tamedia:

Letter to the Shareholders' First-Half Report 2004

Zurich, August 19, 2004

Dear Shareholders
Dear Colleagues
Dear Friends and Partners of Tamedia Group

The interim report of Tamedia for the first six months of 2004 reflects a more pleasing picture again, in spite of another slight decline in print-advertising volumes. While operating revenues decreased by 4.2% to CHF 278.4 million, operating income before depreciation and amortization (EBITDA) surged by 269.1% to CHF 43.6 million (previous year: CHF 11.8 million). For the first half of 2004, Tamedia reports a consolidated profit of CHF 18.0 million (previous year: loss of CHF 3.8 million). The EBITDA margin rose to 15.6% (previous year: 4.1%). For the first time, all four divisions reported a positive EBITDA margin.

These developments show that the restructuring in various divisions – which was announced last year and has largely been completed – has already had a positive impact on the cost structure. The number of employees was reduced from 1,940 at the end of June 2003 to 1,665 at the end of June 2004.

Even though the economy is gaining strength, Tamedia does not yet expect revenues to rise considerably in the second half of 2004. In light of the slow improvement of the labor market, job advertisements are not forecast to make a quick recovery, either. Nevertheless, the positive trend on the operational level should continue in the second half.

Segment reporting; first half of 2004 vs. first half of 2003

in CHF million	Newspapers	Magazines	Electronic Media	Services	Eliminations	Total Result
As of 06/30/2004						
Revenues Third parties	171.0	46.7	24.3	36.5	0.0	**278.4**
Revenues Inter company	1.7	0.2	1.0	64.7	(67.7)	**0.0**
Operating revenues	**172.7**	**46.9**	**25.3**	**101.2**	**(67.7)**	**278.4**
Operating expenses	**(145.0)**	**(43.2)**	**(25.1)**	**(89.3)**	**67.7**	**(234.8)**
Operating income before depreciation and amortization (EBITDA)	**27.7**	**3.7**	**0.2**	**11.9**	**0.0**	**43.6**
Depreciation and amortization	(4.6)	(0.2)	(4.0)	(12.6)	0.0	**(21.5)**
Operating income (EBIT)	**23.1**	**3.5**	**(3.8)**	**(0.8)**	**0.0**	**22.1**
As of 06/30/2003*						
Revenues Third parties	175.9	51.5	23.6	39.7	0.0	**290.6**
Revenues Inter company	0.9	0.3	0.3	82.0	(83.5)	**0.0**
Operating revenues	**176.8**	**51.8**	**23.8**	**121.8**	**(83.5)**	**290.6**
Operating expenses	**(165.4)**	**(62.5)**	**(26.5)**	**(108.0)**	**83.5**	**(278.8)**
Operating income before depreciation and amortization (EBITDA)	**11.4**	**(10.7)**	**(2.7)**	**13.8**	**0.0**	**11.8**
Depreciation and amortization	(5.3)	(0.4)	(4.8)	(12.4)	0.0	**(22.9)**
Operating income (EBIT)	**6.1**	**(11.1)**	**(7.5)**	**1.4**	**0.0**	**(11.1)**

* The comparative figures of the first half of 2003 are based on the same principles applied to the first-half results of 2004. They therefore differ from the interim report released in 2003. A comparison with the first-half results published in August 2003 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.

The figures shown in this report have been rounded. Since the actual calculations are done with greater precision, there may be slight differences.

Newspapers

In the Newspaper division, the slight decline in commercial, classified and job advertisements resulted in a 2.3% decrease in revenues to CHF 172.7 million. Yet operating income before depreciation and amortization rose by 142.4% to CHF 27.7 million. This rise can above all be attributed to the successful restructuring. Furthermore, the 2003 result contained costs related to the commuter paper "Express", which was not launched.

Revenues at "**Tages-Anzeiger**" (incl. "Stellenmarkt" and "Alpha") declined by CHF 2.0 million, or 1.8%, to CHF 108.6 million.

"SonntagsZeitung" was unable to fully match last year's good result. Revenues decreased by CHF 1.7 million, or 4.4%, to CHF 37.2 million.

"Finanz und Wirtschaft" generated revenues of CHF 10.6 million, a slip of CHF 0.2 million, or 1.9%, over the previous-year period.

The switch from **"ZürichExpress"** to **"Tagblatt der Stadt Zürich"** in June 2003 resulted in a decline in revenues of CHF 1.4 million, or 15.3%, to CHF 7.5 million.

Tamedia's shareholdings in **"Berner Zeitung"** and **"20 Minuten"** are recorded proportionally in accordance with the equity method. They contribute to the share in earnings in affiliated companies.

Magazines

Even though revenues at the Magazines division fell by another 9.5% to CHF 46.9 million, EBITDA improved to CHF 3.7 million. The division for the first time reported a positive EBIT. As considerable restructuring costs weighed on the first half of 2003, the first six months of 2004 showed a clear improvement in terms of costs. The absence of "annabelle business", "annabelle wohnen" and "du" also had a positive impact on results. Due to the sale of cultural magazine "du", revenues were down by CHF 1.3 million compared with the first half of 2003.

Despite the absence of **"annabelle business"** and **"annabelle wohnen"**, women's magazine **"annabelle"** saw revenues decline by no more than CHF 0.8 million, or 5.4%, to CHF 13.7 million.

"Facts" reported revenues of CHF 11.3 million, representing another drop of CHF 3.2 million, or 22.0%, over the previous-year period.

"Schweizer Familie" managed to achieve another slight year-on-year improvement in revenues: a rise of CHF 0.7 million, or 4.2%, to CHF 18.5 million.

Electronic Media

The Electronic Media division raised revenues by 6.3% to CHF 25.3 million in the first half. EBITDA, which was negative last year, improved considerably in the period under review. For the first time, it rose to a positive level of CHF 0.2 million. This improvement was not only due to the revenue growth but also to cost-related measures.

Radio 24 and **TeleZüri** generated first-half revenues of CHF 13.3 million, a rise of CHF 2.4 million, or 21.7%, on the year. Both media were able to further extend their coverage from the previous-year period, strengthening their already solid positions.

Radio Basilisk reported revenues that were CHF 0.3 million, or 7.5%, lower than last year, coming in at CHF 3.5 million. Both its market share and coverage declined slightly.

Condor Communications saw revenues fall by CHF 2.2 million, or 33.3%, to CHF 4.4 million. While the Corporate and Commercial divisions are developing in line with expectations, the Entertainment division is feeling the absence of a large order.

Revenues of the **online activities** surged by 1.8 million, or 71.0%, to CHF 4.3 million.

Services

The Services division primarily comprises printing and distribution activities, both for third-party and own products. Revenues including internal orders fell by 16.9% to CHF 101.2 million. In addition to the development of the economy, which again left clear marks externally and internally, the sale of BD Bücherdienst and ARO took revenues lower. The sale of Tamedia's holding in BD Bücherdienst as of September 25, 2003, thus resulted in the absence of book-distribution revenues of CHF 2.6 million in the first six months of this year. Compared with the first half of 2003, EBITDA declined to CHF 11.9 million.

The **Waser Druck** unit, active in sheet printing, was integrated into **Meier Waser Druck** at the end of 2003. This 50% holding made a first-time contribution of CHF 3.8 million to revenues. In the first half of 2003, **Waser Druck** achieved revenues of CHF 5.2 million.

Lettershop **Regor** suffered a 13.5% decline in revenues to CHF 3.4 million. **Werd Verlag,** however, generated a 3.1% rise in revenues to CHF 2.7 million.

Notes on the financial reporting of Tamedia Group in the first half of 2004

Accounting Principles

The unaudited consolidated interim financial statement as of June 30, 2004 was prepared in accordance with the International Accounting Standard (IAS) 34, Interim Reporting. It conforms with the accounting principles outlined in the 2003 annual report.

In the first half of 2004, the International Accounting Standards Board (IASB) published a number of revised or new standards (IFRS) and reporting guidelines. Tamedia will introduce these changes as of January 1, 2005. At present, the possible effects of these changes on the group accounting principles are being examined.

Changes in Group Companies

The group companies remained unchanged in the first half of 2004.

Segment Information

Due to the profit-center structure, internal services are now calculated at market prices. The comparative numbers of the first half of 2003 are reported on the basis of the same principles as the numbers of the first half of 2004. Consequently, they differ from the numbers published in August 2003. A year-on-year comparison is therefore not meaningful.

Operating Income

Additional information regarding the operating income of each division and the individual products is provided under segment information.

Discontinued Operations

The only discontinued operation is TV3. The decision to liquidate TV3 was taken in December 2001. No further costs related to this liquidation were incurred in the first half of 2004. Tamedia has requested that the company be deleted from the commercial registry.

Capital and Asset Structure

Total assets rose from CHF 594.7 million by CHF 8.2 million to CHF 602.9 million in the first six months of 2004. The equity ratio improved to 55.6% from 53.6%. Shareholders' equity amounted to CHF 335.1 million as of June 30, 2004, up CHF 16.4 million, or 5.1%, from January 1, 2004. This increase is due not only to the first-half net income, but also to a CHF 1.4 million decline in the fair market values (net after tax) of the accounting hedges.

The decline in short-term debt capital by CHF 5.1 million to CHF 200.2 million is the result of lower trade accounts payable (–41.9%) and the other current payables (–22.5%). The latter can be attributed in particular to a decline in short-term restructuring provisions. In contrast, deferred revenues and accrued liabilities (+17.5%) showed a seasonal increase.

Long-term liabilities fell by CHF 3.0 million to CHF 67.6 million, a decline that resulted from lower long-term debt (–10.9%) and provisions for deferred taxes (–2.2%).

Assets were higher largely as a result of an increase in current assets, which rose by CHF 27.3 million to CHF 214.1 million, reflecting a rise of CHF 23.4 million in cash and cash equivalents. Non-current assets declined by CHF 19.1 million to CHF 388.7 million. Looking at tangible and intangible assets, investments amounted to CHF 6.1 million, while depreciation totaled CHF 21.5 million. Moreover, holdings in associated companies and other financial assets declined by a combined CHF 3.8 million, while deferred taxes rose by CHF 0.3 million.

The review of goodwill on potential impairment did not give grounds for additional value adjustments. The planned depreciation of goodwill will continue until the end of 2004. IFRS 3 (Business Combinations) will not be implemented early.

Sincerely,

Dr. Hans Heinrich Coninx
Chairman of the Board

Martin Kall
Chief Executive Officer

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Consolidated Income Statement

	06/30/2004	06/30/2003	in CHF million
Operating revenues	**278.4**	290.6	
Operating expenses	**(234.8)**	(278.8)	
Operating income before depreciation and amortization (EBITDA)	**43.6**	11.8	
Depreciation and amortization	**(21.5)**	(22.9)	
Operating income (EBIT)	**22.1**	(11.1)	
Share in earnings in associated companies	**2.1**	2.4	
Other financial income	**0.4**	1.2	
Income before taxes	**24.5**	(7.6)	
Taxes	**(6.6)**	3.0	
Income including minority interests	**17.9**	(4.6)	
Minority interests in net income	**0.1**	0.7	
Income from continuing operations	**18.0**	(3.9)	
Discontinuing operations	**0.0**	0.1	
Net income (loss)	**18.0**	(3.8)	

			in CHF
Earnings per share			
Net income (loss) per share (undiluted)	**1.80**	(0.38)	
Net income (loss) per share (diluted)	**1.80**	(0.38)	

Consolidated Balance Sheet

	06/30/2004	12/31/2003	in CHF million
Current assets	**214.1**	186.9	
Non-current assets	**388.7**	407.8	
Total assets	**602.9**	594.7	
Current liabilities	**200.2**	205.3	
Longterm liabilities	**67.6**	70.6	
Total liabilities	**267.7**	275.9	
Consolidated shareholders' equity	**335.2**	318.6	
Minority interests in equity	**(0.1)**	0.1	
Shareholders' equity	**335.1**	318.7	
Total liabilities and shareholders' equity	**602.9**	594.7	

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Consolidated Cash Flow Statement

	06/30/2004	06/30/2003	in CHF million
Cash flow from operating activities	**29.0**	16.1	
Cash flow from other ordinary activities	**1.3**	5.1	
Cash flow from continuing operations	**30.3**	21.2	
Discontinuing operations	**0.0**	0.1	
Cash flow from operations	**30.3**	21.3	
Cash flow from investment activities*	**(4.7)**	(24.2)	
Cash flow after investment activities	**25.6**	(2.9)	
Cash flow from financing activities*	**(2.2)**	(20.2)	
Change in cash and cash equivalents	**23.4**	(23.1)	
Cash and cash equivalents as of January 1	**64.9**	99.5	
Cash and cash equivalents as of June 30	**88.4**	76.4	
Change in cash and cash equivalents	**23.4**	(23.1)	

* The comparative figures from the first half of 2004 differ from the first-half report published in 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). They are now stated as cash flow from investment activities.

Consolidated Statement of Change in Shareholders´ Equity

	Share capital	Treasury shares	**Reserves**	**Consolidated shareholders' equity**	Minority interests in equity	**Shareholders' equity**	
As of 12/31/2003	**100.0**	**(0.6)**	**219.2**	**318.6**	**0.1**	**318.7**	in CHF million
Dividends paid	**0.0**	0.0	**0.0**	**0.0**	(0.1)	**(0.1)**	
Net income	**0.0**	0.0	**18.0**	**18.0**	(0.1)	**17.9**	
Net adjustment of financial assets to market values	**0.0**	0.0	**(1.4)**	**(1.4)**	0.0	**(1.4)**	
As of 06/30/2004	**100.0**	**(0.6)**	**235.8**	**335.2**	**(0.1)**	**335.1**	