tamedia:

# Financial Report 2004
(Excerpt from the Annual Report 2004)

Content for People

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## Financial reporting

### Accounting policies

In the Electronic Media division, the previous-year results were restated and both sales and operating expenses increased by CHF 5.1 million. The restatement was necessary to account for barter transactions (media partnerships) that had not been included to this extent in the 2003 results.

### Operating revenues

Tamedia achieved sales (operating revenues) of CHF 566.6 million in 2004. The year-on-year decline of CHF 7.4 million or 1 percent can fully be attributed to the divestiture of smaller business activities. Sales held steady in Tamedia's core activity. In Tamedia's most important division, Newspapers, operating revenues were largely unchanged, rising by CHF 0.5 million from CHF 343.4 million to CHF 343.9 million. The Electronic Media division reported a strong absolute improvement in operating revenues. They rose by CHF 12.8 million from CHF 51.1 million in the previous financial year to CHF 63.9 million. All activities contributed to this pleasing development. Operating revenues were lower, however, in the Magazines and Services divisions. In the Magazines division, the CHF 7.6 million decline from CHF 97.9 million to CHF 90.3 million was largely the result of the divestiture of cultural magazine "du" and the discontinuation of "annabelle wohnen" and "annabelle business". In Services, operating revenues declined by CHF 13.2 million from CHF 81.6 million to CHF 68.4 million.

The recovery of the Swiss economy in the first three quarters of 2004 was above all the result of brisk exports. The domestic economy, however, has yet to show a sustainable improvement. The unemployment rate also remained high in the year under review. The canton of Zurich continued to suffer from an unemployment rate that was well above the national average. According to Mediafocus, advertising volumes edged up by 1 percent in 2004 compared with 2003. In 2005, Tamedia still does not expect to see a turnaround in the advertising business. The booking behavior of advertising clients has remained guarded and oriented to the short term. No tangible overall recovery can be expected in the area of job classifieds, either.

### Operating income before depreciation and amortization (EBITDA)

Operating income before depreciation and amortization (EBITDA) improved considerably by CHF 75.3 million or 272 percent from CHF 27.7 million to CHF 103.3 million. Accordingly, the EBITDA margin rose strongly from 5 to 18 percent. For the first time, all divisions were profitable on an EBITDA level. The Magazines division improved its EBITDA from CHF −9.3 million to CHF 8.7 million and the margin to 10 percent (2003: -9 percent). Thanks to the positive trend in revenues, Electronic Media reported a pleasing rise in EBITDA from CHF −7.5 million to CHF 2.1 million, which translates into a margin of 3 percent. In the Newspapers division, the EBITDA margin jumped from 4 to 16 percent. In Services, it rose from 14 to a sound 19 percent.

Operating income (EBIT) rose from CHF -40.7 million in 2003 to CHF 63.1 million, an increase of CHF 103.7 million. One-off gains and lower expenditure amounted to CHF 7.9 million (2003: one-off expenditure of CHF 57.2 million).

#### Net income (loss)

Net income amounted to CHF 49.8 million, up from a loss of CHF −17.7 million in the previous financial year. Financial revenues accounted for CHF 4.2 million of this result.

#### Balance sheet

Liquid assets, including short-term financial investments, showed a marked increase from CHF 67.7 million to CHF 140.3 million. This increase was the result of a positive contribution of CHF 99.2 million from operating activities. Money outflows amounted to CHF 17.7 million from investment activity and CHF 6.2 million from financing activity. At the end of the year under review, liquid assets including short-term financial investments exceeded financial liabilities by CHF 123.7 million (2003: 43.7 million). Total assets rose by CHF 12.9 million.

The equity ratio amounted to 61% in the financial year 2004 compared with 54% in the previous year.

Remark to the financial report:
Amounts shown in the following exhibits have been rounded.

## Four-year comparison

| | | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|
| Operating revenues | CHF mill. | **566.6** | 574.0 | 640.3 | 756.1 |
| Growth | % | **(1.3)** | (10.4) | (15.3) | (7.6) |
| Operating income before depreciation and amortization (EBITDA) | CHF mill. | **103.0** | 27.7 | 71.7 | 145.7 |
| Growth | % | **272.4** | (61.4) | (50.8) | (27.6) |
| Margin [1] | % | **18.2** | 4.9 | 11.2 | 19.3 |
| Net income (loss) from continuing operations | CHF mill. | **49.8** | (18.9) | 20.2 | 43.3 |
| Growth | % | **n.a.** | n.a. | (53.5) | (69.1) |
| Margin [1] | % | **8.8** | (3.3) | 3.2 | 5.7 |
| Personnel/employees (average) | Number | **1 656** | 1 919 | 2 004 | 1 982 |
| Revenues per employee [2] | CHF 000 | **342.2** | 296.5 | 319.6 | 381.5 |
| Current assets | CHF mill. | **237.4** | 186.9 | 240.0 | 287.4 |
| Non-current assets | CHF mill. | **370.2** | 407.8 | 401.3 | 460.6 |
| Balance sheet total | CHF mill. | **607.6** | 594.7 | 641.3 | 748.0 |
| Total liabilities | CHF mill. | **239.9** | 275.9 | 290.7 | 421.6 |
| Shareholders' equity | CHF mill. | **367.7** | 318.7 | 350.6 | 326.4 |
| Cash flow from operations | CHF mill. | **99.3** | 51.9 | 72.1 | 119.3 |
| Cash flow for investment activities | CHF mill. | **(17.7)** | (65.4) | (37.2) | (142.3) |
| Cash flow after investment activities | CHF mill. | **81.6** | (13.5) | 34.9 | (23.0) |
| Cash flow (for)/from financing activieties | CHF mill. | **(6.2)** | (21.0) | (45.2) | 57.8 |
| Change in cash and cash equivalents | CHF mill. | **75.4** | (34.5) | (10.3) | 34.8 |
| Return on equity [3] | % | **14.0** | (6.3) | 5.5 | 12.2 |
| Equity ratio [4] | % | **60.5** | 53.6 | 54.7 | 43.6 |
| Internal financing ratio for investment activities [5] | % | **560.5** | 79.3 | 193.9 | 83.8 |
| Quick ratio [6] | % | **128.1** | 89.4 | 112.0 | 86.4 |
| Debt factor [7] | | **0.1** | 1.8 | 0.8 | 1.2 |

1 As a percentage of operating revenues
2 Without newspaper deliverers ZUVO
3 Income before minority interests to shareholders' equity at year-end
4 Shareholders' equity to total liabilities
5 Cash flow from investment activities to cash flow from operations
6 Current assets excluding inventories to current liabilities
7 Net debt (liabilities less current asstes excluding inventories) to cash flow from operations

**Exhibit 1**

**Development in stock market prices from October 2, 2000 to March 28, 2005**
in %


**Stock market prices**
in CHF

| | **2004** | 2003 | 2002 | 2001 |
|---|---|---|---|---|
| High | **134.25** | 111.00 | 128.00 | 193.00 |
| Low | **95.10** | 50.10 | 60.00 | 70.60 |
| Year-end | **106.00** | 110.00 | 74.00 | 101.00 |

### 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 35 and 49. A shareholders' agreement exists for 67% of all shares. Currently, the shareholders who are participants in the shareholders' agreement own 76% of the company's shares.

### 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 25, 2005 |
| Semi-annual reporting | August 26, 2005 |

## Key figures per share
in CHF

| | | **2004** | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|
| Net income (loss) per share (undiluted) | | **4.98** | (1.77) | 3.56 | (1.18) |
| Net income (loss) per share (diluted) | | **4.98** | (1.77) | 3.56 | (1.18) |
| EBIT per share | | **6.31** | (4.07) | 1.76 | 7.92 |
| EBITDA per share | | **10.30** | 2.77 | 7.17 | 14.57 |
| Free cash flow per share | | **8.16** | (1.35) | 3.49 | (2.30) |
| Shareholders' equity per share | | **36.77** | 31.87 | 35.06 | 32.64 |
| Dividends per share | | **1.50** [1] | 0.00 | 1.50 | 1.50 |
| Dividend pay-out rate [2] | % | **30.1** | 0.0 | 74.4 | 34.6 |
| Dividend rate of return [3] | % | **1.4** | 0.0 | 2.0 | 1.5 |
| Price earnings ratio [3] | x | **21.3** | (62.0) | 20.8 | (85.4) |
| Price to EBIT ratio [3] | x | **16.8** | (27.1) | 42.1 | 12.8 |
| Price to EBITDA ratio [3] | x | **10.3** | 39.8 | 10.3 | 6.9 |
| Price to sales ratio [3] | x | **1.9** | 1.9 | 1.2 | 1.3 |
| Price to free cash flow ratio [3] | x | **13.0** | (81.3) | 21.2 | (43.9) |
| Price to equity ratio [3] | x | **2.9** | 3.5 | 2.1 | 3.1 |

1 Proposal of the Board of Directors
2 Based on net income from continuing operations
3 Based on year-end market price

# Corporate Governance

## Group structure and shareholders

### Group structure

The Group's operational structure is shown in the diagram on page 9 of the annual report.

The following Group company is listed at the stock exchange:

| | |
|---|---|
| Name | Tamedia AG, Zurich |
| Location of registration | SWX Swiss Exchange, Switzerland, registered since October 2, 2000 |
| Market capitalization | see "Capital structure" section |
| Treasury shares (at December 31, 2004) | 6 024 |
| Trading number | 1 117 825 |
| Symbol: | |
| • Bloomberg | TAMN SW |
| • Reuters | TMDZ.x |
| • Telekurs | TAMN |

Group companies which are not listed are described in note 46 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] | 2004 | 2003 | 2002 |
|---|---|---|---|
| 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, Bern | **14.39** | 14.39 | 14.39 |
| Rena Maya Coninx Supino, Zurich | **13.72** | 13.72 | 13.72 |
| Ellermann Lawena Stiftung, FL-Vaduz | **7.36** | – | – |
| Lawena GmbH, D-Hamburg [2] | – | 7.36 | 7.36 |
| Ellermann Rappenstein Stiftung, FL-Vaduz | **6.21** | – | – |
| Rappenstein GmbH, D-Munich [3] | – | 6.21 | 6.21 |
| Ellermann Pyrit GmbH, D-Stuttgart | **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 | **5.53** | 6.74 | 6.74 |

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 the Rappenstein GmbH is held by the Ellermann Rappenstein Foundation, FL-Vaduz.

Publication is conducted 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 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 eight-year period, with a possibility to extend the contract for an additional two years.
- Among other items, the pool agreement serves the purpose of coordinating the voting rights of pool members regarding their representation on 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 their 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 choose.

- 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 Exchange and Securities Trading Act. Any future exchange of shares between the current pool members will not result in an obligation to notify or be published as a change. If, however, the entire pool sells shares, and as such the percentage of pooled shares falls 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**<br>in CHF million | **2004** | 2003 | 2002 |
|---|---|---|---|
| Ordinary share capital | **100.0** | 100.0 | 100.0 |
| Ordinary increase in share capital | **0** | 0 | 0 |
| Conditional share capital | **0** | 0 | 0 |
| Conditional increase in share capital | **0** | 0 | 0 |
| Participation certificates | **0** | 0 | 0 |
| Dividend rights certificates | **0** | 0 | 0 |
| Convertible bonds | **0** | 0 | 0 |

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**<br>Number | **2004** | 2003 | 2002 |
|---|---|---|---|
| Nominal value per share | **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 entiteld to dividends | **10 000 000** | 10 000 000 | 10 000 000 |
| Total number of voting rights | **9 993 976** | 9 993 976 | 9 992 474 |
| Number outstanding (weighted average) | **9 993 976** | 9 993 458 | 9 990 724 |
| Number of treasury shares | **6 024** | 6 024 | 7 526 |

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**<br>in CHF millions | **2004** | 2003 | 2002 |
|---|---|---|---|
| High | **1 343** | 1 110 | 1 280 |
| Low | **951** | 501 | 600 |
| Year end | **1 060** | 1 100 | 740 |

**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 Board of Directors 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 49 to the consolidated financial statements. No other options currently exist.

## 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 consists 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. Apart of that, the Board of Directors is responsible for its own organization.

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

**Definition of areas of responsibility**

| 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 |
| Konstantin Richter | Member | 2004 | 2005 | | |

C: Chairman
M: Member

**Authority and responsabilities**

The Board of Directors is responsible for the Group strategy. It examines the underlying plans and goals defined for the company and identifies 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 consist 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 its regular meetings and 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 eight full-day meetings and one three-day retreat together with management.

### Committees

In addition to the 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 no more than one, excluding the Chairman, may be a member of the Executive Committee. Meetings are conducted regularly, at a minimum of four times annually, as a rule with the participation of the company's management and independent auditors. In 2004 the Audit Committee held four meetings, each of which lasted 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 existed between Tamedia and other companies or natural persons for the transfer of management tasks.

## 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, expenses are reimbursed.

Compensation of management is comprised of a fixed and a variable component (success participation), 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 supplementary bonus is granted which depends upon the Tamedia Group's pre-tax earnings.

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 48 and 49 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 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** | **8** | **0** | **5** | **0** | **13** |
| Salaries/Fees | 1 873 | 0 | 1 777 | 0 | **3 650** |
| Success participation and supplementary Bonus | 0 | 0 | 291 | 0 | **291** |
| Employer's contributions to pension funds | 84 | 0 | 243 | 0 | **327** |
| Expense reimbursements | 104 | 0 | 72 | 0 | **176** |
| Options [3, 4] | 0 | 0 | 0 | 0 | **0** |
| Shares [3] | 0 | 0 | 0 | 0 | **0** |
| Benefits in kind [3, 5] | 0 | 0 | 0 | 0 | **0** |
| Termination benefits [3] | 0 | 0 | 0 | 0 | **0** |
| **Total** | **2 062** | **0** | **2 383** | **0** | **4 444** |

1 Comprised currently only of non-executive members
2 Theobald, Alexander until March 2004
3 Valued at market value
4 One option entitles to the purchase of one registered share of Tamedia AG
5 Including Fringe Benefits

### 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 | Board of Directors active[1] | Board of Directors former | Management active[1] | Management former | Total |
|---|---|---|---|---|---|
| Total | 8 | – | 5 | – | **13** |
| Shares allotted | – | – | – | – | – |
| Shares owned | 1 322 084 | – | 5 815 | – | **1 327 899** |
| | | | | | |
| Options granted | – | – | – | – | – |
| Exercisable until | – | – | – | – | – |
| Exercise price (in CHF) | – | – | – | – | – |
| | | | | | |
| Options owned | – | – | – | – | – |
| Allotted 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.

| **Total compensation** | **Number** | **CHF 000** |
|---|---|---|
| Fees | – | 750 |
| Employer's contributions to pension funds | – | 84 |
| Expense reimbursements | – | 32 |
| Shares allotted | – | 0 |
| Options allotted | – | 0 |
| **Total** | – | **866** |

## 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 together representing 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 calling of the General Meeting is made 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, see 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 entitled to vote during the General Meeting. For organizational reasons, registration is discontinued during the 20 days prior to the shareholders' 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 the assignment of auditor 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 0.5 million (2003: CHF 0.7 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 (2003: CHF 0.1 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 page 60 to 67 to the consolidated financial statements).

Tamedia AG's articles of incorporation can be obtained on 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 on www.tamedia.ch. The Swiss Commercial Gazette is the company's instrument for official publications.

The contact person for specific questions regarding Tamedia is:

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Telephone: +41 44 248 41 00
Telefax: +41 44 248 50 26
E-mail: franziska.huegli@tamedia.ch

## Tamedia-Group

### Consolidated income statement
in CHF 000

| | Note | 2004 | 2003 [1] |
|---|---|---|---|
| Publishing revenues | 4 | **482 302** | 478 797 |
| Printing revenues | 5 | **26 702** | 29 498 |
| Other operating revenues | 6 | **57 577** | 65 665 |
| **Operating revenues** | | **566 580** | 573 959 |
| Costs of material and services | 7 | **(118 095)** | (130 302) |
| Personnel expenses | 8 | **(203 345)** | (268 796) |
| Other operating expenses | 9 | **(142 101)** | (147 191) |
| **Operating income before depreciation and amortization (EBITDA)** | | **103 039** | 27 671 |
| Depreciation and amortization | 10 | **(39 947)** | (68 323) |
| **Operating income (loss) (EBIT)** | | **63 092** | (40 652) |
| Share in earnings of associated companies | 11 | **3 583** | 4 435 |
| Other financial income (expense), net | 12 | **609** | 3 947 |
| **Income (loss) before taxes** | | **67 284** | (32 270) |
| Income taxes | 13, 14 | **(16 049)** | 12 355 |
| **Income (loss) before minority interests** | | **51 235** | (19 915) |
| Minority interests in net income | 15 | **(1 452)** | 1 016 |
| **Net Income (loss) from continuing operations** | | **49 783** | (18 899) |
| Discontinuing operations | 16 | **0** | 1 176 |
| **Net income (loss)** | | **49 783** | (17 723) |

1 In the Electronic Media division the prior-year information of revenues and expenses was restated by CHF 5.1 million. The adjustments had to be made due to barter transactions (media partnerships) that were not recorded to this extent in the 2003 results.

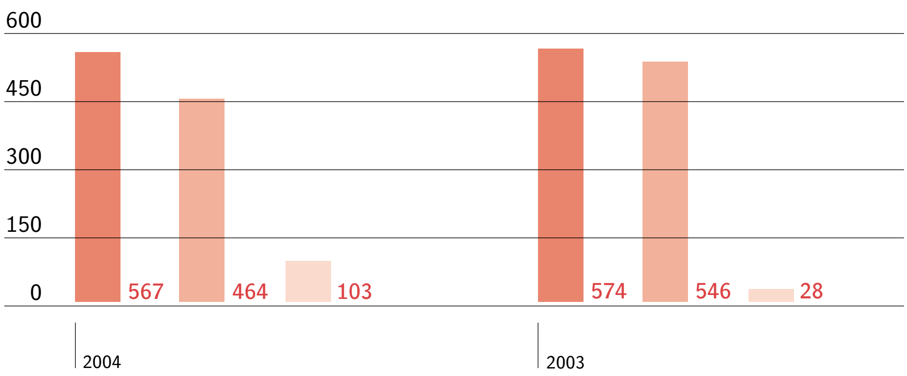
| Earnings per share | in CHF | | |
|---|---|---|---|
| Net income (loss) per share (undiluted) | 17 | **4.98** | (1.77) |
| Net income (loss) per share (diluted) | 17 | **4.98** | (1.77) |

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

**Exhibit 2**

## Operating income before depreciation (EBITDA)

in CHF million



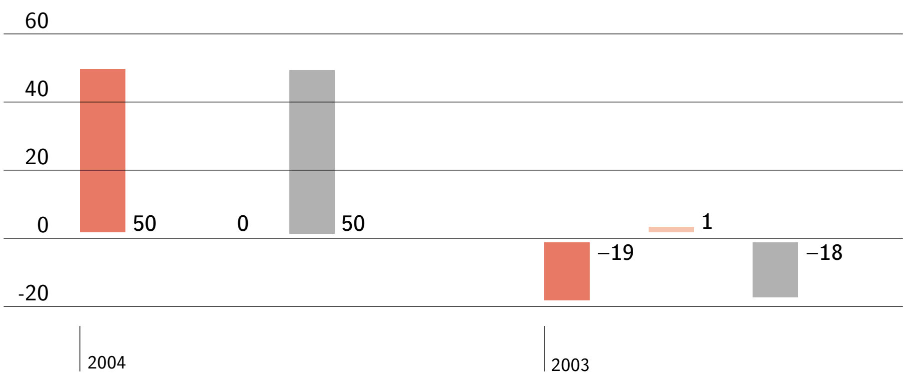

Operating revenues
Operating expenses
Operating income before depreciation and amortization (EBITDA)

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

**Exhibit 3**

## Net income (loss)

in CHF million




Net income from continuing operations
Discontinuing operations
Net income (loss)

## Consolidated balance sheet

in CHF 000, as of December 31

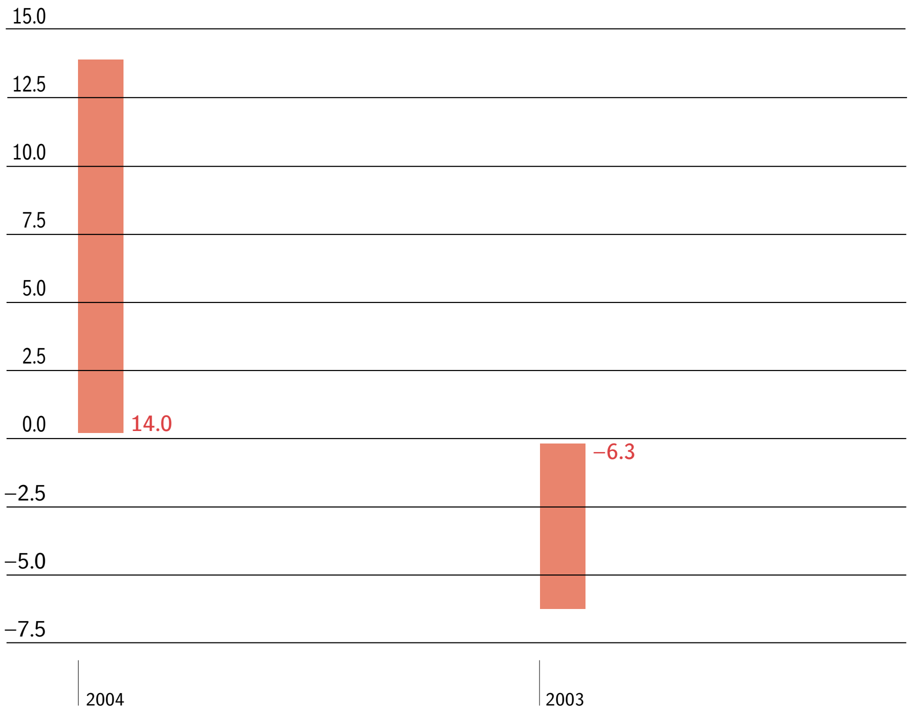
| | Note | 2004 | 2003 |
|---|---|---|---|
| Cash and cash equivalents | | **140 303** | 64 924 |
| Current financial assets | | **1 926** | 2 792 |
| Trade accounts receivable | 18 | **79 800** | 87 148 |
| Current financial receivables | | **719** | 859 |
| Current taxes receivable | | **1 565** | 13 222 |
| Other accounts receivable | | **3 461** | 6 671 |
| Accrued income and prepaid expenses | | **6 063** | 7 876 |
| Inventories | 19 | **3 563** | 3 375 |
| **Current assets** | | **237 400** | 186 867 |
| Property, plant and equipment | 20, 21 | **251 300** | 266 590 |
| Investments in associated companies | 22 | **6 258** | 5 825 |
| Other financial assets | 23, 24 | **35 589** | 44 940 |
| Deferred tax assets | 25 | **7 069** | 8 233 |
| Intangible assets | 27 | **69 971** | 82 200 |
| **Non-current assets** | | **370 187** | 407 788 |
| **Total assets** | | **607 587** | 594 655 |
| | | | |
| Current debt | 28 | **4 634** | 4 960 |
| Trade accounts payable | 29 | **28 227** | 42 480 |
| Current taxes payable | | **10 313** | 2 454 |
| Other current payables | 30, 33 | **15 601** | 38 325 |
| Deferred revenues and accrued liabilities | 31 | **123 783** | 117 069 |
| **Current liabilities** | | **182 558** | 205 289 |
| Long-term debt | 28 | **13 847** | 19 098 |
| Provisions for deferred taxes | 32 | **36 177** | 42 648 |
| Other long-term provisions | 33 | **7 284** | 8 870 |
| Other long-term liabilities | | **5** | 5 |
| **Long-term liabilities** | | **57 314** | 70 622 |
| **Total liabilities** | | **239 872** | 275 910 |
| Share capital | 34 | **100 000** | 100 000 |
| Treasury shares | 35 | **(558)** | (558) |
| Reserves | | **267 305** | 219 188 |
| **Consolidated shareholders' equity** | | **366 747** | 318 630 |
| Minority interests in equity | | **968** | 114 |
| **Shareholders' equity** | | **367 715** | 318 744 |
| **Total liabilities and shareholders' equity** | | **607 587** | 594 655 |

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

**Exhibit 4**

## Return on equity[1]

in %

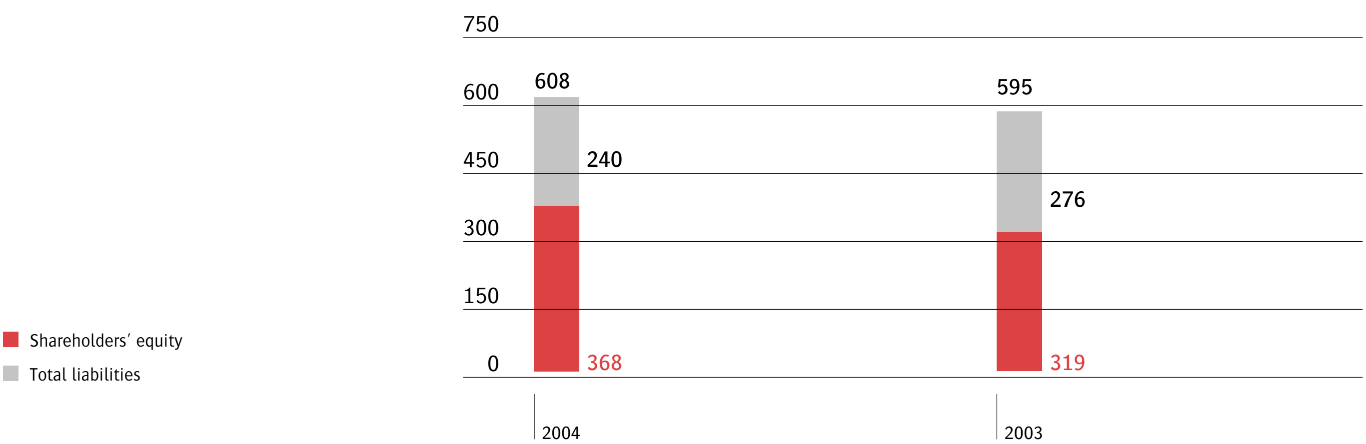



1 Income before minority interests in shareholders' equity as of year-end.

**Exhibit 5**

## Liabilities and shareholders' equity

in CHF million



## Consolidated cash flow statement
in CHF 000

| | Note | 2004 | 2003 [1] |
|---|---|---|---|
| Receipts from products and services sold | | **577 662** | 576 531 |
| Expenditures for personnel | | **(220 621)** | (240 550) |
| Expenditures for material and services | | **(254 088)** | (285 148) |
| **Cash flow from operating activities** | | **102 952** | 50 833 |
| Dividends from associated companies | | **3 705** | 4 760 |
| Interest paid | | **(734)** | (1 720) |
| Interest received | | **640** | 2 046 |
| Other financial income (expense), net | | **937** | 1 779 |
| Income taxes paid | | **(8 234)** | (5 313) |
| **Cash flow from ordinary operations** | | **99 266** | 52 384 |
| Discontinuing operations | 16 | **0** | (492) |
| **Cash flow from operations** | | **99 266** | 51 893 |
| | | | |
| Capital expenditures in property, plant and equipment | | **(31 449)** | (49 260) |
| Sales of property, plant and equipment | | **8 603** | 3 |
| Investment in consolidated companies | 36 | **0** | (67) |
| Sales of consolidated companies | 36 | **0** | (326) |
| Investment in associated companies | | **0** | (450) |
| Investment in other financial assets | | **0** | (13 706) |
| Sales of other financial assets | | **7 373** | 90 |
| Capital expenditures in intangible assets | | **(2 341)** | (1 704) |
| Sales of intangible assets | | **103** | 0 |
| **Cash flow for investment activities** | | **(17 710)** | (65 421) |
| **Cash flow after investment activities** | | **81 555** | (13 528) |
| | | | |
| Payment of dividends | | **0** | (15 000) |
| Increase/(decrease) in current debt | | **(326)** | (7 234) |
| Increase/(decrease) in long-term debt | | **(5 251)** | 3 320 |
| Increase/(decrease) in other long-term liabilities | | **0** | (1 026) |
| Net sale/(purchase) in treasury shares | | **0** | 236 |
| Increase/(decrease) in minority interests | | **(598)** | (1 305) |
| **Cash flow (for)/from financing activities** | | **(6 176)** | (21 009) |
| **Change in cash and cash equivalents** | | **75 379** | (34 537) |
| | | | |
| Cash and cash equivalents at January 1 | | **64 924** | 99 462 |
| Cash and cash equivalents at December 31 | | **140 303** | 64 924 |
| **Change in cash and cash equivalents** | 37 | **75 379** | (34 538) |

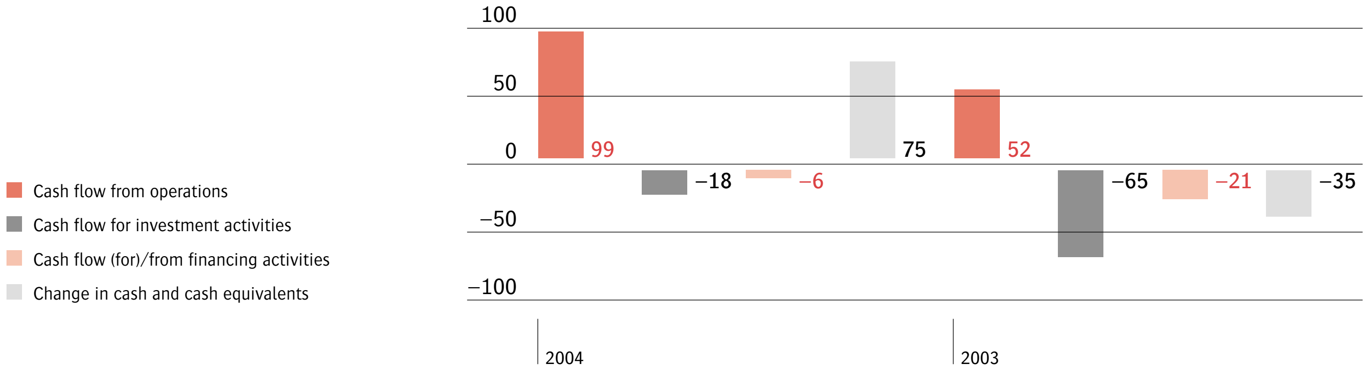
1 The comparative figures of the previous year differ from the financial report published for 2003. In previous reports, the changes in short-term financial investments and liabilities were stated as cash flow from financing activities. Their changes were largely related to asset sales used to finance acquisitions and dividend payments. Such changes are now stated as cash flow from investment activities.

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, 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)** |
| Translation differencies | **0** | 0 | 0 | 0 | 0 | **0** | **0** | 0 | **0** |
| **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** |
| | | | | | | | | | |
| Dividends paid | **0** | 0 | 0 | 0 | 0 | **0** | **0** | (599) | **(599)** |
| Allocation of earnings | **0** | 0 | (17 723) | 17 723 | 0 | **0** | **0** | 0 | **0** |
| Earnings | **0** | 0 | 0 | 49 783 | 0 | **49 783** | **49 783** | 1 452 | **51 235** |
| Net adjustment of financial assets to market values | **0** | 0 | 0 | 0 | (1 665) | **(1 665)** | **(1 665)** | 0 | **(1 665)** |
| Translation differences | **0** | 0 | 0 | 0 | 0 | **0** | **0** | 0 | **0** |
| **Balance at December 31, 2004** | **100 000** | **(558)** | **216 369** | **49 783** | **1 154** | **267 305** | **366 747** | **968** | **367 715** |

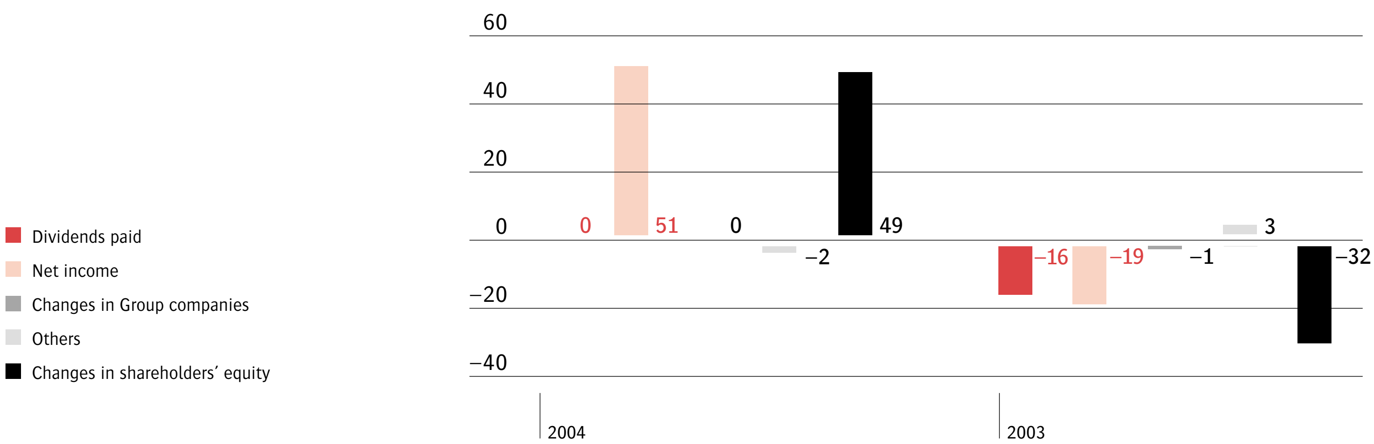
1 Net of defferred taxes

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, Zurich (Switzerland), 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 (IFRIC) 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, 2005. It is proposed that the shareholders approve these financial statements in their annual meeting on May 25, 2005.

In 2004 and in the previous year, no new standards were adopted except IFRS 3 Business Combinations which became effective on March 31, 2004. New standards that become effective on January 1, 2005 are applied in 2005 as well as revised versions of standards are not listed in detail.

#### Effect of new accounting principles to be adopted in 2005

Of the new accounting principles, the greatest effect on the consolidated financial statement in 2005 is expected from IFRS 3 Business Combinations.

With the adoption of this standard, it is assumed that goodwill has an infinite useful life and according to this no longer is amortized on a regular basis. In 2004 regular amortization on goodwill totaled CHF 10.1 million. With effect from January 1, 2005 goodwill only is written down on the basis of impairment.

### Group companies

All companies in which Tamedia AG holds either a direct or indirect interest of 50 percent 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 per cent 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 quota consolidation basis.

Investments in companies in which Tamedia AG directly or indirectly holds less than 50 percent of voting rights are not consolidated but accounted for as described in long-term financial assets.

### 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. An exception is goodwill arising from acquisitions after March 31, 2004, which no longer is amortized on regular basis but only written down on the basis of an impairment according to IFRS 3. 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 inter-company 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 includes 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.

### 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 percent and less than 50 percent 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 percent 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 linearly 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 |

### 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). The determination of the recoverability is based on estimates and assumptions of the management. The values realized can therefore deviate from these estimates. 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 Tamedia AG'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, defined as such in accordance with IFRS, are calculated every year by independent actuaries using the projected unit benefit method. 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 percent 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. Revenues and expenses relating to barter transactions are shown as gross figures. Not yet adduced return favors are marked off. Barter transactions for equal services are recorded on a net basis.

### 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 market prices.

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. 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 to fair value hedges and cash flow hedges as described above as soon as such transactions cease to qualify for hedge accounting treatment.

### 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 and 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 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 a higher level of numerical accuracy, rounding differences may occur.

### Changes in Group companies

Note 1

During 2004, the following material changes occurred in the Group companies:

**Additions**

| | |
|---|---|
| Car4you Print AG | Newly founded (Newspaper division, Date: October 6, 2004) |

### Conversion rates

Note 2

in CHF

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

| | 2004 | 2003 |
|---|---|---|
| **Year-end rates** | | |
| 1 EUR | **1.55** | 1.56 |
| 1 GBP | **2.18** | 2.20 |
| 1 USD | **1.14** | 1.24 |
| **Average rates** | | |
| 1 EUR | **1.55** | 1.52 |

## Segment reporting

in CHF 000

**Note 3**

| | Newspapers | Magazines | Electronic Media [3] | Services | Not allocable | Eliminations | **Total Group** |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2004** | | | | | | | |
| Revenues third parties | 343 905 | 90 347 | 63 926 | 68 402 | 0 | 0 | **566 580** |
| Revenues inter-company | 3 229 | 107 | 2 749 | 126 635 | 0 | (132 720) | **0** |
| **Operating revenues** | **347 134** | **90 454** | **66 675** | **195 037** | **0** | **(132 720)** | **566 580** |
| **Operating expenses** | **(292 023)** | **(81 784)** | **(64 534)** | **(157 920)** | **0** | **132 720** | **(463 541)** |
| **Operating income before depreciation and amortization (EBITDA)** | **55 111** | **8 670** | **2 141** | **37 117** | **0** | **0** | **103 039** |
| Margin [1] | 15.9% | 9.6% | 3.2% | 19.0% | | | **18.2%** |
| Depreciation and amortization | (7 775) | (153) | (7 735) | (24 284) | 0 | 0 | **(39 947)** |
| of which impairment on goodwill | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Operating income (EBIT)** | **47 336** | **8 517** | **( 5 594)** | **12 833** | **0** | **0** | **63 092** |
| Margin [1] | 13.6% | 9.4% | (8.4%) | 6.6% | | | **11.1%** |
| Share in earnings of associated companies | 4 119 | 0 | (333) | (203) | 0 | 0 | **3 583** |
| Total assets | 121 517 | 19 905 | 88 654 | 256 739 | 120 772 | 0 | **607 587** |
| Total liabilities | 80 861 | 31 763 | 8 406 | 42 508 | 76 334 | 0 | **239 872** |
| Capital expenditures in property, plant and equipment | 297 | 134 | 441 | 16 957 | 0 | 0 | **17 829** |
| Capital expenditures in intangible assets | 870 | 37 | 1 127 | 307 | 0 | 0 | **2 341** |
| Average number of employees | 675 | 172 | 193 | 615 | 0 | 0 | **1 656** |
| **As of December 31, 2003 [2]** | | | | | | | |
| Revenues third parties | 343 369 | 97 933 | 51 080 | 81 577 | 0 | 0 | **573 959** |
| Revenues inter-company | 3 361 | 364 | 618 | 145 134 | 0 | (149 477) | **0** |
| **Operating revenues** | **346 730** | **98 297** | **51 698** | **226 711** | **0** | **(149 477)** | **573 959** |
| **Operating expenses** | **(333 846)** | **(107 554)** | **(59 236)** | **(195 129)** | **0** | **149 477** | **(546 289)** |
| **Operating income before depreciation and amortization (EBITDA)** | **12 884** | **(9 257)** | **(7 538)** | **31 582** | **0** | **0** | **27 671** |
| Margin [1] | 3.7% | (9.4%) | (14.6%) | 13.9% | | | **4.8%** |
| Depreciation and amortization | (9 292) | (333) | (26 642) | (32 055) | 0 | 0 | **(68 323)** |
| of which impairment on goodwill | 0 | 0 | (15 500) | 0 | 0 | 0 | **(15 500)** |
| **Operating income (EBIT)** | **3 592** | **(9 590)** | **(34 180)** | **(473)** | **0** | **0** | **(40 652)** |
| Margin [1] | 1.0% | (9.8%) | (66.1%) | (0.2%) | | | **(7.1%)** |
| Share in earnings of associated companies | 4 284 | 0 | (48) | 199 | 0 | 0 | **4 435** |
| Total assets | 149 353 | 22 400 | 92 514 | 261 481 | 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 | 1 011 | 3 | 1 386 | 60 447 | 0 | 0 | **62 847** |
| Capital expenditures in intangible assets | 1 760 | 0 | 174 | 726 | 0 | 0 | **2 660** |
| Average number of employees | 738 | 206 | 206 | 768 | 0 | 0 | **1 919** |

1 The margin refers to operating revenues with third parties.

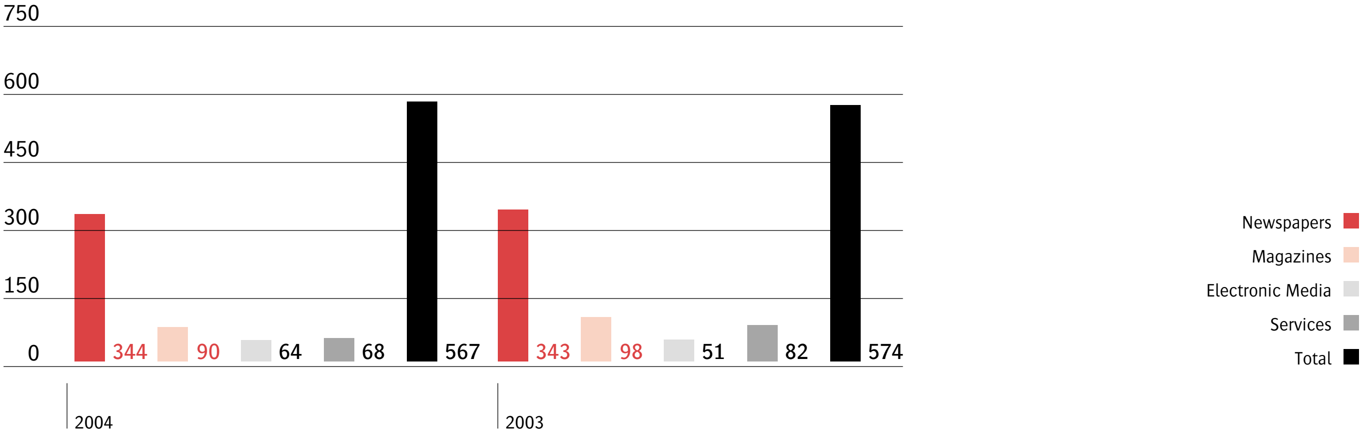
2 The comparative figures of 2003 are based on the same principles applied to the results of 2004. They differ from the financial report published for 2003. A comparison with the results of 2003 published in March 2004 would not be meaningful. As a result of the profit-center structure, internal services are now calculated on the basis of market prices. Previously, the calculation was based exclusively on cost-effective prices (without considering depreciation charges). Depreciation is now also calculated in accordance with the profit-center structure. In previous reports, it was split directly among the segments.

3 In the Electronic Media division the prior-year information of revenues and expenses was restated by CHF 5.1 million. The adjustments had to be made due to barter transactions (media partnerships) that were not recorded to the mentioned extent in the 2003 results. Prior-year information of note 4 Publishing revenues and note 9 Other operating expenses was adjusted as well.

## Operating revenues by business segment

in CHF million

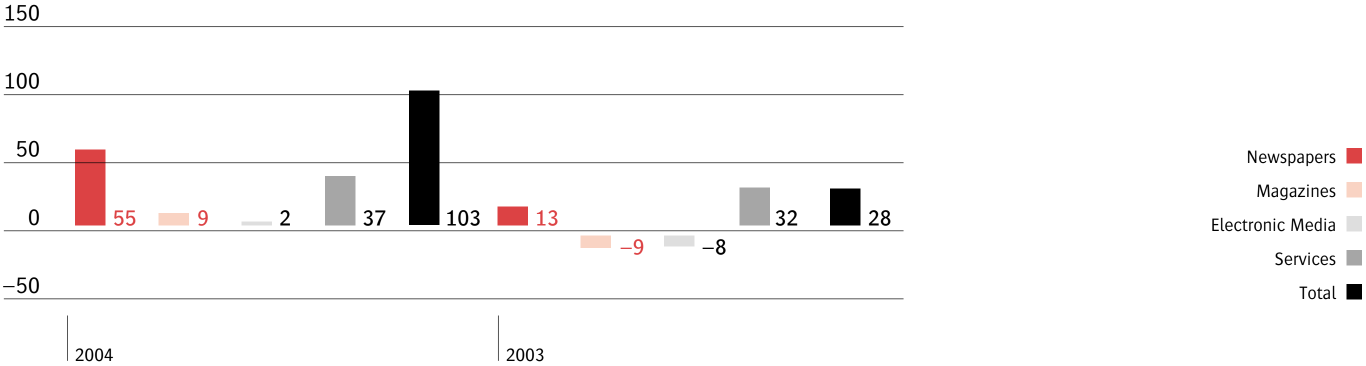
Exhibit 8




## EBITDA by business segment

in CHF million

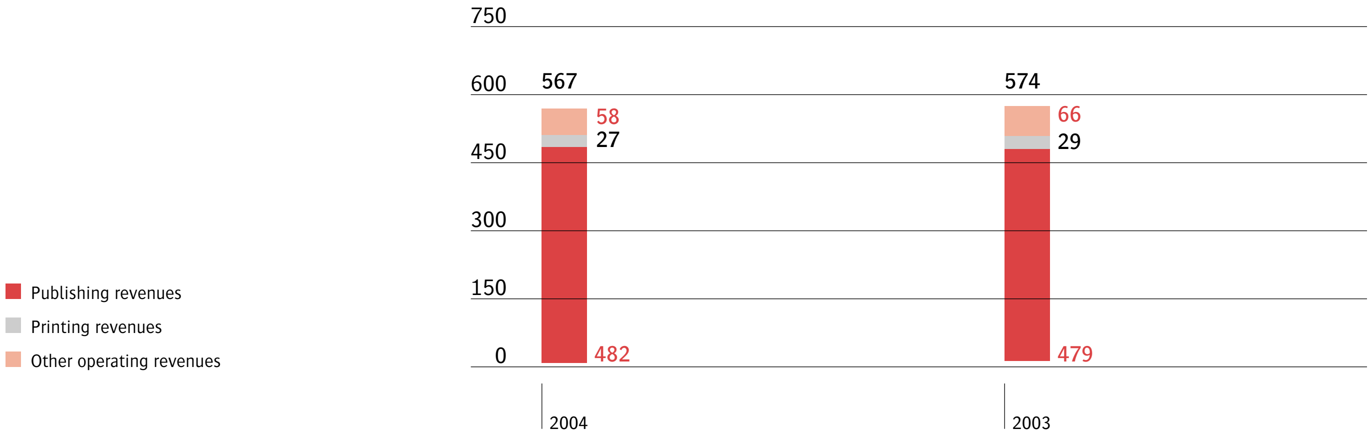
Exhibit 9



## Notes to the consolidated income statement

Exhibit 10

### Operating revenues
in CHF million




Note 4

### Publishing revenues
in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Advertising revenues | **283 822** | 288 563 |
| Circulation revenues | **140 012** | 145 477 |
| Other publishing revenues [1] | **58 468** | 44 757 |
| **Total** | **482 302** | 478 797 |
| of which barter transactions | **15 010** | 12 126 |

1 The prior-year information of Other publishing revenues was restated (see also footnote 3 to Note 3).

Publishing revenues rose by CHF 3.5 million to CHF 482.3 million, representing an increase of 1 percent compared with the prior year. Advertising revenues showed the strongest decline. While revenues from advertising and circulation fell by CHF 5.4 million and by CHF 4.7 million respectively, the other publishing revenues increased by CHF 13.7 million.

Within Newspapers the downtrend could be stopped as revenues remained stable. Revenues of “Tages-Anzeiger” (including all supplements) fell slightly short of prior-year levels. While revenues from commercial advertising continued to decline, “Alpha” reported higher revenues from classified job advertisements. Revenues of “SonntagsZeitung” remained practically unchanged. “Finanz und Wirtschaft” was able to hold its market position, with revenues declining only slightly. Since the relaunch of former “Zürich-Express” as “Tagblatt der Stadt Zürich” in spring 2003, revenues have remained stable.

In 2004 the Magazine division showed a drop in revenues, among other things due to the adjustment of the portfolio. The women's magazine "annabelle" achieved stable commercial advertising revenues in the main publication. However, advertising revenues decreased slightly due to the discontinuation of "annabelle business" and "annabelle wohnen". News magazine "Facts" faced another decline in revenues. Operating income of "TVtäglich", a joint venture with Ringier, showed a clear decrease in revenues. The sale of the cultural magazine "du" also contributed to the decrease in revenues. The children's magazine "Spick", sold retroactively as of January 1, 2005 to Künzler Bachmann, reported higher operating income in 2004, so did "Schweizer Familie".

Revenues of the Electronic Media division showed an encouraging development, achieving a clear increase. Radio 24 and TeleZüri as well as Radio Basilisk marked strong growth in operating income.

**Note 5**

| **Printing revenues** in CHF 000 | **2004** | 2003 |
|---|---|---|
| Newspaper offset press revenues | **2 660** | 3 894 |
| Commercial offset press revenues | **0** | 8 107 |
| Sheet printing revenues | **7 399** | 11 898 |
| Other printing revenues | **16 643** | 5 598 |
| **Total** | **26 702** | 29 498 |

Printing revenues accounted for 5 percent of total revenues (prior year: 5 percent). The decline of CHF 2.8 million, or 10 percent, took revenues down to CHF 26.7 million. The commercial offset printing plant ARO was sold in early November 2003. Services rendered by Production Services, so far presented in commercial offset press revenues, are now classified under other printing revenues.

**Note 6**

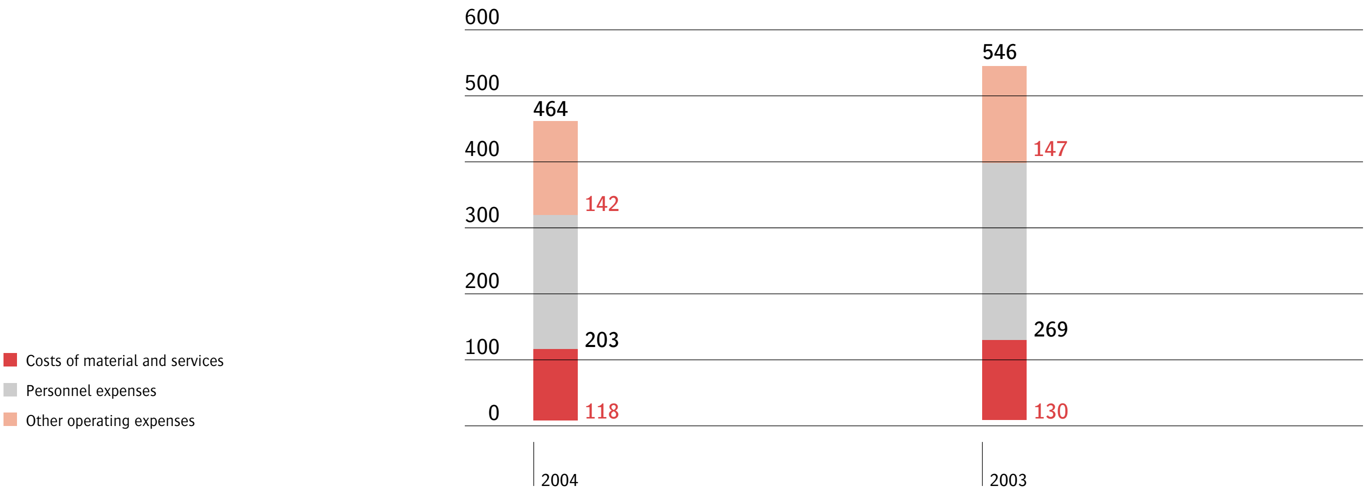
| **Other operating revenues** in CHF 000 | **2004** | 2003 |
|---|---|---|
| Commissioned productions revenues | **9 444** | 9 625 |
| Lettershop revenues | **5 737** | 7 085 |
| Distribution revenues | **24 422** | 23 446 |
| Book distribution revenues | **0** | 3 550 |
| Sundry operating revenues | **17 974** | 21 959 |
| **Total** | **57 577** | 65 665 |

Other revenues amounted to CHF 57.6 million or 10 percent of total revenues (prior year: 11 percent). On the one hand this decline of CHF 8.1 million, or 12 percent, resulted from the absence of revenues due to the sale of BD Bücherdienst in autumn 2003. On the other hand, sundry operating revenues, which among others contain the revenues from sales of tangible assets and the reversal of provisions which proved unnecessary, decreased by CHF 4.0 million.

**Exhibit 11**

## Operating expenses

in CHF 000




**Note 7**

## Cost of material and services

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Costs of material | **50 432** | 59 372 |
| Costs of services | **67 663** | 70 930 |
| **Total** | **118 095** | 130 302 |

The costs of material and services account for 21 percent of operating revenues (prior year: 23 percent). These costs declined from CHF 130.3 million by CHF 12.2 million, or 9 percent, to CHF 118.1 million. Of this decrease, CHF 4.1 million was related to expenditures for paper, which decreased by 9 percent – from CHF 44.8 million to CHF 40.7 million – due to lower volumes and lower prices. The cost for trade merchandise sank by CHF 3.1 million, among other reasons due to the sale of BD Bücherdienst in autumn 2003. The cost of services declined in the areas of printing and fees for editorial services.

Note 8

| Personnel expenses<br>in CHF 000 | 2004 | 2003 |
|---|---|---|
| Salaries and wages | **168 280** | 211 463 |
| Social security and retirement benefits | **25 069** | 47 447 |
| Other personnel expenses | **9 996** | 9 886 |
| **Total** | **203 345** | 268 796 |

| Personnel/employees<br>Number | 2004 | 2003 |
|---|---|---|
| as of December 31 [1] | **1 518** | 1 825 |
| Average [1] | **1 656** | 1 919 |

1 Without newspaper deliverers ZUVO

Personnel expenses, representing the largest expense category, amount to 36 percent of operating revenues (prior year: 47 percent). The cost-saving measures announced in 2003 had a significant impact on the expenses, lowering them by CHF 65.5 million from CHF 268.8 million to CHF 203.3 million in the year under review. Of this reduction, CHF 41.1 million are related to recurrent savings in personnel expenses. Moreover, provisions of CHF 24.4 million related to restructuring costs were included in the previous year.

The number of employees declined from 1 825 to 1 518, a decrease of 307, or 17 percent. The average number of employees was 1 656, a decline of 263, or 14 percent compared with the prior year.

Note 9

| Other operating expenses<br>in CHF 000 | 2004 | 2003 |
|---|---|---|
| Distribution and selling expense | **54 225** | 55 420 |
| Advertising and public relations [1] | **37 560** | 34 273 |
| General operating expense | **50 317** | 57 498 |
| **Total** | **142 101** | 147 191 |
| of which barter transactions | **15 010** | 12 126 |

1 The prior year information of Advertising and public relations was restated (see also footnote 3 to Note 3).

Other operating expenses account for 25 percent of operating revenues (prior year: 26 percent). They declined from CHF 147.2 million to CHF 142.1 million. This improvement of 3 percent, or CHF 5.1 million, is largely attributable to lower general operating expenses (−12 percent) while advertising and public relations expenses increased (+10 percent).

Note 10

## Depreciation and amortization

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Depreciation of property, plant and equipment | **25 824** | 33 083 |
| Impairment on property, plant and equipment | **0** | 1 500 |
| Amortization of goodwill | **10 091** | 11 838 |
| Impairment on goodwill | **0** | 15 500 |
| Amortization of other intangible assets | **3 414** | 4 138 |
| Other write-offs and allowances | **618** | 2 263 |
| **Total** | **39 947** | 68 323 |

Depreciation and amortization fell from CHF 68.3 million by CHF 28.4 million, or 42 percent, reaching CHF 39.9 million in 2004. This decline was caused by lower depreciation of property, plant and equipment of CHF 7.3 million, of which the main part is technical systems and machinery. In addition, an impairment on goodwill of CHF 15.5 million and an impairment of CHF 1.5 million on investment property were recorded in the prior year figures.

Note 11

## Share in earnings of associated companies

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Share in earnings of associated companies | **4 377** | 4 558 |
| Amortization of goodwill associated companies | **(155)** | (123) |
| Impairment on goodwill associated companies | **(639)** | 0 |
| **Total** | **3 583** | 4 435 |

The share in earnings of associated companies decreased by CHF 0.9 million from CHF 4.4 million to CHF 3.6 million. This decline was caused by a slightly lower share in earnings as well as higher amortization of goodwill. The rise in goodwill amortization by CHF 0.7 million from CHF 0.1 million to 0.8 million concerns an impairment of the goodwill of alacasa and AZ Vertriebs AG. These goodwill positions are completely amortized.

## Other financial income (expense), net

in CHF 000

Note 12

| | 2004 | 2003 |
|---|---|---|
| Interest income | **640** | 2 046 |
| Gains on marketable securities | **8** | 13 |
| Gain from sales of investment in subsidiaries | **3** | 331 |
| Exchange gains | **1 007** | 3 891 |
| Other financial income | **1 024** | 424 |
| **Financial income** | **2 682** | 6 706 |
| Interest expense | **(63)** | (923) |
| Interest expense on financial leases | **(671)** | (796) |
| Losses on marketable securities | **(24)** | (255) |
| Write-off of financial assets | **(607)** | (113) |
| Exchange loss | **(627)** | (581) |
| Other financial expense | **(81)** | (90) |
| **Financial expense** | **(2 073)** | (2 759) |
| **Total** | **609** | 3 947 |

Other net financial income decreased to CHF 0.6 million from CHF 3.9 million in the prior year. This decrease was primarily a result of lower positive effects of the exchange gains than in the previous year, most of which resulted from the change of the fair value of the forward currency contracts reported in Note 43. Interest income also included non-recurring interests on tax receivables in the prior year.

## Income taxes

in CHF 000

Note 13

| | 2004 | 2003 |
|---|---|---|
| Current taxes | **(21 094)** | 149 |
| Deferred taxes | **5 046** | 12 206 |
| **Total** | **(16 049)** | 12 355 |

**Note 14**

## Analysis of the effective tax rate
in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Income before taxes | **67 284** | (32 270) |
| Average income tax rate | **23.3%** | 19.7% |
| **Expected tax expense (using average rates)** | **(15 658)** | 6 357 |
| Taxes related to earnings of prior periods | **10** | 1 846 |
| Non-deductible amortization of goodwill | **(2 510)** | (2 722) |
| Use of tax loss carry-forwards not considered in the past | **57** | 6 420 |
| Tax assets on tax losses carried forward not recognized | **(709)** | (1 649) |
| Impact of changes in investment income deductions | **840** | 1 150 |
| Deferred taxes (due to changes in tax rates) | **2 721** | 0 |
| Other items | **(800)** | 953 |
| **Taxes** | **(16 049)** | 12 355 |
| Effective tax rate | **23.9%** | 38.3% |

The expected average tax rate reflects the weighted average tax rate of the consolidated subsidiaries.

With the partial revision of the tax law of the canton of Zurich, effective since January 1, 2005, a proportional tax rate is introduced (up to now a progressive tax rate was in use). Along with this change, both the maximum rate for effective taxes and the rate used for deferred taxes decrease. The latter reduced the deferred taxes by CHF 2.7 million.

Compared with the previous year the effective tax rate declined from 38 percent to 24 percent.

**Note 15**

## Minority interests in net income
in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Minority interests in profits | **(1 718)** | (127) |
| Minority interests in losses | **266** | 1 144 |
| **Total** | **(1 452)** | 1 016 |

Minority interests in net income were strongly influenced by a financing agreement regarding Tagblatt der Stadt Zürich AG. This agreement has a positive effect in favor of the minority interests hold by Freie Presse Holding AG.

## Discontinued operations

Note 16

in CHF 000

The discontinued operations are comprised solely of TV3.

| | 2004 | 2003 |
|---|---|---|
| Total assets | **107** | 107 |
| Total liabilities | **32** | 32 |
| **Net assets** | **75** | 75 |
| Release of provisions no longer needed and other income | **0** | 1 176 |
| Income Taxes | **0** | 0 |
| **Net loss** | **0** | 1 176 |
| Cash flow from operations [1] | **0** | (492) |
| Cash flow for investment activities | **0** | 0 |
| Cash flow for financing activities [1] | **0** | (10 000) |
| **Change in cash and cash equivalents** | **0** | (10 492) |

1 In 2003 and 2004, TV3 no longer had operating activities. The expenditures caused by the liquidation were completely covered by provisions. The change in cash and cash equivalents in 2003 refers to TV3 as a single entity.

At the end of December 2001, Tamedia decided to liquidate TV3. The deletion of the company in the public register, requested at the end of 2003, is still pending.

## Net income (loss) per share

Note 17

Number

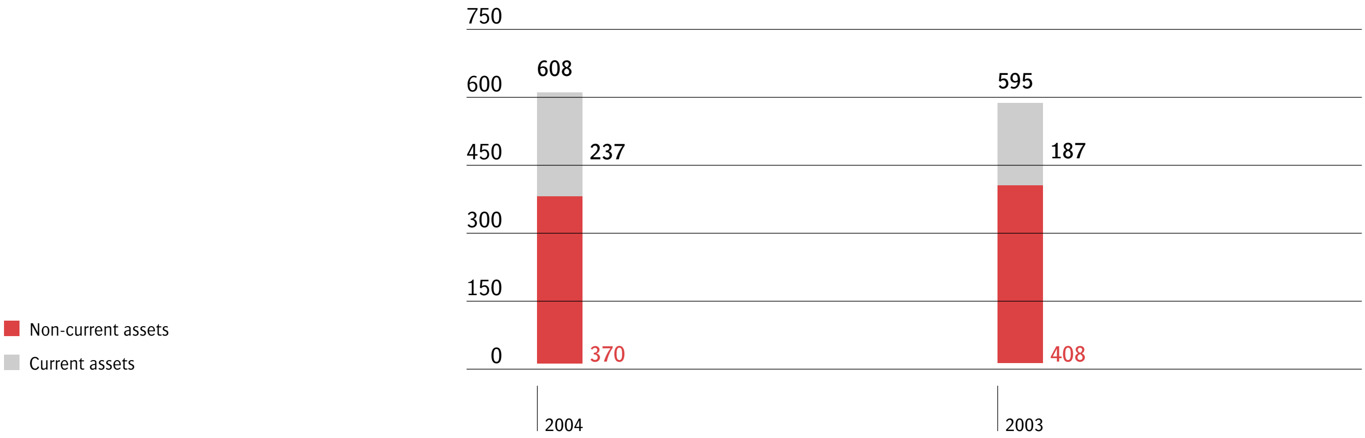
| | | 2004 | 2003 |
|---|---|---|---|
| **Weighted average of shares outstanding during the year** | | | |
| Number of shares outstanding | | **10 000 000** | 10 000 000 |
| Number of treasury shares (weighted average) | | **6 024** | 6 542 |
| Number of shares outstanding (weighted average) | | **9 993 976** | 9 993 458 |
| **Undiluted** | | | |
| Net income (loss) | in CHF 000 | **49 783** | (17 723) |
| Weighted average of shares outstanding applicable for this calculation | | **9 993 976** | 9 993 458 |
| Net income (loss) per share (undiluted) | in CHF | **4.98** | (1.77) |
| **Diluted** | | | |
| Net income (loss) | in CHF 000 | **49 783** | (17 723) |
| Weighted average of shares outstanding applicable for this calculation | | **9 993 976** | 9 993 458 |
| Net income (loss) per share (diluted) | in CHF | **4.98** | (1.77) |

## Notes to the consolidated balance sheet

Exhibit 12

### Assets

in CHF million




Note 18

### Trade accounts receivable

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Trade accounts receivable from third parties | **82 319** | 89 430 |
| Trade accounts receivable from associated companies | **1 554** | 2 042 |
| Allowance for doubtful accounts | **(4 073)** | (4 324) |
| **Total** | **79 800** | 87 148 |

Trade accounts receivable decreased by CHF 7.3 million, or 8 percent, from CHF 87.1 million to CHF 79.8 million. This decline is partly attributable to higher subscription levels over several years. For these the invoicing takes place in longer periods. An allowance for doubtful accounts of CHF 4.1 million has been made (prior year: CHF 4.3 million).

## Inventories

Note 19

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Raw materials | **2 563** | 1 622 |
| Work in progress | **714** | 1 076 |
| Finished goods | **258** | 637 |
| Trade merchandise | **27** | 39 |
| **Total** | **3 563** | 3 375 |

Inventories rose slightly from CHF 3.4 million to CHF 3.6 million.

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** | | | | | | | |
| **Balance on 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 on December 31, 2003** | **51 165** | **178 724** | **14 123** | **248 004** | **13 427** | **72 552** | **577 995** |
| Changes in Group companies | 0 | 2 | 0 | 22 | 2 | 0 | **26** |
| Additions | 0 | 349 | 0 | 3 063 | 484 | 13 933 | **17 829** |
| Disposals | (1 693) | (6 084) | 0 | (110 326) | (725) | 0 | **(118 828)** |
| Transfers | 0 | 14 299 | 0 | 43 854 | 0 | (58 154) | **0** |
| **Balance on December 31, 2004** | **49 472** | **187 291** | **14 123** | **184 617** | **13 187** | **28 331** | **477 023** |
| **Accumulated depreciation** | | | | | | | |
| **Balance on 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 on December 31, 2003** | **0** | **99 321** | **4 873** | **199 144** | **8 067** | **0** | **311 406** |
| Changes in Group companies | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Annual depreciation | 0 | 6 019 | 358 | 18 413 | 1 033 | 0 | **25 824** |
| Impairment | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Additions | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Disposals | 0 | (5 224) | 0 | (105 791) | (492) | 0 | **(111 507)** |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Balance on December 31, 2004** | **0** | **100 117** | **5 232** | **111 766** | **8 609** | **0** | **225 723** |
| **Net book value of assets** | | | | | | | |
| **on December 31, 2003** | **51 165** | **79 403** | **9 250** | **48 860** | **5 359** | **72 551** | **266 590** |
| of which leased | 0 | 0 | 0 | 23 127 | 0 | 0 | **23 127** |
| of which for sale | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **on December 31, 2004** | **49 472** | **87 175** | **8 892** | **72 852** | **4 579** | **28 330** | **251 300** |
| of which leased | 0 | 0 | 0 | 17 045 | 0 | 0 | **17 045** |
| of which for sale | 0 | 0 | 2 159 | 2 431 | 23 | 0 | **4 614** |

Capital expenditures decreased from CHF 62.9 million to CHF 17.8 million. This drop is largely attributable to high investments in the previous year related to the replacement of the newspaper printing press and the expansion of the printing center. The high number of disposals in the current year resulted mainly from the old newspaper printing press and from buildings and technical systems and machinery. Again an increase resulted from investments in plant and equipment as well as in assets under construction. Depreciation expenses were lower than in 2003, amounting to CHF 25.8 million (prior year: CHF 33.1 million). Altogether property, plant and equipment declined by CHF 15.3 million from CHF 266.6 to CHF 251.3 million. This includes also the disposal of IT-systems related to the outsourcing of IT-services. For sale were plant and equipment of Regor AG (CHF 0.5 million) and the magazine post-press facility (CHF 1.9 million) as well as the real estate property of Waser Druck.

**Note 21**

| **Non-operating land and buildings** in CHF 000 | **2004** | 2003 |
|---|---|---|
| Rental income | **741** | 728 |
| Real estate expense | **(656)** | (538) |
| **Net rent income [1]** | **85** | 190 |
| | | |
| **Fair value of investment property** | **10 300** | 10 300 |

1 The real estate property of Waser Druck was reclassified by the end of 2003. Rental income 2003 refers only to the property of Radio Basilisk.

This position includes the real estate properties of Radio Basilisk and Waser Druck. The expense for the real estate of Waser Druck totaled CHF 0.1 million; the property was mostly not rented out in 2004.

As a result of the internal evaluation, no need for impairment has been stated. Future cash flows were discounted at a rate of 5.5 percent. The estimated value of the property of Waser Druck, calculated without external experts, is supported by offers from third parties.

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

| | 2004 | 2003 |
|---|---|---|
| **Total** | **6 258** | 5 825 |

The increase of CHF 0.4 million is due to the Group's shares in the net income of associated companies, which were higher than the dividends distributed.

**Note 23**

## Other financial assets

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Other investments | **26** | 51 |
| Long-term loans receivable from third parties | **1 763** | 2 460 |
| Long-term loans receivable from associated companies | **11 380** | 17 675 |
| Pension plan assets | **19 124** | 19 902 |
| Other financial assets | **3 296** | 4 852 |
| **Total** | **35 589** | 44 940 |

Other financial assets declined by CHF 9.4 million from CHF 44.9 million to CHF 35.6 million. The largest decrease (CHF –6.9 million) is attributable to long-term loans. Due to a lower fair value of the forward foreign currency contracts, their share in the other financial assets decreased as well (CHF –1.5 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 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 of the pension plans with PBO's in excess of plan assets, the unrecognized actuarial losses exceeded this under-funding after considering employer reserves. The under-funding was not recorded as a liability. Amounts recorded as pension plan assets consists of employer reserves and a portion of the pension plans' free funds for those plans that are over-funded. Actuarial gain/loss and unrecognized parts thereof are presented as net figures.

## Analysis of defined benefit asset recognized

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Present value of obligations | **746 278** | 759 750 |
| Fair value of plan assets | **(795 604)** | (811 993) |
| **Present value of net obligation (asset)** | **(49 326)** | (52 243) |
| Unrecognized actuarial (loss)/gain | **16 046** | 23 520 |
| Unrecognized part of defined benefit asset (obligation) | **14 156** | 8 194 |
| Effect of adjustment of asset ceiling [1] | **0** | 627 |
| **Defined benefit obligation/(asset) recognized** | **(19 124)** | (19 902) |

1 The asset ceiling as of January 1, 2003, is 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

| | 2004 | 2003 |
|---|---|---|
| Current service cost | **27 787** | 30 024 |
| Interest cost | **26 073** | 26 664 |
| Expected return on assets | **(36 371)** | (36 216) |
| Recording of plan improvement costs | **4 554** | 0 |
| Effect of reclassification [2] | **0** | 2 691 |
| **Net periodic pension cost** | **22 043** | 23 163 |
| Employee contributions | **(10 713)** | (10 427) |
| **Company's net periodic pension cost** | **11 330** | 12 736 |
| Employer contributions | **(15 945)** | (12 746) |
| **Pension cost/(income) not yet recognized in income statement** | **(4 615)** | (10) |
| Past service costs – non-expiring benefits | **5 393** | 4 008 |
| Effect of adjustment of asset ceiling [1] | **0** | 627 |
| **Pension cost/(income) to be recognized additionally in income statement** | **778** | 4 625 |

1 The asset ceiling as of January 1, 2003, is shown in the balance sheet as a projection as per December 31, 2003.
2 In 2003 new classification of plans of Verlag Finanz und Wirtschaft AG and Regor AG as defined benefit plans.

## Change in net asset recognized

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Net obligation/(asset) recognized as of January 1 | **(19 902)** | (24 527) |
| Net periodic pension cost | **11 330** | 10 045 |
| Employer contributions | **(15 945)** | (12 746) |
| Unrecognized (gain)/loss | **5 393** | 4 008 |
| Effect of adjustment of asset ceiling [1] | **0** | 627 |
| Effect of reclassification [2] | **0** | 2 691 |
| **Net obligation/(asset) recognized as of December 31** | **(19 124)** | (19 902) |

1 The asset ceiling as of January 1, 2003, is shown in the balance sheet as a projection as per December 31, 2003.
2 In 2003 new classification of plans of Verlag Finanz und Wirtschaft AG and Regor AG as defined benefit plans.

## Return on plan assets

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Actual return on plan assets | **36 371** | 36 216 |
| Projected return on plan assets | **34 454** | 68 027 |
| **Actuarial gain/(loss) on plan assets** | **(1 917)** | 31 811 |

## Actuarial assumptions

in %

| | 2004 | 2003 |
|---|---|---|
| Discount rate | **3.1** | 3.5 |
| Long-term rate of return on assets | **4.3** | 4.8 |
| Salary progression | **1.0** | 1.0 |
| Pension benefit progression | **0.6** | 0.6 |

The most recent actuarial appraisal (based on the projected unit credit method) was performed as of December 31, 2004.

## Contributions to defined contribution plans

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| **Total** | **1 552** | 1 073 |

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

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| **Total** | **0** | 0 |

### Liabilities to employee benefit plans
in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Liabilities to Tamedia pension funds | **0** | 43 |
| Liabilities to other pension funds | **57** | 347 |
| **Total** | **57** | 390 |

### Deferred tax assets
in CHF 000

**Note 25**

| | 2004 | 2003 |
|---|---|---|
| Deferred taxes due to timing differences in the valuation of: | | |
| Investments in associated companies | **6 199** | 6 920 |
| Land and buildings | **122** | 159 |
| Tax loss carry-forwards capitalized | **728** | 1 083 |
| Other assets | **20** | 71 |
| **Total** | **7 069** | 8 233 |

### Tax loss carry-forwards not capitalized
in CHF 000

**Note 26**

| | 2004 | 2003 |
|---|---|---|
| **Tax loss carry-forwards not capitalized** | **(78 172)** | **(74 721)** |
| expiring within 1 year | **0** | 0 |
| expiring in 2 to 5 years | **(63 963)** | **(61 777)** |
| expiring beyond 5 years | **(14 210)** | **(12 944)** |

At the end of 2004, non-capitalized tax loss carry-forwards amounted to CHF 78.2 million, relating to Car4you Print, Express Zeitung, Meier Waser Druck, Tagblatt der Stadt Zürich and Winner. No deferred taxes are capitalized on these tax loss carry-forwards as their utilization 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 | Other intangible assets | **Total** |
|---|---|---|---|---|---|
| **Historical cost** | | | | | |
| **Balance on December 31, 2002** | **153 075** | **81** | **21 322** | **200** | **174 677** |
| Changes in Group companies | 0 | 0 | 0 | 0 | **0** |
| Additions | 453 | 182 | 2 025 | 0 | **2 660** |
| Disposals | (1 713) | 0 | (1 198) | (107) | **(3 019)** |
| **Balance on December 31, 2003** | **151 815** | **263** | **22 148** | **93** | **174 319** |
| | | | | | |
| Changes in Group companies | 0 | | | | 0 |
| Additions | 1 000 | 0 | 1 341 | 0 | **2 341** |
| Disposals | 0 | (182) | (1 410) | (93) | **(1 685)** |
| **Balance on December 31, 2004** | **152 815** | **81** | **22 079** | **0** | **174 975** |
| | | | | | |
| **Accumulated depreciation** | | | | | |
| **Balance on December 31, 2002** | **52 248** | **44** | **10 217** | **0** | **62 509** |
| Changes in Group companies | 0 | 0 | 0 | 0 | **0** |
| Annual depreciation | 11 961 | 73 | 4 066 | 0 | **16 100** |
| Impairment | 15 500 | 0 | 0 | 0 | **15 500** |
| Additions | 0 | 0 | 0 | 0 | **0** |
| Disposals | (849) | 0 | (1 139) | 0 | **(1 988)** |
| **Balance on December 31, 2003** | **78 859** | **117** | **13 143** | **0** | **92 119** |
| | | | | | |
| Changes in Group companies | 0 | 0 | 0 | 0 | **0** |
| Annual depreciation | 10 246 | 9 | 3 405 | 0 | **13 661** |
| Impairment | 639 | 0 | 0 | 0 | **639** |
| Additions | 0 | 0 | 0 | 0 | **0** |
| Disposals | 0 | (46) | (1 369) | 0 | **(1 415)** |
| **Balance on December 31, 2004** | **89 745** | **81** | **15 178** | **0** | **105 004** |
| | | | | | |
| **Net book value of assets** | | | | | |
| **on December 31, 2003** | **72 956** | **146** | **9 005** | **93** | **82 200** |
| of which leased | 0 | 0 | 0 | 0 | **0** |
| of which for sale | 0 | 0 | 0 | 0 | **0** |
| | | | | | |
| **on December 31, 2004** | **63 070** | **0** | **6 900** | **0** | **69 971** |
| of which leased | 0 | 0 | 0 | 0 | **0** |
| of which for sale | 0 | 0 | 72 | 0 | **72** |

Intangible assets decreased from CHF 82.2 million to CHF 70.0 million. The decrease of CHF 12.2 million relates largely to the depreciation expenses of CHF 13.7 million, of which CHF 10.2 million for amortization of goodwill. An addition of CHF 1.0 million in goodwill for milestone-based additional payments relates to the purchase of Radio Basilisk.

Calculations based on the DCF method were made to determine the carrying value of goodwill as of December 31, 2004. 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 WACC of 8.0 percent, the estimated business risks were reflected in the business plans. Based on these calculations, there was no need to record an impairment (see note 11).

**Financial debt**
in CHF 000

Note 28

| | **2004** | 2003 |
|---|---|---|
| Current bank debt | **3** | 18 |
| Current leasing obligations | **4 304** | 4 942 |
| Other short-term financial debt | **327** | 1 |
| **Current debt** | **4 634** | 4 960 |
| Long-term leasing obligations | **9 142** | 14 218 |
| Long-term loans from third parties | **4 706** | 4 880 |
| **Long-term debt** | **13 847** | 19 098 |
| **Financial debt** | **18 482** | 24 058 |
| **Maturities** | | |
| within 1 year | **4 634** | 4 960 |
| 1 to 5 years | **13 847** | 19 098 |
| beyond 5 years | **0** | 0 |
| **Total** | **18 482** | 24 058 |
| **Weighted average interest rate** | | |
| within 1 year | **3.7%** | 3.7% |
| 1 to 5 years | **2.5%** | 3.6% |
| beyond 5 years | **n/a** | n/a |

Financial debt declined by CHF 5.6 million, from CHF 24.1 million to CHF 18.5 million. This is attributable in particular to the down payment of the leasing obligations, of which CHF 5.7 million is related to the redemption of the leasing contract for the magazine post-press facility. This department was sold to Print Media Corporation (pmc) by January 1, 2005.
The interest rate for the leasing obligations remains unchanged for the duration of the contract.

Note 29

## Trade accounts payable
in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Trade accounts payable to third parties | **26 872** | 41 838 |
| Trade accounts payable to associated companies | **1 355** | 643 |
| **Total** | **28 227** | 42 480 |

Trade accounts payable decreased by CHF 14.3 million from CHF 42.5 million to CHF 28.2 million. The higher trade accounts payable to third parties in 2003 were related to the replacement of the newspaper printing press.

Note 30

## Other current payables
in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Payable to public authorities | **3 934** | 2 457 |
| Advance payments from customers | **1 603** | 1 526 |
| Current provisions | **8 778** | 24 426 |
| Other current accounts payable | **1 286** | 9 917 |
| **Total** | **15 601** | 38 325 |

Other current payables show a marked decrease of CHF 22.7 million, from CHF 38.3 million to CHF 15.6 million. This change is mainly due to a decline in current provisions (see note 33). A large part of the provisions made for restructuring measures in 2003 was used in 2004. The decrease in other current accounts payable relates to social security and other duties as well as tax liabilities recorded in this position in the previous year.

Note 31

## Deferred revenues and accrued liabilities
in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Deferred subscription revenues | **93 951** | 88 651 |
| Other accrued liabilities | **29 832** | 28 418 |
| **Total** | **123 783** | 117 069 |

Higher subscription levels over several years resulted in an increase in deferred subscription revenues of CHF 5.3 million. The decrease in other accrued liabilities of CHF 1.4 million mainly relates to higher liabilities for employee profit participation.

Note 32

## Provisions for deferred taxes

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Deferred taxes due to timing differences in the valuation of: | | |
| Land and buildings | **8 331** | 9 875 |
| Other property, plant and equipment | **6 602** | 9 474 |
| Pension plans | **4 016** | 4 569 |
| Provisions and accruals including taxes | **11 891** | 13 475 |
| Marketable securities, loans | **3 700** | 1 792 |
| Other balance sheet items | **1 638** | 3 463 |
| **Total** | **36 177** | 42 648 |

Note 33

## Provisions

| in CHF 000 | Seniority gifts | Personnel-redundancy payment plans | Renova-tion + contami-nated sites | Risks of law suits, others | Total |
|---|---|---|---|---|---|
| **Balance on January 1, 2003** | **1 948** | **84** | **2 428** | **3 169** | **7 629** |
| Increase | 0 | 24 372 | 510 | 2 830 | **27 712** |
| Reversal | (667) | (84) | 0 | (552) | **(1 303)** |
| Used during the period | 0 | 0 | (428) | (313) | **(741)** |
| **Balance on December 31, 2003** | **1 281** | **24 372** | **2 510** | **5 134** | **33 297** |
| Due within 1 year | 156 | 22 372 | 500 | 1 398 | **24 426** |
| Due between 1 and 5 years | 1 125 | 2 000 | 110 | 3 736 | **6 971** |
| Due beyond 5 years | 0 | 0 | 1 900 | 0 | **1 900** |
| **Balance on January 1, 2004** | **1 281** | **24 372** | **2 510** | **5 134** | **33 297** |
| Increase | 0 | 366 | 50 | 1 666 | **2 082** |
| Reversal | (18) | (4 769) | (9) | (761) | **(5 558)** |
| Used during the period | 0 | (13 651) | 0 | (108) | **(13 759)** |
| **Balance on December 31, 2004** | **1 263** | **6 318** | **2 551** | **5 930** | **16 062** |
| Due within 1 year | 231 | 6 318 | 524 | 1 705 | **8 778** |
| Due between 1 and 5 years | 1 032 | 0 | 1 627 | 4 224 | **6 884** |
| Due beyond 5 years | 0 | 0 | 400 | 0 | **400** |

Current and long-term provisions declined from CHF 33.3 million to CHF 16.1 million. The decline of CHF 17.2 million largely resulted from the use of provisions made in 2003 for personnel following the reorganization in the Magazines division, Overhead/Shared Services and the Newspaper division. The long-term provisions are mostly due within five years.

The provision for seniority gifts comprises the obligation expected for the following five years. Provisions for personnel redundancy payment plans cover the expected cost for restructuring measures. Costs for renovation at the end of lease contract and warranties for contaminated sites (of property sold) are classified as provision for renovation and contaminated sites. Provisions for risks of lawsuits include expected costs from current lawsuits. The remaining – individually immaterial – provisions are classified as other provisions.

The amount of a provision as well as the timing of any resulting asset outflow are based on best estimates and can therefore deviate from the actual conditions in the future.

Note 34

## Share capital

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| 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 67 percent of the ten million registered shares. Currently, the shareholders who participate in the shareholders' agreement own 76 percent of the company's shares.

On May 26, 2004 the shareholders approved the recommendation of the Board of Directors that no dividend be paid for the business year 2003. The Board of Directors will recommend to the General Shareholders' Meeting on May 25, 2005 that a dividend of CHF 1.50 be paid for the financial year 2004.

Note 35

## Treasury shares

**Number of Treasury shares**

Number

| | 2004 | 2003 |
|---|---|---|
| Balance on January 1 | **6 024** | 7 526 |
| Purchases | **0** | 26 |
| Sales | **0** | (1 528) |
| **Balance on December 31** | **6 024** | 6 024 |

**Cost of Treasury shares**

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Balance on January 1 | **558** | 794 |
| Purchases | **0** | 2 |
| Sales | **0** | (153) |
| Adjustment | **0** | (86) |
| **Balance on December 31** | **558** | 558 |

| Prices paid/received in CHF | **2004** | 2003 |
|---|---|---|
| Purchases (weighted average) | **0.00** | 86.88 |
| min. | **0.00** | 75.00 |
| max. | **0.00** | 87.36 |
| Sales (weighted average) | **0.00** | 100.00 |
| min. | **0.00** | 100.00 |
| max. | **0.00** | 100.00 |

The year-end stock market price of the treasury shares is CHF 106.00 compared with CHF 110.00 in 2003. The price development is represented in Exhibit 1 on page 37.

As a result of the negative EBIT in the business year 2003, the profit sharing plan is not applicable and no shares were allocated (see note 49). No Treasury shares were sold or bought otherwise.

Note 36

## Notes to the consolidated cash flow statement

**Additional information regarding the acquisition and sale of Group companies**
in CHF 000

| | **2004** | 2003 |
|---|---|---|
| **Sales** | | |
| Current assets | **(90)** | (7 875) |
| Non-current assets | **0** | (3 756) |
| **Total assets** | **(90)** | (11 631) |
| Current liabilities | **(2)** | (7 365) |
| Long-term liabilities | **0** | (3 321) |
| **Net assets** | **(88)** | (945) |
| | | |
| **Sales price** | **(90)** | (1 512) |
| Cash and cash equivalents sold | **90** | 1 838 |
| **Cash funds used / (provided)** | **0** | 326 |
| | | |
| Operating revenues | **0** | 4 020 |
| Operating expenses | **0** | (3 891) |
| **Operating income before depreciation and amortization (EBITDA)** | **0** | 129 |

The cash and cash equivalents remained unchanged by the sale of MCC Media Clearing Center AG.

Note 37

## Changes in cash and cash equivalents

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

## Other notes to the consolidated financial statements

### Joint Ventures

Note 38

in CHF 000

| | 2004 | 2003 [1] |
|---|---|---|
| Current assets | **9 653** | 6 875 |
| Non-current assets | **6 979** | 8 561 |
| **Total assets** | **16 631** | 15 436 |
| Current liabilities | **5 715** | 3 772 |
| Long-term liabilities | **8 463** | 8 255 |
| Total liabilities | **14 177** | 12 027 |
| Shareholders' equity | **2 454** | 3 410 |
| **Total liabilities and shareholders' equity** | **16 631** | 15 436 |
| | | |
| Operating revenues | **41 085** | 33 187 |
| Operating expenses | **(41 226)** | (33 173) |
| **Operating income before depreciation and amortization (EBITDA)** | **(141)** | 14 |

1 The comparative figures of 2003 differ from the financial report published for 2003. The amounts now stated represent only the quota included in the consolidated financial statement.

The information to joint ventures comprises the quota included financial statements (before elimination of inter-company transactions) of Balmedia, Meier Waser Druck, Presse Publicité, TVtäglich and ZUVO.

### Guarantees and assets pledged for the benefit of third parties

Note 39

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Subordinated debt | **7 657** | 13 300 |
| Joint and several guarantees | **650** | 650 |
| **Total** | **8 307** | 13 950 |

A provision of CHF 0.7 million was made for a possible liability in connection with a guarantee granted. Tamedia has an above average share in the results of Meier Waser Druck according to a financing agreement lasting until 2008. The obligation known was recorded as a financial expense. 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.

**Note 40**

## Financial leases

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| **Financial lease obligations** | | |
| Due within 1 year | **4 401** | 5 054 |
| Due between 1 and 5 years | **9 903** | 15 663 |
| Due beyond 5 years | **0** | 0 |
| **Total** | **14 304** | 20 717 |
| Less interest component | **(858)** | (1 557) |
| **Financial debt recognized** | **13 446** | 19 160 |
| of which current | **4 304** | 4 942 |
| of which long term | **9 142** | 14 218 |

No new financial leases were concluded during 2004. The remaining agreement expires in 2008. One contract was repaid when the department magazine post-press facility was sold to Print Media Corporation (pmc). The interest risk associated with these agreements had not been hedged.

**Note 41**

## Non-cancelable operating leases and rental commitments

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Land, buildings and fixtures | **59 033** | 60 270 |
| Machinery and furnishings | **3 964** | 928 |
| **Total** | **62 996** | 61 197 |
| Due within 1 year | **6 905** | 5 872 |
| Due between 1 and 5 years | **21 724** | 18 594 |
| Due beyond 5 years | **34 367** | 36 732 |
| **Total** | **62 996** | 61 197 |

As part of the outsourcing contract for information technology, various IT Systems were transferred to Swisscom IT Services. These are leased back by Tamedia.

**Note 42**

## Off-balance sheet transactions

in CHF/EUR 000

| | 2004 | 2003 |
|---|---|---|
| | **in EUR** | in EUR |
| Purchase commitments for paper | **0** | 17 058 |
| | **in CHF** | in CHF |
| Purchase commitments project "Rota 2005" | **21 835** | 33 670 |

In connection with the replacement of the newspaper print machine and the expansion of the printing center, commitments decreased by CHF 11.8 million to CHF 21.8 million for the purchase of property, plant and equipment. Asset outflows related to this project are expected to occur until 2006.

With large suppliers one- to three-year frame agreements to purchase magazine- and newsprint-paper were concluded. Agreements covering 2005 were signed after the balance sheet date. Therefore, no commitment is shown.

**Note 43**

## Derivative financial instruments

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| **Forward currency contracts** | | |
| Contract volume | **26 570** | 56 364 |
| Fair value | **2 502** | 4 911 |
| Due within 1 year | **1 803** | 2 675 |
| Due between 1 and 5 years | **699** | 2 235 |
| Due beyond 5 years | **0** | 0 |
| **Additional information** | | |
| Cash flow hedges recorded directly in shareholders' equity [1] | **1 154** | 2 819 |
| Recorded together with the underlying hedged transaction | **1 748** | 1 596 |
| Recorded directly to net income | **940** | 1 940 |

1 The amount of CHF 1.2 million recorded directly in shareholders' equity is net after deduction of deferred taxes of CHF 0.3 million.

The forward currency contracts, consisting of EUR forward contracts and currency swaps with total contract volumes of CHF 26.6 million (prior year CHF 56.4 million), serve as hedges for commitments to purchase materials and to purchase the new newspaper printing press. They will be recognized together with the underlying hedged transaction. From the amount recorded directly in shareholders' equity, CHF 0.6 million were dissolved and recognized in the income statement, CHF 1.1 million were capitalized together with the investment in the newspaper printing press in 2004.

Depending upon the maturity of these 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 44

## Encumbrance of assets

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Mortgages and long-term advances secured by land and buildings | **414** | 414 |
| Related to land and buildings with a net book value of | **6 732** | 9 250 |
| Subscription insurance secured by assets | **905** | 843 |
| Related to marketable securities with a net book value of | **2 597** | 3 263 |
| **Assets pledged as collateral or subject to liens** | **1 219** | 1 257 |
| **Related to assets with a total book value of** | **9 329** | 12 513 |

Note 45

## Insured values of property, plant and equipment

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| **Total** | **622 123** | 666 018 |

**Subsidiaries** **Note 46**

The following companies were included in the Tamedia Group as of December 31, 2004:

| Name | Domicile | Currency | Share capital (in CHF 000) | Business division | Method of consolidation | Share of capital 2004 | 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 | Zurich | CHF | 506 | E | F | 100.0% | 100.0% |
| Radio 24 AG | Zurich | CHF | 100 | E | F | 100.0% | 100.0% |
| Zürivision AG [1] | Zurich | CHF | 60 | E | F | 66.6% | 66.6% |
| Berner Zeitung AG | Berne | CHF | 500 | N | E | 49.0% | 49.0% |
| Betriebsgesellschaft SonntagsZeitung [2] | Zurich | CHF | – | N | F | 85.0% | 85.0% |
| Bevo AG | Berne | CHF | 100 | S | E | 25.0% | 25.0% |
| Car4you Print AG | Zurich | CHF | 100 | N | F | 100.0% | 100.0% |
| 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 | 150 | E | C | 3.3% | 3.3% |
| Medag AG für Medienarbeit | Basle | CHF | 224 | E | F | 100.0% | 100.0% |
| Basilisk Medienverlag AG | Basle | CHF | 200 | E | F | 100.0% | 100.0% |
| Balmedia AG | Basle | CHF | 100 | E | Q | 50.0% | 50.0% |
| 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 | Q | 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 | 5.4% | 5.4% |
| SECM World Media Network, in Liquidation | F-Paris | EUR | 18 | S | C | 53.0% | 53.0% |
| SMD Schweizer Mediendatenbank AG | Zurich | CHF | 900 | S | E | 33.3% | 33.3% |
| Swissdox AG | Zurich | CHF | 100 | 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 [2] | 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% |

| Name | Domicile | Currency | Share capital (in CHF 000) | Business division | Method of consolidation | Share of capital 2004 | 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 | C | 12.5% | 12.5% |
| PVG Pressevertriebs GmbH | Lucerne | CHF | 102 | S | E | 25.0% | 25.0% |
| Südostschweiz Pressevertrieb AG | Chur | CHF | 100 | S | C | 17.5% | 17.5% |

1 Tamedia AG and Belcom Holding AG each hold a 33.3% interest.
2 Simple partnership

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

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

On October 6, 2004, the subsidiary Car4you Print AG was founded with a share capital of CHF 0.1 million.

## Related party transactions

Note 47

| in CHF 000 | 2004 | 2003 |
|---|---|---|

Transactions between the Group and associated companies mainly took place in the areas of publishing revenues and distribution expense. The rise in both revenues and expenses resulted in its majority from distribution services.

| | | |
|---|---|---|
| Operating revenues | **8 654** | 6 164 |
| Operating expenses | **(15 836)** | (11 381) |

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 existed.

## Remuneration of directors and executives

Note 48

| in CHF 000 | 2004 | 2003 |
|---|---|---|
| **Board of Directors** | | |
| Fees | **1 873** | 2 095 |
| Social security and retirement benefits | **84** | 57 |
| Expense reimbursements | **104** | 108 |
| **Total** | **2 062** | 2 260 |
| **Management** | | |
| Basic Salary | **1 777** | 2 185 |
| Success participation and Supplementary Bonus | **290** | 198 |
| Social security and retirement benefits | **243** | 200 |
| Lump-sum expense reimbursements | **72** | 96 |
| **Total** | **2 383** | 2 678 |

During 2004, compensation to the eight members of the Board of Directors totaled CHF 2.0 million (2003: CHF 2.3 million) and CHF 2.3 million (2003: CHF 2.7 million) to the members of Tamedia AG's Executive Board. Due to the loss in the financial year 2003, the Board of Directors and the Chairman of the management board decided to cut their fees respectively the salary by 10% for the year 2004. The social security and retirement benefits rose due to a general rise of the insured salaries. To compensate the higher social security, the salaries were reduced respectively.

Note 49

### 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. Block A involved a pure investment in shares on which a 20 percent discount on the issue price was granted. In 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 the holder to the purchase 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 | **2004** | 2003 |
|---|---|---|
| **Shares** | | |
| blocked until 5/4/2004 | **0** | 1 771 |
| blocked until 9/30/2004 | **0** | 6 731 |
| blocked until 9/30/2005 | **2 443** | 2 443 |
| **Total** | **2 443** | 10 945 |
| Staff employees | **0** | 1 268 |
| Management | **0** | 5 285 |
| Senior management | **2 443** | 4 392 |
| **Total** | **2 443** | 10 945 |

| Number | **2004** | 2003 |
|---|---|---|
| **Options** [1] | | |
| exercisable from 10/1/2002-9/30/2004, strike price CHF 260 | **0** | 4 875 |
| exercisable from 10/1/2002-9/30/2005, strike price CHF 312 | **1 373** | 2 347 |
| exercisable from 10/1/2003-9/30/2004, strike price CHF 260 | **0** | 4 875 |
| exercisable from 10/1/2003-9/30/2005, strike price CHF 312 | **1 373** | 2 347 |
| exercisable from 10/1/2004-9/30/2005, strike price CHF 312 | **1 373** | 2 347 |
| exercisable from 9/30/2005, strike price CHF 312 | **1 373** | 2 347 |
| **Total** | **5 492** | 19 138 |
| Management | **0** | 7 942 |
| Senior management | **5 492** | 11 196 |
| **Total** | **5 492** | 19 138 |

1 In 2004 13 646 options expired.

The number of participants in this stock ownership plan who hold blocked shares was 31 at the end of the year (prior year: 275). A total of 19 held blocked options at the end of the year (prior year: 130).

As a result of the negative EBIT in the financial year 2003, the profit sharing plan did not apply.

The Board of Directors approved a new profit sharing plan for all employees starting in 2004. Under this plan, the employees are entitled to a bonus if operating income (EBIT) results in a margin of at least 5 percent (EBIT to operating revenues). A total of 5 percent 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 on the basis of the average closing 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 percent and established separately every year. The shares are blocked for a period of one year.

For the financial year 2004, it was decided to increase the number of shares by 20 percent. The costs of this additional allotment are borne by the company and have been provided for in the financial statements 2004. The company's commitments under the terms of this plan are met by using Treasury shares.

### Subsequent events

**Note 50**

Effective on January 1, 2005 lettershop Regor AG was sold to Künzler Bachmann. In 2004 Regor achieved revenues of CHF 6.5 million with 43 employees (converted into full-time equivalents).

Also effective on January 1, 2005, the magazine converting facility was taken over by Print Media Corporation (pmc). Seven employees were transferred from Tamedia to pmc. Until end of May 2005 the equipment is run in the printing center Bubenberg and will then be transferred to Oetwil am See and integrated into pmc's production process.

On January 17, 2005, the Swiss Competition Commission (ComCo) approved the alliance of homegate AG, which operates the Swiss property web site homegate.ch, with Tamedia and Edipresse without any restrictions. The first step will be the acquisition by Tamedia and Edipresse in the first half of 2005 of 14.5 percent each of homegate. For the time being, Zürcher Kantonalbank (ZKB) will remain the main shareholder with a two-thirds holding. In a second stage, planned in 2008, Tamedia and Edipresse will acquire a majority interest in homegate AG. Up to then, Tamedia will state its share under other investments.

On January 21, 2005, Ziegler Druck- und Verlags-AG agreed to enter into cooperation in various areas over the course of 2005. Ziegler Druck- und Verlags-AG will assume the printing of annabelle, Das Magazin, Facts and Schweizer Familie from Tamedia. In contrast, Der Landbote will be printed in Tamedia's own Bubenberg printing center in Zurich. The delivery organization, ZUVO, will take over delivery of Der Landbote in May 2005. The former delivery organization of the Der Landbote will therefore become a part of ZUVO. The job ad market of Tages

Anzeiger will be combined with Der Landbote twice weekly from 1 March 2005. Furthermore, Tamedia AG acquires a minority holding of 20 percent in Ziegler Druck- und Verlags-AG that will be accounted for on a proportional basis using the equity method.

Of this strategically extremely important acquisition, an impairment on goodwill of approximately CHF 3 million is expected. This negative impact should be already compensated in 2005 by the effect of the various cooperation contracts.

On January 24, 2005, Tamedia's subsidiary Express Zeitung AG has taken over the remaining 50.5 percent of 20 Minuten (Schweiz) AG, publisher of the free newspaper 20 Minuten, with retroactive effect from January 1, 2005. The original contract has foreseen for that takeover of the remaining shares in two further stages by the end of 2006. 20 Minuten (Schweiz) AG achieved turnover of more than CHF 60 million in 2004 and recorded a positive operating result. A 17.5 percent stake in Express Zeitung AG held by Berner Zeitung AG is still planned. However, the decision of the Appeals Commission of the Competition Commission is still pending. The share already held was accounted for on a proportional basis using the equity method. 20 Minuten (Schweiz) will be fully consolidated from January 1, 2005.

The purchase price for the three above-mentioned acquisitions is partially determined on a result-based calculation. The range of the cumulated purchase prices for the shares is estimated, on a provisional basis, to amount to between CHF 80 and 90 million. Together with the shares, long-term loans of approximately CHF 50 million were acquired and replaced by self-financing. The purchase prices in cash will be paid to a large degree using existing stock in cash and cash equivalents. Framework credit facilities that can be used for the financing for these acquisitions exist with Swiss banks.

No other 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 to 103) of Tamedia for the year ended December 31, 2004.

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 18, 2005

Ernst & Young Ltd

Yves Vontobel
Certified Accountant

Felix Ort
Certified Accountant
(in charge of the audit)

## Tamedia AG

### Income statement
in CHF 000

| | Note | 2004 | 2003 |
|---|---|---|---|
| Publishing revenues | | **410 235** | 412 634 |
| Printing revenues | | **28 541** | 32 802 |
| Gain on sales of operating assets | | **4 390** | 1 408 |
| Reversal of provisions not used | | **4 373** | 12 407 |
| Miscellaneous operating income | | **24 791** | 27 958 |
| Other operating revenues | | **33 554** | 41 773 |
| Changes in inventories | | **(293)** | 1 810 |
| **Operating revenues** | | **472 036** | 489 020 |
| Costs of material and services | 1 | **(91 663)** | (101 964) |
| Personnel expenses | | **(151 197)** | (204 746) |
| Other operating expenses | | **(129 575)** | (134 442) |
| **Operating income before depreciation** | | **99 600** | 47 868 |
| Depreciation and amortization | | **(16 062)** | (24 235) |
| **Operating income** | | **83 539** | 23 632 |
| Gain on sales of subsidiaries | | **0** | 438 |
| Miscellaneous financial income | | **17 762** | 17 584 |
| Financial income | | **17 762** | 18 022 |
| Financial expense | | **(3 984)** | (3 734) |
| Financial income, net | | **13 779** | 14 288 |
| **Income before extraordinary items** | | **97 317** | 37 921 |
| Extraordinary expense | | **(5 535)** | 0 |
| **Income before taxes** | | **91 782** | 37 921 |
| Taxes | | **(19 041)** | 1 170 |
| **Net income** | | **72 741** | 39 090 |

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

## Balance sheet

| **Assets**<br>in CHF 000, as of December 31 | Note | **2004** | 2003 |
|---|---|---|---|
| Cash and cash equivalents | | **110 806** | 30 848 |
| Marketable securities | | **633** | 663 |
| Trade accounts receivable | | | |
| from third parties, net of allowance for bad debts | | **55 189** | 64 665 |
| from related parties and shareholders | | **735** | 978 |
| from Group companies | | **6 341** | 2 175 |
| Trade accounts receivable | | **62 264** | 67 818 |
| Other accounts receivable | | | |
| from third parties | | **1 583** | 17 070 |
| from related parties and shareholders | | **1 359** | 5 353 |
| Other accounts receivable | | **2 941** | 22 423 |
| Accrued income and prepaid expenses | | | |
| from third parties | | **3 046** | 4 663 |
| from Group companies | | **1 684** | 1 768 |
| Accrued income and prepaid expenses | | **4 731** | 6 430 |
| Inventories | | **1 965** | 2 042 |
| **Current assets** | | **183 340** | 130 224 |
| Property, plant and equipment | 2 | **153 710** | 153 339 |
| Long-term investments | | | |
| Investments in subsidiaries, net of allowance | | **171 234** | 170 658 |
| Other long-term investments | | | |
| with third parties | | **4 315** | 5 076 |
| with related parties and shareholders | | **0** | 200 |
| with Group companies | | **32 225** | 38 065 |
| Long-term investments | | **207 774** | 213 998 |
| Intangible assets | | **6 488** | 8 700 |
| **Non-current assets** | | **367 972** | 376 037 |
| **Total assets** | | **551 312** | 506 262 |

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

## Liabilities and shareholders' equity

in CHF 000, as of December 31

| | Note | 2004 | 2003 |
|---|---|---|---|
| Current debt | | **4 304** | 4 942 |
| Trade accounts payable | | | |
| to third parties | | **19 685** | 34 118 |
| to related parties and shareholders | | **413** | 47 |
| to Group companies | | **3 630** | 4 120 |
| Trade accounts payable | | **23 728** | 38 285 |
| Other accounts payable | | | |
| to third parties | | **13 258** | 31 829 |
| to Group companies | | **2 486** | 9 710 |
| Other accounts payable | | **15 744** | 41 539 |
| Deferred revenues and accrued liabilities | | | |
| to third parties | | **119 887** | 1 170 |
| to Group companies | | **1 159** | 104 261 |
| Deferred revenues and accrued liabilities | | **121 046** | 105 432 |
| **Current liabilities** | | **164 823** | 190 197 |
| Long-term debt | | | |
| Other long-term liabilities | 3 | **9 142** | 14 218 |
| Long-term liabilities | 3 | **6 764** | 2 764 |
| Long-term debt | | **15 906** | 16 982 |
| Provisions | | **7 147** | 8 387 |
| **Long-term liabilities** | | **23 052** | 25 369 |
| **Total liabilities** | | **187 875** | 215 567 |
| Share capital | | **100 000** | 100 000 |
| Reserves | | | |
| General legal reserve | 4 | **50 000** | 50 000 |
| Reserve for treasury shares | | **558** | 558 |
| Free reserve | 5 | **140 137** | 101 047 |
| Retained earnings | | | |
| Balance brought forward | | **0** | 0 |
| Net income from current year | | **72 741** | 39 090 |
| Reserves | | **263 436** | 190 695 |
| **Shareholders' equity** | | **363 436** | 290 695 |
| **Total liabilities and shareholders' equity** | | **551 312** | 506 262 |

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 103. 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 Shareholders' 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 105 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, rooted in the parent company Tamedia AG, are listed below. For companies in which Tamedia AG has a holding see note 46 of the consolidated financial statements.

**Newspapers**
- SonntagsZeitung
- Tages-Anzeiger

**Magazines**
- annabelle
- Facts
- Schweizer Familie
- Spick (until December 31, 2004)

**Electronic Media**
- jobwinner.ch
- Tamedia Online
- TeleZüri

**Services**
- Customer Contact Center
- Production Services
- Tamedia Printing Press Center
- Werd Verlag

As most 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

**Note 1**

### Costs of material and services
in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Costs of material | **46 299** | 54 032 |
| Costs of services | **45 364** | 47 932 |
| **Total** | **91 663** | 101 964 |

## Notes to the balance sheet

**Note 2**

### Property, plant and equipment
in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Buildings and fixtures | **65 024** | 57 321 |
| Other property, plant and equipment | **88 686** | 96 018 |
| **Total** | **153 710** | 153 339 |

**Note 3**

### Long-term debt
in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Long-term loans payable to Group companies | **6 764** | 2 764 |
| Long-term loans leasing obligations | **9 142** | 14 218 |
| **Total** | **15 906** | 16 982 |

**Note 4**

### Changes in general legal reserve
in CHF 000

| | 2004 | 2003 |
|---|---|---|
| **Balance on January 1** | **50 000** | 50 000 |
| Allocation to legal reserve | **0** | 0 |
| **Balance on December 31** | **50 000** | 50 000 |

## Changes in free reserves

in CHF 000

Note 5

| | 2004 | 2003 |
|---|---|---|
| **Balance on January 1** | **101 047** | 65 856 |
| Allocation to free reserve | **39 090** | 34 955 |
| Transfer to reserve for treasury shares | **0** | 236 |
| **Balance on December 31** | **140 137** | 101 047 |

## Other notes

### Guarantees and assets pledged for the benefit of third parties

in CHF 000

Note 6

| | 2004 | 2003 |
|---|---|---|
| Joint and several guarantees | **650** | **650** |
| Guarantees | **keine** | keine |
| Guarantees for the benefit of Group companies | **14 750** | 13 900 |
| Deposit guarantees | **keine** | keine |
| Subordinated debt for Group companies | **6 440** | 5 790 |
| **Total** | **20 240** | 20 340 |
| of which provided for | **10 180** | 8 390 |

### Off-balance sheet transactions

in CHF 000

Note 7

| | 2004 | 2003 |
|---|---|---|
| **Forward contracts** | | |
| Contract volume | **26 570** | 56 364 |
| Fair value | **2 502** | 4 911 |
| Purchase commitments | **21 835** | 60 255 |

### Encumbrance of assets

in CHF 000

Note 8

| | 2004 | 2003 |
|---|---|---|
| Land and buildings, at net book value | **65 024** | 57 321 |
| Liens (mortgage notes), total nominal value | **87 350** | 87 350 |
| of which owned (freely available) | **(87 350)** | (87 350) |
| **Pledged as collateral** | **0** | 0 |
| Credit drawn, i.e. security granted for fixed advance | **0** | 0 |
| Marketable securities pledged as collateral for subscriptions | **905** | 843 |

**Note 9**

### Lease obligations

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Lease obligations (future commitments) | **16 862** | 19 732 |
| of which current | **5 263** | 5 269 |
| of which non-current | **11 599** | 14 463 |

**Note 10**

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

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Buildings | **164 772** | 164 772 |
| Machinery and furnishings (incl. inventories) | **411 400** | 448 500 |

**Note 11**

### Payables to pension funds

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Current account with Tamedia pension fund | **0** | 0 |
| Current account with other pension funds | **375** | 312 |

**Note 12**

### Change in hidden reserves

in CHF 000

| | 2004 | 2003 |
|---|---|---|
| Decrease in hidden reserves | **(12 987)** | (55 045) |

**Note 13**

### Investments

See note 46 of the consolidated financial statements.

**Note 14**

### Subsequent events

See note 50 of the consolidated financial statements.

## Proposal of the Board of Directors

The Board of Directors will recommend at the General Shareholders' Meeting on Mai 25, 2005 the retained earnings for the financial year 2004. These consist of:

| in CHF 000 | **2004** | 2003 |
|---|---|---|
| Net income (loss) | **72 741** | 39 090 |
| Balance brought forward | **0** | 0 |
| **Retained earnings** | **72 741** | 39 090 |

be allocated as follows:

| | | |
|---|---|---|
| Payment of dividend [1] | **15 000** | **0** |
| Allocation to general legal reserve | **0** | 0 |
| Allocation to free reserve | **57 741** | **39 090** |
| **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, 2005

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 105 to 112) of Tamedia AG for the year ended December 31, 2004.

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 18, 2005

Ernst & Young Ltd

Yves Vontobel
Certified Accountant

Felix Ort
Certified Accountant
(in charge of the audit)