**0**	27 383
Total	**10 945**	59 289

Number	**2003**	2002
Options:		
exercisable from 10/1/2002 to 9/30/2005, striking price CHF 260	**4 875**	5 695
exercisable from 10/1/2002 to 9/30/2005, striking price CHF 312	**2 347**	2 423
exercisable on 9/30/2003, striking price CHF 338 [1]	**0**	32 195
exercisable from 10/1/2003 to 9/30/2004, striking price CHF 260	**4 875**	5 695
exercisable from 10/1/2003 to 9/30/2005, striking price CHF 312	**2 347**	2 423
exercisable from 10/1/2004 to 9/30/2005, striking price CHF 312	**2 347**	2 423
exercisable on 9/30/2005, striking price CHF 312	**2 347**	2 423
Total	**19 138**	53 277
Staff employees	**0**	0
Management	**7 942**	8 936
Top Management	**11 196**	12 146
Senior Management	**0**	32 195
Total	**19 138**	53 277

1 In 2003 32 195 options expired.

The number of participants in the stock ownership plan introduced in connection with the IPO was 390 at the end of the year (prior year: 570). The management program includes 113 participants (prior year: 137), the top management program 28 individuals (prior year: 36), and the senior management program 2 participants (prior year: 4).

For the year 2002, 160 employees drew their bonus in the form of shares (corresponding to 1 528). The company's commitments under the terms of this plan were met by using treasury shares.

A profit sharing plan for all employees was in effect through the end of 2003, under which the employees were entitled to a bonus equal in total to 5% of operating income (EBIT). As a result of the negative EBIT in the business year 2003 the profit sharing plan is not applicable.

A new profit sharing plan for all employees starting in 2004 was approved by the Board of Directors. Under this plan the employees are entitled to a bonus if the operating income (EBIT) achieves a margin of at least 5% (EBIT to operating revenues). 5% of the EBIT above this minimal margin will be distributed as a bonus to the employees of the Group. In addition, the terms of a stock participation program enable employees to draw this bonus at their choice either in cash or in shares of Tamedia AG. The amount of shares thus issued to employees is determined based on the average closing stock market prices during the 10 days immediately preceding the purchase of such shares. Under the terms of this plan, the Board of Directors is authorized to increase the number of shares thus determined at the company's cost. The increase is at least 10% and is established separately every year. The shares are blocked for a period of one year.

Subsequent events **Note 51**

No significant events occurred after the balance sheet date.

Report of the Group auditors

To the general meeting of Tamedia AG, Zurich

As auditors of the group, we have audited the consolidated financial statements (income statement, balance sheet, statement of cash flows, statement of changes in shareholders' equity and notes, pages 52–102) of Tamedia for the year ended December 31, 2003.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, March 19, 2004

Ernst & Young Ltd

Yves Vontobel
Certified Accountant

Felix Ort
Certified Accountant
(in charge of the audit)

Tamedia AG

Income statement
in CHF 000

	Note	2003	2002
Publishing revenues		**412 634**	460 564
Printing revenues		**32 802**	44 388
Gain on sales of operating assets		**1 408**	11
Reversal of provisions not used		**12 407**	0
Miscellaneous operating revenues		**27 958**	31 638
Other operating revenues		**41 773**	31 649
Changes in inventories		**1 810**	655
Operating revenues		**489 020**	537 256
Costs of material and services	1	**(101 964)**	(121 011)
Personnel expenses		**(204 746)**	(191 783)
Other operating expenses		**(134 442)**	(146 675)
Operating income before depreciation and amortization		**47 868**	77 787
Depreciation and amortization		**(24 235)**	(22 700)
Operating income		**23 632**	55 087
Gain of sales of subsidiaries		**438**	7 947
Miscellaneous financial income		**17 584**	20 456
Financial income		**18 022**	28 403
Financial expense		**(3 734)**	(24 254)
Financial income, net		**14 288**	4 148
Income before taxes		**37 921**	59 235
Taxes		**1 170**	(9 615)
Net income		**39 090**	49 620

The accompanying notes form an integral part of these financial statements.

Balance Sheet

Assets in CHF 000, as of December 31	Note	**2003**	2002
Cash and cash equivalents		**30 848**	42 858
Marketable securities		**663**	3 582
Trade accounts receivable			
from third parties, net of allowance for bad debts		**64 665**	76 853
from related parties and shareholders		**978**	1 787
from Group companies		**2 175**	11 275
Trade accounts receivable		**67 818**	89 914
Other accounts receivable			
from third parties		**17 070**	16 322
from related parties and shareholders		**0**	0
from Group companies		**5 353**	13 600
Other accounts receivable		**22 423**	29 923
Accrued income and prepaid expenses		**6 430**	2 205
Inventories		**2 042**	4 152
Current assets		**130 224**	172 634
Property, plant and equipment	2	**153 339**	102 035
Long-term investments			
Investments in subsidiaries, net of allowance		**170 658**	190 850
Other long-term investments			
with third parties		**5 076**	5 204
with related parties and shareholders		**200**	436
with Group companies		**38 065**	11 604
Long-term investments		**213 998**	208 094
Intangible assets		**8 700**	9 304
Non-current assets		**376 037**	319 434
Total assets		**506 262**	492 068

The accompanying notes form an integral part of these financial statements.

Liabilities and shareholders' equity in CHF 000, as of December 31	Note	**2003**	2002
Current debt		**4 942**	5 212
Trade accounts payable			
to third parties		**34 118**	24 224
to related parties and shareholders		**47**	1 150
to Group companies		**4 120**	4 482
Trade accounts payable		**38 285**	29 856
Other accounts payable			
to third parties		**31 829**	30 066
to related parties and shareholders		**0**	0
to Group companies		**9 710**	6 709
Other accounts payable		**41 539**	36 775
Deferred revenues and accrued liabilities		**105 432**	118 527
Current liabilities		**190 197**	190 370
Long-term debt			
to third parties		**14 218**	18 475
to related parties and shareholders		**0**	0
to Group companies	3	**2 764**	0
Long-term debt		**16 982**	18 475
Other long-term liabilities		**0**	1 026
Provisions		**8 387**	15 926
Long-term liabilities		**25 369**	35 428
Total liabilities		**215 567**	225 798
Share capital		**100 000**	100 000
Reserves			
General legal reserve	4	**50 000**	50 000
Reserve for treasury shares		**558**	794
Free reserves	5	**101 047**	65 856
Retained earnings			
Balance brought forward		**0**	0
Net income		**39 090**	49 620
Reserves		**190 695**	166 270
Shareholders' equity		**290 695**	266 270
Total liabilities and shareholders' equity		**506 262**	492 068

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

Basis

The financial statements of Tamedia AG (parent company's financial statements) have been prepared in accordance with Swiss corporate law. They are a supplement to the consolidated financial statements prepared according to International Financial Reporting Standards (IFRS) contained on pages 52 to 102. The retained earnings reported in the parent company's financial statements provide the basis for the decision regarding the distribution of earnings to be made during the General Meeting.

While the consolidated financial statements reflect the economic situation of the Group as a whole, the information contained in the Tamedia AG financial statements (pages 104 to 112) relates to the ultimate parent company alone. Furthermore, due to the use of different accounting principles (consolidated financial statements in accordance with IFRS and the parent company's financial statements according to Swiss legal requirements) the comparison of these two sets of financial statements is possible only on a very limited basis.

The most important products and services of the Tamedia-Group are listed below:

	Activity of	
	Tamedia AG	**Subsidiary**
Newspapers:		
– Anzeiger von Uster		•
– Berner Zeitung		•
– Finanz und Wirtschaft		•
– SonntagsZeitung	•	
– Tagblatt der Stadt Zürich		•
– Tages-Anzeiger	•	
– 20 Minuten		•
Magazines:		
– annabelle	•	
– du	•	
– Facts	•	
– Schweizer Familie	•	
– Spick	•	
– TVtäglich		•
Electronic Media:		
– Belcom		•
– Condor Communications		•
– Medag		•
– Radio 24		•
– Radio Basilisk		•

	Activity of Tamedia AG	Subsidiary
– Tamedia Online	•	
– TeleZüri	•	
– Winner		•
Services:		
– Meier Waser Druck		•
– Print Online		•
– Regor		•
– Schweizerische Mediendatenbank		•
– Tamedia Druckzentrum	•	
– Waser Druck		•
– Werd Verlag	•	
– ZUVO		•

As the most important products and services are rooted in the parent company, the activities of Tamedia AG are largely identical to those of the Group. Therefore, no detailed information regarding Tamedia AG is presented, and reference is made to information contained in the consolidated financial statements.

Note to the income statement

Costs of material and services

Note 1

in CHF 000

	2003	2002
Costs of material	**54 032**	71 581
Costs of services	**47 932**	49 431
Total	**101 964**	121 011

Notes to the balance sheet

Property, plant and equipment

Note 2

in CHF 000

	2003	2002
Land and buildings	**57 321**	58 597
Other property, plant and equipment	**96 018**	43 439
Total	**153 339**	102 035

Note 3

Long-term debt

in CHF 000

	2003	2002
Long-term loans payable to Group companies	**2 764**	0
Long-term Leasing obligations	**14 218**	18 475
Total	**16 982**	18 475

Note 4

Changes in general legal reserve

in CHF 000

	2003	2002
Balance at January 1	**50 000**	50 000
Allocation to general legal reserve	**0**	0
Balance at December 31	**50 000**	50 000

Note 5

Changes in free reserves

in CHF 000

	2003	2002
Balance at January 1	**65 856**	**83 449**
Allocation to free reserve	**34 955**	(18 197)
Transfer to reserve for treasury shares	**236**	604
Balance at December 31	**101 047**	65 856

Other notes

Note 6

Guarantees and assets pledged for the benefit of third parties

in CHF 000

	2003	2002
Joint and several guarantees	**650**	none
Guarantees	**none**	none
Guarantees for the benefit of Group companies	**13 900**	43 450
Deposit guarantees	**none**	none
Subordinated debt for Group companies	**5 790**	114 966
Total	**20 340**	158 416
of which provided for	**8 390**	142 068

Off balance sheet transactions

Note 7

in CHF 000

	2003	2002
Forward contracts	**56 364**	117 014
Deviation from market value	**4 911**	(592)
Purchase commitments	**60 255**	127 268

Encumbrance of assets

Note 8

in CHF 000

	2003	2002
Land and buildings, at net book value	**57 321**	58 597
Liens (mortgage notes), total nominal value	**87 350**	87 350
of which owned (freely available)	**(87 350)**	(67 350)
Pledged as collateral	**0**	20 000
Credit drawn, i.e. security granted for fixed advance	**0**	0
Marketable securities pledged as collateral for subscriptions	**843**	1 011

Lease obligations

Note 9

in CHF 000

	2003	2002
Lease obligations (future commitments)	**19 732**	23 712
of which current	**5 269**	5 141
of which non-current	**14 463**	18 571

Insured values of property, plant and equipment (incl. replacement values)

Note 10

in CHF 000

	2003	2002
Buildings	**164 772**	164 772
Machinery and furnishings (incl. inventories)	**448 500**	446 300

Payables to pension funds

Note 11

in CHF 000

	2003	2002
Current liabilities		
Current account with Tamedia pension fund	**0**	0
Current account with other pension funds	**312**	257

Note 12

Change in hidden reserves

in CHF 000	**2003**	2002
Decrease in hidden reserves	**(55 045)**	(19 821)

Note 13

Investments

See note 47 of the consolidated financial statements.

Note 14

Subsequent events

See note 51 of the consolidated financial statements.

Proposal of the Board of Directors

The Board of Directors will recommend at the General Meeting on Mai 26, 2004, that the retained earnings for the financial year 2003, consisting of:

in CHF 000	**2003**	2002
Net income	**39 090**	49 620
Balance brought forward	**0**	0
Retained earnings	**39 090**	49 620

be allocated as follows:

Payment of dividend [1]	**0**	15 000
Allocation to free reserve	**39 090**	34 620
Balance to be carried forward	**0**	0

1 Dividends accruing to shares which are held by Tamedia AG as of the date of dividend payment (treasury shares) will be credited to the free reserves.

Zurich, March 18, 2004

For the Board of Directors
The Chairman
Hans Heinrich Coninx

Report of the statutory auditors

To the general meeting of Tamedia AG, Zurich

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes, pages 104 to 112) of Tamedia AG for the year ended December 31, 2003.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Zurich, March 19, 2004

Ernst & Young Ltd

Yves Vontobel Certified Accountant	Felix Ort Certified Accountant (in charge of the audit)