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Letter to the Shareholders´ First-Half Report 2005

Zurich, August 26, 2005

Dear Shareholders
Dear Colleagues
Dear Friends and Partners of Tamedia

Following a good result in 2004, Tamedia was also to continue its pleasing development in the first six months of 2005. Operating revenues rose by 14.3 per cent to CHF 321.0 million. The operating income before depreciation and amortization (EBITDA) saw a disproportionately high increase of 42.6 per cent, bringing it to CHF 62.1 million. The EBITDA margin is now 19.4 per cent (previous year: 15.5 per cent). For the first time, all four divisions are reporting positive operating income (EBIT). Compared with the first six months of 2004, EBIT increased by 131.0 per cent to reach CHF 50.9 million. The margin has doubled and is now 15.9 per cent. In the first half of 2005, Tamedia reports consolidated profit of CHF 41.8 million (previous year: CHF 17.9 million).

Given that expenditure on advertising remains at a low level with only a marginal recovery in the job advertising market, Tamedia is not expecting a significant rise in revenues during the second half of 2005. Nevertheless, operating income is set to maintain its positive trend in the second half as well.

Segment reporting: first half of 2005 and comparison with first half of 2004

in CHF million	Newspapers	Magazines	Electronic Media[2]	Services	Eliminations	**Total Result**
As of 06/30/2005						
Revenues – third parties	221.2	43.8	24.2	31.8	0.0	**321.0**
Revenues – inter company	0.7	0.2	1.3	69.7	(71.9)	**0.0**
Operating revenues	**221.8**	**44.1**	**25.5**	**101.5**	**(71.9)**	321.0
Operating expenses	**(182.9)**	**(41.6)**	**(22.1)**	**(84.1)**	**71.9**	(258.9)
Operating income before depreciation and amortization (EBITDA)	**38.9**	**2.5**	**3.4**	**17.3**	**0.0**	**62.1**
Operational depreciation and amortization	(1.9)	(0.1)	(0.5)	(8.7)	0.0	(11.2)
EBIT	**37.0**	**2.4**	**2.9**	**8.6**	**0.0**	**50.9**
As of 06/30/2004[1]						
Revenues Third parties	171.0	46.7	26.6	36.5	0.0	**280.8**
Revenues Inter company	1.7	0.2	1.0	64.7	(67.7)	**0.0**
Operating revenues	**172.7**	**46.9**	**27.7**	**101.2**	**(67.7)**	**280.8**
Operating expenses	**(145.0)**	**(43.2)**	**(27.4)**	**(89.3)**	**67.7**	**(237.2)**
Operating income before depreciation and amortization (EBITDA)	**27.7**	**3.7**	**0.2**	**11.9**	**0.0**	**43.6**
Operational depreciation and amortization	(4.1)	(0.1)	(3.9)	(13.4)	0.0	**(21.5)**
EBIT	**23.6**	**3.6**	**(3.7)**	**(1.5)**	**0.0**	**22.1**

1 The comparative figures for the first half of 2004 are based on the same principles as those for the first half of 2005. They therefore differ from the last published half-yearly results (for 2004) in respect of the depreciation and amortization. This position is now also calculated in accordance with the profit-center structure. In previous reports, it was split directly among the segments.
2 In the Electronic Media division, the information for the previous year was the subject of a restatement (as already mentioned in the Annual Report for 2004), and both revenues and operating expenses were increased by CHF 2.4 million. This adaptation is due to barter transactions (media partnerships), which had not been recorded to the extent mentioned.
The figures shown in all the tables are rounded. Since the calculations are carried out with greater precision, there may be slight differences due to rounding.

Newspapers

After 20 Minuten was consolidated for the first time and thanks to increased revenues for “Alpha” executive job market and for “Magazin”, operating revenues rose by 28.4 per cent to reach CHF 221.8 million. Operating income before depreciation and amortization (EBITDA) rose by 40.5 per cent to CHF 38.9 million. The costs of launching “Car4you-Zeitung” and for the first regional edition of the “Tages-Anzeiger” were easily over-compensated by “20 Minuten”, “Alpha”, “Magazin” and “SonntagsZeitung”. Operating income (EBIT) rose by 56.7 per cent to CHF 37.0 million. Accordingly, the Newspapers division is contributing 72.6 per cent share of the result.

Magazines

Not least due to the sale of the children’s magazine “Spick”, the Magazines division had to accept a decline in revenues of 6.0 per cent, bringing the figure to CHF 44.1 million. In particular due to increased production costs, the EBITDA and EBIT fell by about one third to CHF 2.5 million and CHF 2.4 million respectively. Although the climate in the advertising market continues to be difficult, the division was able to keep well in the black.

Electronic media

The Electronic Media division was able to boost revenues from its core business. Following the sale of Condor, which was still contributing revenues of CHF 4.4 million in the same six-month period of the prior year, the first half of 2005 however saw revenues falling by CHF 2.2 million or almost 8 per cent to reach CHF 25.5 million. Mainly TeleZüri contributed towards the marked increase in EBITDA from 0.2 to CHF 3.4 million. Although the year-end closing statement for 2004 still showed a negative figure of CHF 5.6 million for the EBIT, Electronic Media already managed to achieve a turnaround in the first half of 2005, putting them to a positiv result of CHF 2.9 million and allowing them to achieve an EBIT margin of 11.4 per cent.

Services

Despite the sales of Regor (CHF 3.4 million) and Werd Verlag (CHF 2.3 million), the Services division was able to maintain revenues of CHF 101.5 million. Not least, this was thanks to higher revenue and improved capacity utilization in the Bubenberg printing centre. The marked improvement in the EBITDA to CHF 17.3 million (previous year: CHF 11.9 million) can be attributed not only to higher print volumes at Bubenberg but also to the sale of the Waser Druck properties and the release of provisions amounting to CHF 2.5 million from the social plan, which proved no longer necessary.

Notes on the financial reporting of Tamedia Group in the first half of 2005

Accounting Principles

The unaudited consolidated half-year financial statement as of June 30 2005 was prepared in accordance with International Accounting Standard (IAS) 34, “Interim Reporting”. It conforms to the accounting principles outlined in the 2004 annual report and to the new and revised standards introduced as of January 1, 2005.

No detailed list of the new standards and the revised versions of existing standards is given here. Among the new accounting rules, only Standard IFRS 3, “Business Combinations” had any fundamental effect on the consolidated statement of accounts. This standard introduces the new assumption that goodwill has an infinite effective lifetime and accordingly, it is no longer depreciated as planned. Depreciations on goodwill are only reported on basis of the annual impairment test in the 2005 consolidated accounts. The half-year financial statement as of June 30 2004 still contained planned depreciations on goodwill amounting to CHF 5.0 million.

In the first half of 2005, the International Accounting Standards Board (IASB) did not publish any revised or new standards (IFRS).

Changes in Group Companies

The following changes to the Group Companies occurred in the first half of 2005.

20 Minuten (Schweiz) AG	On January 24, 2005, Express Zeitung AG took over the remaining 50.5 per cent of 20 Minuten (Schweiz) AG, the publisher of the commuter newspaper "20 Minuten", with retroactive effect as of January 1, 2005. The costs of this acquisition amount to CHF 108.6 million in cash, including CHF 59.6 million for the shares taken over and CHF 49.0 million for loans and accumulated interest.
Basilisk Medienverlag AG	The company was merged with Medag AG für Medienarbeit with retroactive effect as of January 1, 2005.
Condor Communications AG **Condor Communications GmbH**	With retroactive effect as of January 1, 2005, the 70 per cent share in Condor Communications AG and its subsidiary Condor Communications GmbH was sold.
Regor AG	As of January 1, 2005, Regor AG (active in the Lettershop sector) was sold.
TV3 AG in Liquidation	The liquidation of TV3 AG has been completed – the company was deleted from the Commercial Register as of May 27, 2005.

Operating Income

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

As compared with the first half of 2004, depreciations fell by CHF 10.3 million to CHF 11.2 million. Of this sum, CHF 5.0 million were accounted for by the elimination of the planned goodwill depreciations due to the introduction of IFRS 3. The other reductions can be attributed to lower depreciations on machinery and plant in connection with the partial commissioning of the new newspaper printing machines (CHF −3.0 million), the outsourcing of IT and the magazine converting facility, together with the sales of Condor and Regor.

The share of earnings in associated companies fell by 2.5 CHF million to CHF −0.4 million in the first half of 2005. This development is essentially due to an impairment on the holding in Ziegler Druck- und Verlags-AG, which was already announced in the 2004 annual report and whose amount was only determined on a provisional basis. In addition, the revenues of the existing associated companies proved to be somewhat lower than in the previous year.

The other financial income increased by CHF 2.0 million to reach CHF 2.4 million. The key contributory factors in this increase were the proceeds from sales of the holdings in Condor, Regor and the "Anzeiger von Uster".

The effective tax rate fell from 26.9 to 20.9 per cent. This is due not only to the change in the taxation rate in the Canton of Zurich but also to the elimination of the goodwill depreciations which were not tax-deductible.

Capital and Asset Structure

In the first six months of 2005, total assets reported on the balance sheet rose by CHF 50.1 million, from CHF 607.6 million to CHF 657.7 million. This increase is largely due to the consolidation of 20 Minuten for the first time. The equity ratio is 59.8 per cent (60.5 per cent). In the first half of 2005, shareholders' equity rose by CHF 25.4 million or 6.9 per cent to CHF 393.1 million. Alongside the positive consolidated result for the first half of 2005, factors contributing to this change were the payment of a dividend of CHF 15.0 million, items no longer included in the consolidated entity amounting to CHF 0.9 million, and the reduction in the fair market values (net after tax) of the accounting hedges by CHF 0.5 million.

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On the asset side of the balance sheet, the increase in non-current assets by CHF 125.1 million to 495.3 million is offset by a decrease in the current assets of CHF 74.9 million, bringing them to CHF 162.5 million. The largest change in the current assets occurred in the cash and cash equivalents, which fell by a total of CHF 98.3 million due mainly to the investments in 20 Minuten and the holding in Ziegler Druck- und Verlags-AG. The increase in trade debtors (CHF 22.3 million or 28.0 per cent) is essentially due to the consolidation of 20 Minuten. The increase in the other receivables (CHF 4.2 million or 120.6 per cent) was caused mainly by premiums paid in advance to old-age and social pension schemes.

The increase in non-current assets is mostly due to the intangible assets including goodwill (CHF 98.1 million or 140.2 per cent) and deferred tax assets (CHF 8.7 million or 142.5 per cent), resulting mainly from the consolidation of 20 Minuten. Holdings in associated companies also reported a remarkable increase (CHF 18.1 million or 289.8 per cent), primarily as a consequence of the acquisition of a minority holding in Ziegler Druck- und Verlags-AG. Looking at the tangible assets, investments of CHF 11.7 million (mostly related to the new newspaper printing machines) were offset by depreciations and amortizations of CHF 9.4 million. Moreover, the sale of the Waser Druck AG property reduced the portfolio of properties not used for operational purposes by CHF 2.2 million.

The examination of goodwill on possible reductions in value (impairment) did not result in additional need for depreciation.

The increase in current liabilities by CHF 22.4 million to 205.0 million occurred because of the increase in trade accounts payable (CHF 4.3 million or 15.3 per cent) as well as the higher total of current tax payables (CHF 11.1 million or 107.9 per cent). On the other hand, the other current payables fell (CHF −3.4 million or 22.1 per cent). Deferred revenues and accrued liabilities (CHF 10.8 million or 8.7 per cent) reported an increase for seasonal reasons.

The long-term liabilities rose by CHF 2.3 million to 59.7 million. The increases in accrued pension obligations (CHF 4.5 million or 100 per cent) and long-term provisions (CHF 1.0 million or 14.5 per cent) were offset here by a decline in long-term debt (CHF 2.0 million or 14.3 per cent). The pension obligations which are newly reported on the liabilities side are mainly due to the acquisition of 20 Minuten and to changes in existing pension plans, which therefore had to be reported according to IAS 19 for the first time.

Sincerely,

Dr. Hans Heinrich Coninx
Chairman of the Board

Martin Kall
Chief Executive Officer

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Consolidated Income Statement

	06/30/2005	06/30/2004[1]	in CHF million
Operating revenues	**321.0**	280.8	
Operating expenses	**(258.9)**	(237.2)	
Operating income before depreciation and amortization (EBITDA)	**62.1**	43.6	
Depreciation and amortization	**(11.2)**	(21.5)	
Operating income (EBIT)	**50.9**	22.1	
Share of earnings in associated companies	**(0.4)**	2.1	
Other financial income	**2.4**	0.4	
Income before taxes	**52.9**	24.5	
Taxes	**(11.1)**	(6.6)	
Net income (Group)	**41.8**	17.9	
of which			
Tamedia shareholders' interests	**41.7**	18.0	
Minority interests	**0.1**	(0.1)	

Earnings per share			
Net income (loss) per share (undiluted)	**4.18**	1.80	in CHF
Net income (loss) per share (diluted)	**4.18**	1.80	

1 In the Electronic Media division, the information for the previous year was the subject of a restatement, and both revenues and operating expenses were increased by CHF 2.4 million. This adaptation is due to counterdeals (media partnerships), which had not been recorded to the extent previously mentioned.

Consolidated Balance Sheet

	06/30/2005	12/31/2004	in CHF million
Current assets	**162.5**	237.4	
Non-current assets	**495.3**	370.2	
Total assets	**657.7**	607.6	
Current liabilities	**205.0**	182.6	
Long-term liabilities	**59.7**	57.3	
Total liabilities	**264.6**	239.9	
Consolidated shareholders' equity	**392.7**	366.7	
Minority interests in equity	**0.4**	1.0	
Shareholders' equity	**393.1**	367.7	
Total liabilities and shareholders' equity	**657.7**	607.6	

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Consolidated Cash Flow Statement

	06/30/2005	06/30/2004	in CHF million
Cash flow from operating activities	**52.9**	29.0	
Cash flow from other ordinary activities	6.9	1.3	
Cash flow from operations	**59.8**	30.3	
Cash flow from investment activities	(142.4)	(4.7)	
Cash flow after investment activities	**(82.6)**	25.6	
Cash flow from financing activities	(15.7)	(2.2)	
Change in cash and cash equivalents	**(98.3)**	23.4	
Cash and cash equivalents as of January 1	**140.3**	64.9	
Cash and cash equivalents as of June 30	**42.0**	88.4	
Change in cash and cash equivalents	**(98.3)**	23.4	

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**	
As of 12/31/2004	**100.0**	**(0.6)**	**267.3**	**366.7**	**1.0**	**367.7**	in CHF million
Dividends paid	**0.0**	0.0	**(15.0)**	**(15.0)**	(0.2)	**(15.2)**	
Net income	**0.0**	0.0	**41.7**	**41.7**	0.1	**41.8**	
Change in consolidated entity	**0.0**	0.0	**(0.5)**	**(0.5)**	(0.4)	**(0.9)**	
Sale of treasury shares	**0.0**	0.2	**0.0**	**0.2**	0.0	**0.2**	
Net adjustment of financial assets to market values	**0.0**	0.0	**(0.5)**	**(0.5)**	0.0	**(0.5)**	
As of 06/30/ 2005	**100.0**	**(0.4)**	**293.1**	**392.7**	**0.4**	**393.1**	