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Letter to the Shareholders´ Semi-Annual Report 2003

Zurich, August 21, 2003

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

The interim report of Tamedia for the first six months of 2003 reflects the decrease in advertising volumes brought about by the downturn in the economy and another sharp setback in job advertisements. Operating income (revenues) decreased by 13.5% to 290.6 million CHF, while operating income before depreciation and amortization (EBITDA) fell by 74.3% to 11.8 million CHF (previous year: 45.9 million CHF). For the first six months of 2003, Tamedia reports a consolidated loss of 3.8 million CHF (previous year: net income of 26.9 million CHF) with an EBITDA margin of 4.1% (previous year: 13.7%).

The step-by-step cost reduction program related to the restructuring efforts in the Magazine division announced in June will not take effect until next year. The special charges related to guaranteed payments of 9.3 million CHF, payable between 2003 and 2005 to the employees affected by the restructuring and other associated expenses in the amount of 2.1 million CHF were fully taken in the first six months of 2003.

We do not expect the economy to recover in the second part of 2003. Advertising volumes are likely to remain at a low level. In view of the continued negative developments in the job market, we do not anticipate an improvement in job advertisements. The optimization analyses focusing on the Newspaper division and overhead will be finalized during the second half of 2003. Tamedia is expecting a loss for fiscal year 2003.

Segment Information first six months 2003 vs. first six months 2002

In CHF million	Newspapers	Magazines	Electronic Media	Services	Not allocable	Eliminations	Total Group
As of 06/30/2003							
Third parties	175.9	51.5	17.0	46.2	0.0		290.6
Intercompany				73.8	0.0	(73.8)	0.0
Operating revenues	**175.9**	**51.5**	**17.0**	**120.1**	**0.0**	**(73.8)**	**290.6**
Operating expenses	**(152.6)**	**(59.0)**	**(19.8)**	**(121.3)**	**(0.0)**	**73.8**	**(278.8)**
Operating income before depreciation and amortization (EBITDA)	**23.3**	**(7.5)**	**(2.8)**	**(1.2)**	**0.0**		**11.8**
Depreciation and amortization	**(12.1)**	**(2.4)**	**(5.0)**	**(3.0)**	**(0.4)**		**(22.9)**
Operating income (EBIT)	**11.2**	**(9.9)**	**(7.8)**	**(4.2)**	**(0.4)**		**(11.1)**
As of 06/30/2002*							
Third parties	213.6	56.7	11.1	54.5	0.0		335.9
Intercompany				91.2	0.0	(91.2)	0.0
Operating revenues	**213.6**	**56.7**	**11.1**	**145.8**	**0.0**	**(91.2)**	**335.9**
Operating expenses	**(158.9)**	**(57.3)**	**(19.5)**	**(145.4)**	**(0.0)**	**91.2**	**(290.0)**
Operating income before depreciation and amortization (EBITDA)	**54.7**	**(0.6)**	**(8.4)**	**0.4**	**0.0**		**45.9**
Depreciation and amortization	**(12.7)**	**(2.4)**	**(4.9)**	**(2.5)**	**(0.4)**		**(23.0)**
Operating income (EBIT)	**42.0**	**(3.1)**	**(13.4)**	**(2.1)**	**(0.4)**		**22.9**

* For comparison purposes, the 2002 figures were reclassified in accordance with the principles applied in 2003. Therefore, they differ from the 2002 interim report published last year. A comparison with the results of the previous 6 months would not be useful because of the reorganization completed in the summer of 2002.

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Newspapers

Commercial advertising, classifieds and job advertisements have steadily declined in the past two years and resulted in another significant decrease in revenues in the Newspaper division. Operating income as of June 30, 2003 fell by 17.7% to 175.9 million CHF. Operating income before depreciation (EBITDA) was reduced by 57.4% to 23.3 million CHF.

The **"Tages-Anzeiger"** (incl. "Stellen-Anzeiger" and "Alpha") was particularly affected and suffered a decrease in revenues by 21.0% to 110.4 million CHF for the reporting period.

One year after the emergence of another competitor, the **"SonntagsZeitung"** was able to maintain its market share. Even in this competitive environment, the paper held on to its position and achieved an increase in revenues by 1.8% to 38.5 million CHF despite the challenging conditions.

"Finanz und Wirtschaft" was unable to escape the negative trend among financial newspapers and reported a 23.8% decrease in revenues to 10.8 million CHF, which is primarily attributable to the weak advertising market.

At the end of May, **"ZürichExpress"** was published for the last time in its old format. It was subsequently replaced by the new **"Tagblatt der Stadt Zürich".** Revenues decreased by 30.6% to 8.9 million CHF.

At the end of March, Tamedia announced a gradual take-over of "20 Minuten". Subject to the approval of the regulatory authorities, Express Zeitung AG will take over 49.5% of 20 Minuten Schweiz AG in a first step during the second half of 2003. The acquisition is expected to be completed by the end of 2006. The shares of Express Zeitung AG are held by Tamedia AG (82.5%) and Berner Zeitung AG (17.5%).

Magazines

Revenues in the Magazine division fell by 9.2% to 51.5 million CHF. The EBITDA was set back to (7.5) million CHF due to the restructuring charges. Approx. 140 jobs will be eliminated in the Magazine division as a result of the realignment announced in June.

"annabelle", the women's magazine, reported revenues of 14.4 million CHF, representing a decrease of 1.3 million CHF or 8.5%.

Compared to the previous year, **"Facts"** saw a 3.0 million CHF drop in revenues (−17.3%) to 14.4 million CHF.

The take-over of the subscribers to "Meyer's" by **"Schweizer Familie"** had a positive effect. Revenues of 17.6 million CHF represent a slight increase of 0.1 million CHF (0.4%) compared with the same period last year.

Electronic Media

The Electronic Media division achieved a 53.4% increase in revenues to 17.0 million CHF in the first six months of 2003. The negative EBITDA of 2.8 million CHF, a plus of 67.1%, had also improved considerably compared with the previous year.

During the first six months, **"Radio 24"** and **"TeleZüri"** generated revenues of 10.6 million CHF, representing an increase of 1.7 million CHF (18.4%). While both radio coverage and revenues fell slightly below the levels of the previous year, TV-related activities achieved a marked improvement in both segments.

"Radio Basilisk", which was acquired by Tamedia last fall, contributed additional revenues of 3.9 million CHF in the first six months of 2003.

Revenues generated by **Online** activities rose by 0.4 million CHF (20.5%) to 2.5 million CHF.

Services

The Services division, consisting primarily of printing and distribution, including those for third parties, was also adversely affected by the weak economy, as reflected by the order volumes. Revenues, including internal orders, were down by 17.6% to 120.1 million CHF. While EBITDA was slightly positive as of June 30, 2002, a negative amount of 1.2 million CHF was reported after the first six months of 2003. Lettershop **Regor** was able to increase revenues by approx. 7.7% compared to the same period last year. **BD Bücherdienst** also reported higher revenues by 11.4%, but **Waser Druck** suffered a setback of 11.2%. The 39.1% decline in revenues reported by **Werd Verlag** is primarily due to the successful sale of the Swiss Expo guide last year. **Condor Communications** reported revenues of 6.6 million CHF, down 4.9 million CHF or 42.7%. The significant drop is attributable to a large order received during the same period in the previous year.

Notes to the Semi-Annual Financial Report 2003 of Tamedia Group

Accounting Principles

The un-audited consolidated interim financial statements as of June 30, 2003 were prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Reporting" and in conformance with the accounting principles outlined in the 2002 annual report.

To allow a better understanding of the income and earnings situation of Tamedia Group, excluding TV3, operative performance and expenses related to the closure of TV3 will continue to be included in the income statement under "Discontinued Operations".

Changes in the Group Companies

Except for the mergers within the existing group listed below, the group companies remained unchanged in the first six months of 2003:

Mergers
Telezüri AG and Tamedia AG
Belcom AG and Belcom Holding AG
(subsequently renamed Belcom AG)
Takeoff-Communications AG and Belcom Holding AG
Medag AG für Medienarbeit and LH Holding AG
(subsequently renamed Medag AG für Medienarbeit)

Operating Income

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

Discontinued Operations

The only item reported under discontinued operations is TV3. The decision to liquidate TV3 was made in December 2001. Income reported for the six months ending June 30, 2002 as well as June 30, 2003 reflect expenses incurred as a result of the liquidation and the reclassification of reserves, which were not fully used.

Capital and Asset Structure

Total assets reported as of June 30, 2003 decreased by 15.8 million CHF from 641.3 million CHF to 625.5 million CHF, with an equity ratio of 53.5% (vs. 54.7% in 2002). Shareholders' equity as of June 30, 2003 was 334.8 million CHF, down by 15.9 million CHF or 4.5%. In addition to the net loss for the period ending June 30, 2003, dividend payments of 15.7 million CHF were also responsible for the decrease. During the same period, the number of treasury shares was reduced by 1528 (0.2 million CHF) under the profit sharing program. The fair market values of accounting hedges securing foreign currency risk were reported net after taxes for the first time and caused shareholders' equity to increase by 4.1 million CHF.

The decrease in short-term debt by 1.9 million CHF to 205.2 million CHF can be attributed to lower short-term financial obligations.

Assets were lower primarily as a result of a decrease in current assets by 20.6 million CHF to 219.4 million CHF and reflecting a drop in liquid funds by 23.1 million CHF. Under fixed assets, capital expenditures for property, plant & equipment and changes in deferred taxes were offset by the depreciation of tangible and intangible assets and lower financial assets, resulting in an increase of only 4.8 million CHF to 406.1 million CHF. Based on a review of goodwill valuation, additional depreciation of the goodwill positions (impairment) was not deemed necessary.

Sincerely,

Dr. Hans Heinrich Coninx
Chairman of the Board

Martin Kall
Chief Executive Officer

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Consolidated Income Statement

	06/30/2003	06/30/2002	in CHF million
Operating revenues	**290.6**	**335.9**	
Operating expenses	**(278.8)**	**(290.0)**	
Operating income before depreciation and amortization (EBITDA)	**11.8**	**45.9**	
Depreciation and amortization	(22.9)	(23.0)	
Operating income (EBIT)	**(11.1)**	**22.9**	
Share in earnings in affiliated companies	2.4	2.5	
Other financial income (expenses), net	1.2	0.9	
Income before taxes	**(7.6)**	**26.3**	
Taxes	3.0	(10.8)	
Income before minority interests	**(4.6)**	**15.5**	
Minority interests in net income	0.7	0.4	
Net income from continuing operations	**(3.9)**	**15.9**	
Discontinuing operations	0.1	11.0	
Net (loss)/income	**(3.8)**	**26.9**	
Earnings per share			in CHF
Net (loss)/income per share (undiluted)	(0.38)	2.69	
Net (loss)/income per share (diluted)	(0.38)	2.69	

Consolidated Balance Sheet

	06/30/2003	12/31/2002	in CHF million
Current assets	**219.4**	**240.0**	
Non-current assets	**406.1**	**401.3**	
Total assets	**625.5**	**641.3**	
Current liabilities	**205.2**	**207.1**	
Long term liabilities	**85.6**	**83.5**	
Total liabilities	**290.8**	**290.7**	
Shareholders' equity before minority interests	**333.4**	**347.9**	
Minority interests in equity	1.3	2.7	
Shareholders' equity	**334.8**	**350.6**	
Total liabilities and shareholders' equity	**625.5**	**641.3**	

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Consolidated Cash Flow Statement

	30.06.2003	30.06.2002	in CHF million
Cash flow from operating activities	**16.1**	43.0	
Cash flow from other ordinary activities	**5.1**	8.0	
Cash flow of continuing operations	**21.2**	51.0	
Discontinuing operations	**0.1**	(8.5)	
Cash flow from operations	**21.3**	42.5	
Cash flow for investment activities	**(25.7)**	(5.3)	
Cash flow after investment activities	**(4.4)**	37.2	
Cash flow for financing activities	**(18.7)**	(48.4)	
Changes in cash and cash equivalents	**(23.1)**	(11.2)	
Cash and cash equivalents as of January 1	**99.5**	109.7	
Cash and cash equivalents as of June 30	**76.4**	98.5	
Changes in cash and cash equivalents	**(23.1)**	(11.2)	

Changes in Shareholders´ Equity

	Share capital	Treasury shares	**Reserves**	**Consolidated shareholders' equity**	Minority interests in equity	**Shareholders' equity**	
As of 12/31/2002	**100.0**	**(0.8)**	**248.7**	**347.9**	**2.7**	**350.6**	in CHF million
Dividend payment	**0.0**	0.0	**(15.0)**	**(15.0)**	(0.7)	**(15.7)**	
Net (loss)	**0.0**	0.0	**(3.8)**	**(3.8)**	(0.7)	**(4.5)**	
Sale/(purchase) treasury shares	**0.0**	0.2	**0.0**	**0.2**	0.0	**0.2**	
Net adjustment of financial assets to market value	**0.0**	0.0	**4.1**	**4.1**	0.0	**4.1**	
As of 06/30/2003	**100.0**	**(0.6)**	**234.0**	**333.4**	**1.3**	**334.8**	