tamedia:

Excerpt from the Annual Report 2005

Content for People

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Market assessment

Upturn bypasses the newspaper industry

The Swiss economy has recovered since 2004 and the economic forecasters are expecting positive growth in the gross domestic product for the current year as well. In the print media industry, however, there is virtually no sign of this largely export-driven upturn. In 2005 the Publicitas Index that shows the development of advertising expenditure in the daily press – which is important for Tamedia – remained at the level of the previous year which we had already described as an “annus horribilis” for publishers.

In 2005 the total advertising revenues in all categories, from print to television to outdoor-ad increased by 3.6 per cent. Newspapers, which at nearly 1.7 billion francs absorb some 45 per cent of the total advertising expenditure, again fell slightly by 0.4 per cent.

On the other hand popular newspapers, television and radio performed well in 2005. The online category showed the most significant percentage rise in terms of gross revenues, which in the last financial year rose by 25 per cent to a healthy 38 million francs for classical advertising (not including classified advertisements). The gross advertising revenues recorded by WEMF for classical advertising in the Online category accounted for almost 2 per cent of the total volume.

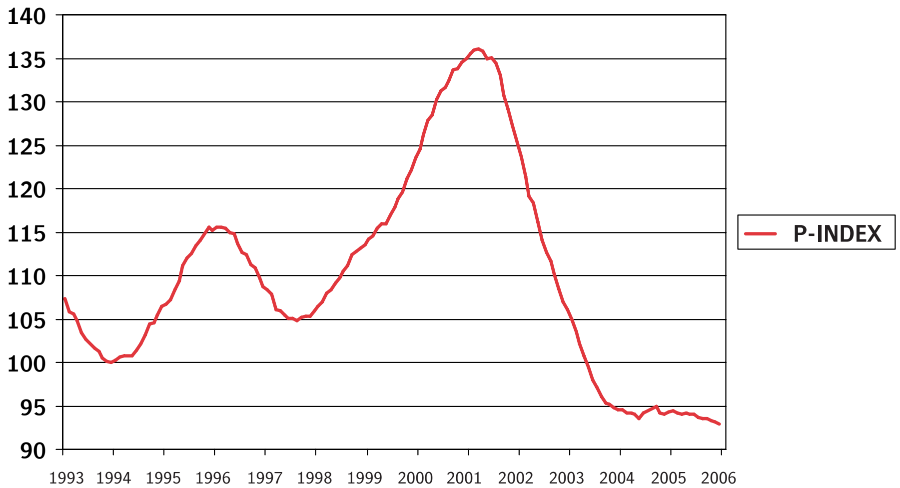
While some sectors were still showing restraint in terms of advertising or were actually spending less than in the previous year, others such as the important consumer goods industry and the financial sector were increasing their budgets. The “Spring” season in the consumer goods industry mainly benefited television, which receives half of every franc spent on consumer goods advertising, as well as popular magazines. The increase in advertising expenditure in the financial and insurance sector was distributed across nearly all categories.

The classified advertising business remains unsatisfactory. As shown by the Publicitas-Job-Index, job advertisements which represent by far the most important category have only slightly recovered due to the level of unemployment, which is still high by Swiss standards. The noticeable increase in the number of people switching to Internet job sites has not had an adverse effect on franc sales for the previous year for print titles. On the other hand, the shifts towards the Internet do limit the recovery potential for job advertisements in print titles.

The user market did not see any significant shifts in 2005. While Internet usage continues to grow as a result of the ever-increasing number of Internet connections and the increasing intensity of usage, newspapers, radio and television all remained stable.

Despite the positive economic trading prospects Tamedia is not expecting to see any significant increase in commercial advertising sales in 2006. The advertising volumes will probably only increase slightly overall. The development of classified advertisements primarily depends on the job market. While the number of executive posts is set to increase slightly, the job market is not expected to see any significant boosts nor will there be any major increase in the level of unemployment.

Publicitas-Index: Development of advertising revenues in daily newspapers



Source: Publigroupe

Detailed performance: Newspaper division

Tages-Anzeiger slightly improved its position in the reader market. However, daily newspapers in general continue to remain under pressure in the advertising market. As a result, the main edition of *Tages-Anzeiger* suffered another decline in revenues in the past fiscal year. According to its regionalisation strategy, the largest subscription newspaper in Switzerland intends to significantly broaden its range throughout the core of the Canton Zurich. Initial successes were achieved with the regional edition for the left bank of Lake Zurich, which was launched on 28 February 2005. Other local editions are scheduled to be added in the course of this year. In 2005, *Tages-Anzeiger* arranged a variety of well attended panel discussions on current topics. The project "Zeitung in der Schule" (Newspapers in School) allowed various groups of pupils in Zurich to familiarise themselves with the paper. *Tages-Anzeiger* intensified its cooperation with the regional TV station *TeleZüri,* which is also owned by Tamedia, in the coverage of local issues, such as the elections in Zurich and the by-elections to the government council.

Since the beginning of 2005, **Das Magazin** has also been included in *Basler Zeitung, Berner Zeitung* and *Solothurner Tagblatt,* in addition to *Tages-Anzeiger.* An enjoyable byproduct of the considerably larger readership was an equivalent growth in advertising revenues. Sales of the high-quality publication almost doubled. Various minor editorial adjustments were made to *Das Magazin* to reflect its distribution in other urban areas. Also, the events were expanded to include Basel and Bern. Just in time for the Christmas season, *Das Magazin* launched *Schweizer Bibliothek,* a literary series consisting of 20 of the best and most relevant books of the 20th century written by Swiss authors.

In 2005, **Tagblatt der Stadt Zürich** reported for the first time in several years higher advertising revenues. The increase in sales is also attributable to innovative special offers. However, an intense rivalry, especially with *20 Minuten,* resulted in a substantial decline in readership. To combine forces, *Tagblatt* acquired Büry-Verlag AG as of 1 July 2005. The company publishes *Die Vorstadt,* a neighbourhood paper distributed in the 11th and 12th districts of the city of Zurich.

In the past fiscal year, **Uster Nachrichten** was able to hold its position in the circulation area, both in terms of readers and advertising, due to its solid roots in Uster and the Zurich Oberland region. The weekly paper celebrated its 25th anniversary in 2005.

Another chapter of the success story of **20 Minuten** was written under Tamedia's ownership. The number of readers increased yet again and passed the million mark at the end of March 2006. The appeal of the paper, which is targeting a young urban audience with high spending power, carried over into the advertising market again in 2005 and also boosted sales considerably. On 20

June 2005, the fifth regional edition of *20 Minuten* in German-speaking Switzerland was launched in St. Gallen, following Zurich, Basel, Bern and Lucerne. The member magazine of the concert and event agency Good News was integrated into the weekly event calendar *20 Minuten Week* to focus on the target group. As from 8 March 2006 the introduction of *20 minutes* in the French part of Switzerland creates the first national daily newspaper in Switzerland.

SonntagsZeitung achieved a slight increase in revenues in a challenging market. The addition of further innovative forms of advertising and a consistent price strategy contributed to this encouraging development. The paper also reported a slight growth in the number of readers who responded well to the new layout, which was updated last May and changed to a consistent and tasteful four-colour print format. Additional offers for subscription combinations are now available in connection with *Der Landbote* and *Thurgauer Zeitung.* The demand for subscription combinations with *SonntagsZeitung* is on the rise. *SonntagsZeitung* continues to be number one in the highly competitive target group of leaders and top leaders.

Finanz und Wirtschaft benefited from a considerably better stock market environment during the reporting period, which resulted in improved sales. In terms of advertising revenues, the publication outperformed the competing financial press. Above all, the integration of all non-core departments into the Tamedia organisation and the related increase in efficiency had a significant positive impact on profitability. The paper is reporting stable readership figures. In 2006, *Finanz und Wirtschaft* intends to solidify its successful strategy by re-launching *www.finanzinfo.ch* and with a gentle update in the layout of the newspaper.

In the 207th year of its existence, **Thurgauer Zeitung** was able to hold its market position. Advertising revenues declined at a somewhat lower rate than the industry average. In August 2005, *TZ-Lokal* was launched with four split editions in tabloid format featuring local news for the Oberthurgau, Kreuzlingen, Mittelthurgau/Hinterthurgau and Frauenfeld/Untersee/Rhine regions. *TZ-Lokal* is distributed every Wednesday to all households with the major edition of *Thurgauer Zeitung.*

Tamedia Stellenmarkt, the umbrella under which all job classified activities are combined, achieved considerably higher sales in the past fiscal year. While revenues of *Stellen-Anzeiger* remained stable due to the continued high unemployment rate, *Alpha,* a publication for executives, whose 444th edition was suitably celebrated in 2005, and the online platform *Jobwinner.ch* reported significant growth. Closer ties formed in the Basel and Bern regions contributed to the successful development of *Jobwinner.ch.* Since last spring, *Jobwinner.ch* has been offering an online-to-print application, a customer-friendly management tool for classifieds.

Car4you-Zeitung, a weekly paper published in cooperation with the online provider car4you which advertises used cars failed to meet expectations. It was taken over by the online provider as of July 1, 2005 to better utilise synergies in sales, structure and editorial activities. Preprint, print and distribution continue to be handled by Tamedia.

The Newspaper division generated operating revenues of CHF 445.6 million, representing an increase of approximately 30 percent. This is primarily attributable to the integration of *20 Minuten* and *Thurgauer Zeitung,* which contributed a total of CHF 96.1 million to the growth in revenues. The EBITDA rose at an above average rate by 38 percent to CHF 76.1 million, and the margin increased to 17 percent from 16 percent in the previous year.

Number of Readership

Title	MACH 2006 I[2]	MACH 2005[1]	Changes in %
20 Minuten[3]	1 039 000	948 000	+9.6
Tages-Anzeiger	576 000	567 000	+1.6
Thurgauer Zeitung	72 000	72 000	unch.
Finanz und Wirtschaft	136 000	136 000	unch.
SonntagsZeitung	824 000	813 000	+1.4
20 Minuten week	258 000	263 000	−1.9
annabelle	346 000	337 000	+2.7
Das Magazin[4]	643 000	529 000	+21.6
Facts	439 000	438 000	+0.2
Schweizer Familie	711 000	707 000	+0.6
TVtäglich	1 214 000	1 189 000	+2.1

1 Inquiry period: April 2004 till end of March 2005
2 Inquiry period: October 2004 till end of September 2005
3 As from June 2005 including the St. Gall edition
4 Based on the 9 months' period during which it was enclosed to Basler Zeitung, Berner Zeitung and Tages-Anzeiger. The figures for the 3 months missing were calculated by means of a specific simulation method.

Source: WEMF

Detailed performance: Magazines division

Last year, **annabelle** maintained its position as the leading women's magazine in Switzerland. The facelift the magazine underwent in the autumn of 2004 received positive feedback from the advertising market. Revenues were slightly up compared to the previous year. After a downward trend, readership figures are now moving upward once again. 2005 *annabelle* joined forces for the first time with the news magazine *Facts* to publish a special entitled *annabelle Mann.* It was well received, both by the advertising market and the readers, and therefore, it is scheduled to continue.

The news magazine **Facts** celebrated its 10th anniversary last year, and since its re-launch in April 2004, has succeeded in gaining respectability and credibility. Due to the encouraging relaunch, *Facts* was able to attract major advertising clients, which translated into an increase in market share compared to direct competitors. The negative trend in readership has stopped. Under new management, *Facts* is expected to regain its position as a leading medium of weekly publications and achieve the projected turnaround in the medium term.

Schweizer Familie was able to increase its revenues in a highly competitive market. Among other things, this accomplishment is due to the positive development in the readership during the past few years. Last year's fundraising drive of *Schweizer Familie* in cooperation with Unicef proved to be another successful event. Over 20,000 copies of the "Sternenwoche" CD were sold, which was produced in connection with the fundraiser. *Schweizer Familie* partnered with Radio DRS for the "Lollipop" awards to honour the best performers of children's music.

TV täglich, published jointly with Ringier, reported positive developments again in 2005. With a circulation of approximately 1.2 million copies, it remained the strongest tv-publication in a declining market.

The Magazines division reported a 4 percent decrease in revenues to CHF 87.1 million, largely due to the sale of the children's magazine *Spick* to Künzler Bachmann. Higher production costs resulted in a 22 percent lower EBITDA of CHF 6.8 million and in a decline in the margin by two percentage points to 8 percent.

Detailed performance: Electronic Media division

In 2005, the number of listeners of **Radio 24** grew in spite of a highly competitive environment and it held on to its leadership position among private radio stations in Switzerland. Improved information services, the focus on service elements and a consistent music format contributed to the positive result. Advertising revenues of *Radio 24* remained slightly below the previous year's level. The station took appropriate steps to improve sales.

The strong viewer figures of **TeleZüri** in 2005 once again demonstrated that the station is firmly rooted in the greater Zurich area, which achieved another record result due to special broadcasts. The stable development in viewership formed the basis for a slight increase in revenues. *TeleZüri*, which already passed the breakeven point a year ago, reported another substantial improvement in profitability.

The fiercely contested market in the Basel area left its mark on **Radio Basilisk.** The station failed to reach projected advertising figures and suffered a drop in revenues. As a result, the expected return rate for the medium and long term had to be adjusted. With respect to the number of listeners, however, *Radio Basilisk* continues to be the strongest private radio station in Northwestern Switzerland. This was due, in part, to a new morning show launched in August 2005, which was favourably received.

Revenues of **PartnerWinner.ch** in 2005 remained at the previous year's level. In the past few months, the dating platform entered into online and print alliances with *20 Minuten, Tages-Anzeiger* and *Coop Zeitung.* It also enhanced its position with a cooperation with the premium dating site *ElitePartner.ch.* Since last autumn, *PartnerWinner.ch* has also been working with the telecommunication service providers Sunrise and Orange.

With the launching of **Piazza.ch,** a portal for small classifieds, in October 2005 Tamedia intends to establish itself in the Internet for this market segment, which represents one of its traditional print businesses.

Since summer 2005, the Internet platforms of the individual products have been managed decentralised and product-specific. **tagesanzeiger.ch,** baz.ch and espace.ch created an online advertising pool under the name Metropool-Online. *tagesanzeiger.ch* together with *swissinfo.org* was honoured as the top news portal by the consumer magazine *K-Tipp.* The nightlife site *tilllate.com* and **20minuten.ch** intensified their partnership. At the beginning of February 2006, the platform *20minuten.ch* was largely expanded into a more news-oriented platform to attract new target groups. **Radio24.ch** completely revamped its Internet presence in December 2005 and extensively broadened its range of

Internet

www.20minuten.ch
www.20minutes.ch
www.annabelle.ch
www.basilisk.ch
www.belcom.ch
www.dasmagazin.ch
www.facts.ch
www.finanzinfo.ch
www.homegate.ch (14,5%)
www.huber.ch
www.jobwinner.ch
www.medag.ch
www.partnerwinner.ch
www.piazza.ch
www.quartierecho.ch
www.radio24.ch
www.regionalzeitung.ch
www.schweizerfamilie.ch
www.sonntagszeitung.ch
www.tagblattzuerich.ch
www.tagesanzeiger.ch
www.telezueri.ch
www.thurgauerzeitung.ch
www.uster-nachrichten.ch
www.vorstadt.ch
www.zueritipp.ch

Marketing companies:

BELCOM

MEDAG

services. As a result of the re-launching of its website, **telezueri.ch** also raised the number of its visitors by 400 percent.

Revenues in the Electronic Media division fell by approximately 21 percent to CHF 50.7 million, CHF 11.1 million of which was due to the sale of Condor. While revenues in the core business also followed a slightly negative trend, the Electronic Media division achieved a 119 percent increase in the EBITDA to CHF 4.7 million. As a result, the margin rose significantly from 3 to 9 percent.

Detailed performance: Services division

The printing facility **Druckzentrum Bubenberg** posted considerable growth in revenues in the past fiscal year. The new 6/2 concept printing machines achieve significantly improved capacities due to the markedly higher hourly rate. With the addition of the regional edition of *Tages-Anzeiger,* and including *Der Landbote* and *20 Minuten,* the Bubenberg facility now prints seven million copies per month or 50 percent more than before. The optimised capacity rates led to an encouraging improvement in profitability. The second stage of the new printing presses went into operation last summer, as scheduled. The old machines were removed and the old hall was disassembled last autumn.

The sheet-fed printing facility **Meier Waser Druck AG,** a joint venture between Meier & Cie. and Tamedia, clearly failed to meet expectations in the period under review and suffered a sharp drop in sales. The company was renamed Huber PrintPack AG as of 1 January 2006. Tamedia's subsidiary Huber & Co., which integrated its commercial printing services into the company, holds an 80 percent interest, while the remaining 20 percent are held by Meier & Cie. AG. The two sheet-fed printing facilities were merged to utilise synergies in the highly competitive market.

Revenues from the printing segment of **Huber & Co. AG** increased substantially in 2005, primarily due to the centralisation of two newspaper printing facilities in Frauenfeld. After Tamedia acquired the company in the autumn, preparations began to move the newspaper printing operations to Tamedia's own Bubenberg printing centre. While sales in commercial printing stagnated, revenues generated by packaging improved significantly.

The delivery and distribution company **Zuvo,** a joint venture between NZZ and Tamedia, posted higher sales and profitability in 2005. In connection with the investment in Ziegler Druck- und Verlags-AG, it was decided to integrate the delivery of *Landbote* into Zuvo. The project has been successfully completed. Zuvo is now delivering 25 different newspapers and maintains distribution arrangements with 18 publishing companies and delivery organizations. As a result, the network supplies 2.7 million households every day and 134 million copies per year.

WERDVERLAG

Due to the sale of **Werd Verlag** to Bodan AG Druckerei und Verlag as of the end of March 2005, the unit contributed only about 0.5 million Swiss francs to the revenues in fiscal year 2005.

The Services division reported slightly lower operating revenues of CHF 66.6 million, down CHF 1.8 million from CHF 68.4 million a year ago. This was primarily related to the change in the structure of the division. The divestitures of Regor, Werd Verlag and other, minor activities reduced revenues by an amount of CHF 11.9 million. Much of the difference was compensated for by segments of the Huber Group, which were integrated into the division in the last quarter. EBITDA increased by 7 percent to CHF 39.6 million, while the margin decreased from 19 to 18 percent due to considerably higher inter-segment revenues.

Segment reporting in overview
in CHF 000

	Newspapers	Magazines	Electronic Media	Services	Eliminations	**Total Group**
2005						
Operating revenues	447 135	87 561	53 381	214 670	(152 700)	**650 048**
Operating expenses	(371 011)	(80 792)	(48 688)	(175 070)	152 700	**(522 861)**
Operating income before depreciation and amortisation (EBITDA)	76 124	6 769	4 693	39 601	0	**127 187**
Operating income (EBIT)	71 655	6 678	(3 171)	20 068	0	**95 232**
Average number of employees	625	154	166	671	0	**1 616**
2004						
Operating revenues	347 134	90 454	66 675	195 037	(132 720)	**566 580**
Operating expenses	(292 023)	(81 784)	(64 534)	(157 920)	132 720	**(463 541)**
Operating income before depreciation and amortisation (EBITDA)	55 111	8 670	2 141	37 117	0	**103 039**
Operating income (EBIT)	47 336	8 517	(5 594)	12 833	0	**63 092**
Average number of employees	675	172	193	615	0	**1 656**

Exhibit 1

Revenues by segment
in CHF mill.

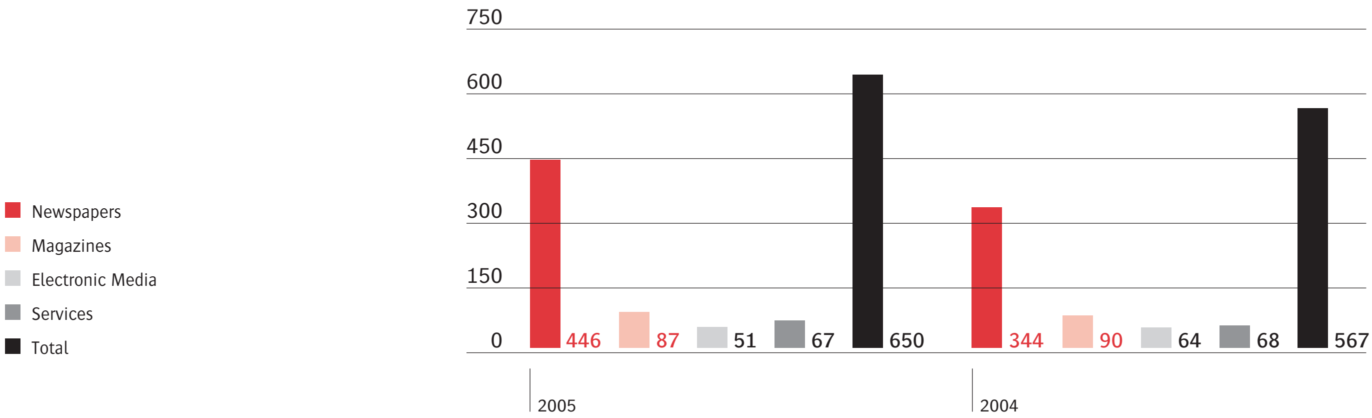
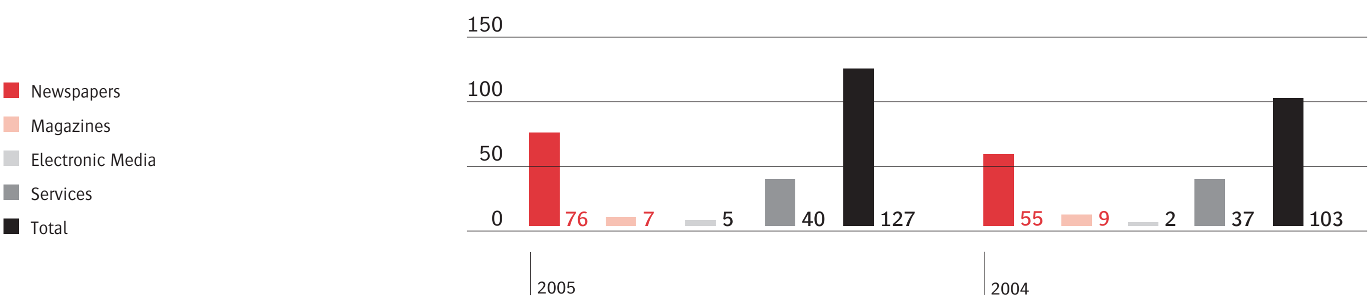


Exhibit 2

EBITDA by segment
in CHF mill.



Financial overview

Accounting policies

In accordance with IFRS 3 "Business Combinations", which took effect on 31 March 2004, it is assumed, as from 1 January 2005, that goodwill has an indefinite useful life and is therefore no longer amortised as planned. In comparison with the previous year, planned goodwill amortisation of CHF 10.1 million is therefore not applicable any more. As in the past, goodwill is subjected to an annual impairment test which led, in 2005, to a requirement to write down a value of CHF 7.3 million. The adaptations of the revised IAS 38 "Intangible Assets" mean that in the case of a corporate merger, the intangible assets which were acquired are, to the extent possible, allocated a value for the split of the purchase price. The separately capitalised intangible assets are amortised over their useful lives or, in the case of an unlimited useful life, tested for impairment each year.

Changes in the consolidation scope

Acquisitions

Retroactively as at 1 January 2005, the remaining 50.5% of 20 Minuten AG, the publisher of the commuter newspaper *20 Minuten* and as at 1 October 2005, 100% of Huber & Co. AG were acquired. Huber owns 100% of Thurgauer Medien AG, the publisher of the *Thurgauer Zeitung,* 100% of Zeitungs-Verlag AG Hinterthurgau, the publisher of the *Regional-Zeitung Hinterthurgau und Umgebung,* as well as 100% of Uster Nachrichten AG, publisher of the *Uster Nachrichten.* In addition, and as at 1 July 2005, Büry Verlag AG, the publisher of the local district newspaper *Die Vorstadt* was taken over. These acquisitions collectively contributed CHF 112.2 million to revenues and an EBITDA of CHF 20.6 million.

Disposals

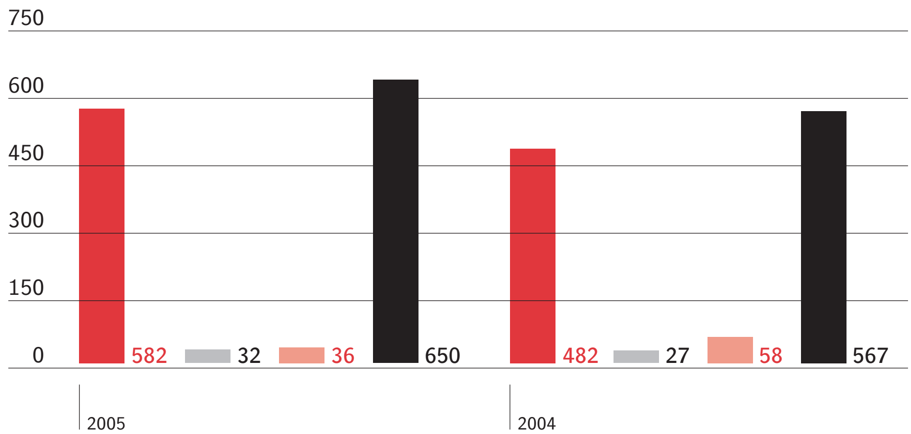
In January 2005, Regor AG (active in the lettershop segment), and in May 2005 the 70% share of Condor Communications AG and its subsidiary Condor Communications GmbH were sold retroactively to 1 January 2005. These two companies, together with the children's magazine *Spick* that was sold as at 1 January 2005 and the Werd Verlag, sold as at 31 March 2005, had contributed CHF 25.5 million to revenues and CHF –0.4 million to EBITDA in 2004.

Sales (operating revenues)

In 2005 Tamedia returned to the path of growth. Sales (operating revenues) rose by 15% to CHF 650.0 million. 20 Minuten AG, fully consolidated as from 1 January 2005 and Huber & Co. AG, taken into the consolidation as at 1 October, led to a rise in revenues of CHF 112.2 million. On the other hand, there

Exhibit 3

Operating revenues
in CHF mill.



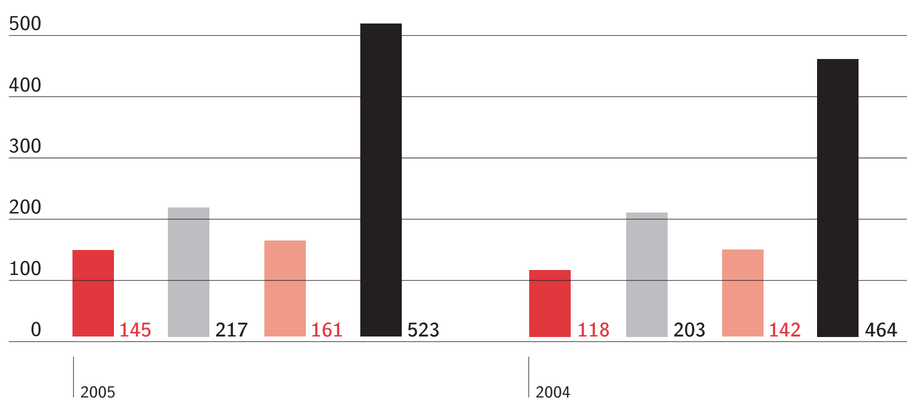
were divestments in various business segments as part of the concentration on the core business, and these led to a reduction of revenues totalling CHF 27.6 million. They also encompassed the activities described above under sales amounting to CHF 25.5 million. In its core business, Tamedia was narrowly able to retain its revenues in comparison with the previous year.

Operating income before depreciation and amortisation (EBITDA)

The operating income before depreciation and amortisation (EBITDA) again improved significantly by CHF 24.1 million or 23% to CHF 127.2 million. One of the main contributors to this positive development was 20 Minuten AG. The EBITDA margin rose accordingly from 18% to 20%. In 2005, all the business segments recorded positive results at the EBITDA level.

Exhibit 4

Operating expenses
in CHF mill.

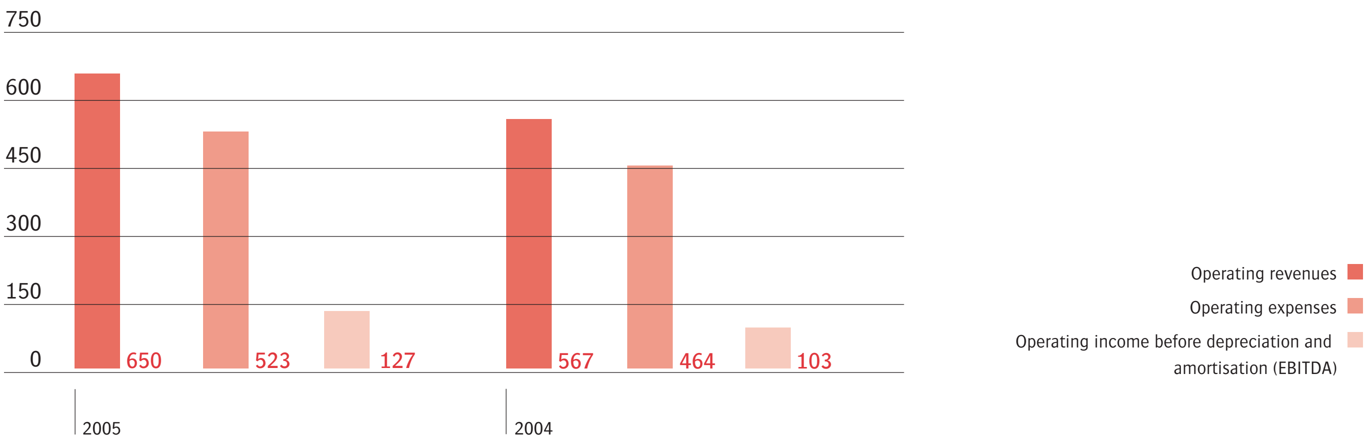


The operating income (EBIT) rose by 51% or CHF 32.1 million to CHF 95.2 million. In total, the non-recurring income and expenses in 2005 amounted to CHF −7.9 million (positive effect in the previous year: CHF 8.4 million).

Operating income before depreciation and amortisation (EBITDA)

in CHF mill.

Exhibit 5



Result

The share of the profits of associated companies fell in 2005 by CHF 0.9 million to CHF 2.7 million. This is primarily attributable to an impairment of CHF 2.6 million on the goodwill of Ziegler Druck- und Verlags-AG (already announced in the 2004 Annual Report). The proportional results of other investments in associated companies were CHF 0.9 million higher than in the previous year. For the first time, they also included homegate AG.

Other financial income rose by CHF 1.9 million to CHF 2.5 million. Significant contributions came from the income received from disposal of the *Anzeiger von Uster* as well as from Condor and Regor.

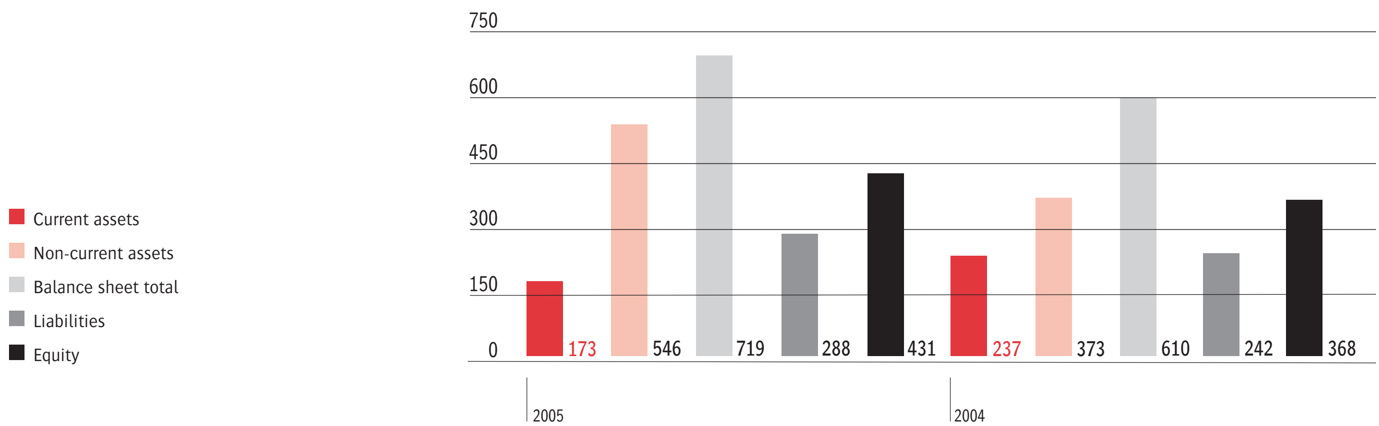
The effective tax rate decreased by 3 percentage points to 21%. This effect is due on the one hand to the change in the tax rate in the Canton of Zurich and on the other hand to the stop of the planned goodwill amortisation which were not tax-deductible.

Balance sheet

Total assets increased by CHF 108.9 million, from CHF 610.2 million to CHF 719.0 million. This change is largely attributable to the first-time consolidation of 20 Minuten AG and the Huber-Group. Despite an increase in absolute terms of the equity by CHF 63.1 million to CHF 430.8 million, the self-financing ratio remained unchanged at 60%. Apart from the positive result from the group, the distribution of dividends by Tamedia AG totalling CHF 15.0 million, the disposals of CHF 0.9 million from the consolidation scope and the decrease

Exhibit 6

Balance Sheet
in CHF mill.

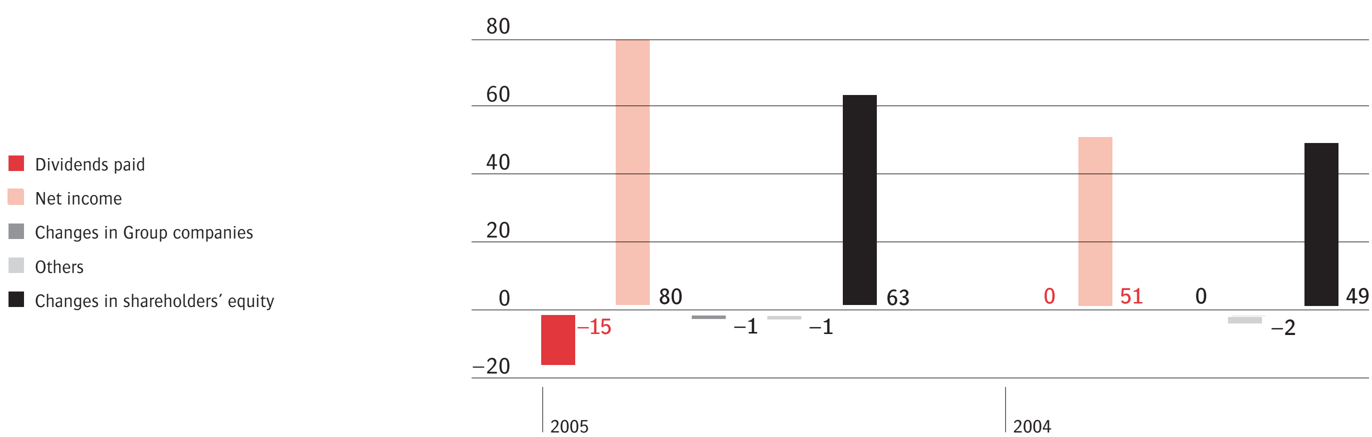


in the income-neutral fair values of hedging transactions amounting to CHF 0.8 million (net after tax) contributed to this change.

On the asset side of the balance sheet, the increase in non-current assets by CHF 173.4 million to CHF 546.2 million compares with a decrease in current assets by CHF 64.6 million to CHF 172.8 million. The cash and cash equivalents decreased by CHF 88.6 million primarily because of the acquisitions of 20 Minuten AG and the Huber-Group as well as the investments of 20% in Ziegler Druck- und Verlags-AG and of 14.5% in homegate AG. At the end of the year, the cash and cash equivalents, including short-term financial investments, exceeded the financial liabilities by CHF 23.7 million (previous year CHF 121.2 million).

Exhibit 7

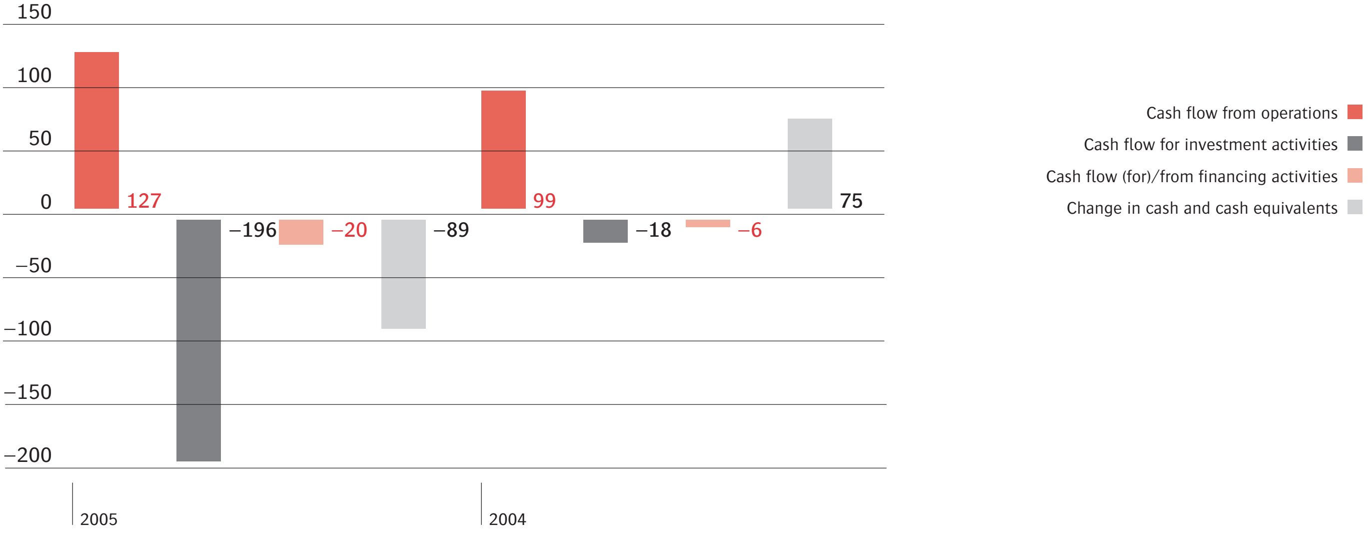
Change in equity
in CHF mill.



The increase in trade accounts receivable (CHF 17.8 million or 22%) is mainly due to the integration of 20 Minuten AG and the Huber-Group.

Cash flow
in CHF mill.

Exhibit 8



Also the increase in non-current assets by CHF 173.4 million or 47% is mainly due to the acquisition of 20 Minuten AG and the Huber-Group. These contributed particularly to the increase in intangible assets, including goodwill (CHF +124.0 million or 177%), property, plant and equipment (CHF +22.4 million or 9%) and deferred tax (CHF +10.5 million or 148%). There was also a significant increase in the investments in associated companies (CHF +22.8 million or 365%), due mainly to the acquisition of a minority interest in Ziegler Druck- und Verlags-AG and homegate AG. With regard to property, plant and equipment, the additions from 20 Minuten AG and Huber-Group as well as direct investments of CHF 25.2 million (mainly in connection with the new newspaper printing machines) compare with depreciation of CHF 20.2 million. The slight increase of CHF 0.9 million in the non-operating real estate is comprised primarily of the sale of the Waser Druck AG property (CHF −2.2 million) and the property of Meier Waser Druck AG in Feuerthalen (CHF +3.3 million) which was newly included in this category as at the end of 2005. That property was sold in the middle of January 2006.

The review of the carrying value of goodwill for any impairment gave rise to additional amortisation of the goodwill related to Radio Basilisk and Büry Verlag AG, totalling CHF 7.3 million.

The increase in current liabilities by CHF 33.3 million to CHF 215.8 million was a consequence of an increase in trade accounts payable (CHF +19.3 million or 68%), here again primarily due to the inclusion of 20 Minuten AG and the Huber-Group.

Long-term liabilities rose by CHF 12.5 million to CHF 72.4 million. Apart from the increase in long-term provisions (CHF +2.3 million or 31%), there was also an increase in long-term financial liabilities (CHF +7.0 million or 42%). The latter were affected in particular by employee benefit liabilities in accordance with IAS 19 (CHF +9.3 million or 362%). These arose largely from the acquisition of 20 Minuten AG and the Huber-Group as well as amendments to pension plans which therefore had to be newly assessed and recorded for the first time.

Multi-year comparison		**2005**	2004	2003	2002	2001
Operating revenues	CHF mill.	**650.0**	566.6	574.0	640.3	756.1
Growth	%	**14.7**	(1.3)	(10.4)	(15.3)	(7.6)
Operating income before depreciation and amortisation (EBITDA)	CHF mill.	**127.2**	103.0	27.7	71.7	145.7
Growth	%	**23.4**	272.4	(61.4)	(50.8)	(27.6)
Margin [1]	%	**19.6**	18.2	4.9	11.2	19.3
Net income (loss) from continuing operations	CHF mill.	**79.7**	51.2	(18.9)	20.2	43.4
Growth	%	**55.6**	n.a.	n.a.	(53.5)	(69.1)
Margin [1]	%	**12.3**	9.0	(3.3)	3.2	5.7
Personnel/employees (average)	number	**1 616**	1 656	1 919	2 004	1 982
Revenues per employee[2]	CHF 000	**402.2**	342.2	296.5	319.6	381.5
Current assets	CHF mill.	**172.8**	237.4	186.9	240.0	287.4
Non-current assets	CHF mill.	**546.2**	372.8	407.8	401.3	460.6
Balance sheet total	CHF mill.	**719.0**	610.2	594.7	641.3	748.0
Liabilities	CHF mill.	**288.2**	242.4	275.9	290.7	421.6
Equity	CHF mill.	**430.8**	367.7	318.7	350.6	326.4
Cash flow from operations	CHF mill.	**126.9**	99.3	51.9	72.1	119.3
Cash flow for investment activities	CHF mill.	**(195.7)**	(17.7)	(65.4)	(37.2)	(142.3)
Cash flow after investment activities	CHF mill.	**(68.8)**	81.6	(13.5)	34.9	(23.0)
Cash flow (for)/from financing activities	CHF mill.	**(19.8)**	(6.2)	(21.0)	(45.2)	57.8
Change in cash and cash equivalents	CHF mill.	**(88.6)**	75.4	(34.5)	(10.3)	34.8
Return on equity[3]	%	**18.5**	14.0	(6.3)	5.5	12.2
Equity ratio[4]	%	**59.9**	60.3	53.6	54.7	43.6
Internal financing ratio for investment activities[5]	%	**64.8**	560.5	79.3	193.9	83.8
Quick ratio[6]	%	**76.8**	128.1	89.4	112.0	86.4
Debt factor[7]	x	**1.0**	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 balance sheet total
5 Cash flow from operations to cash flow from investment activities
6 Current assets excluding inventories to current liabilities
7 Net debt (liabilities less current assets excluding inventories) to cash flow from operations

Information for investors

Share price development from 2. 10. 2000 to 15.03. 2006
in CHF

Share price in CHF	**2005**	2004	2003	2002	2001
High	**136.50**	134.25	111.00	128.00	193.00
Low	**101.00**	95.10	50.10	60.00	70.60
Year-end	**127.90**	106.00	110.00	74.00	101.00

Market capitalization in CHF mill.	**2005**	2004	2003	2002	2001
High	**1 365**	1 343	1 110	1 280	1 930
Low	**1 010**	951	501	600	706
Year-end	**1 279**	1 060	1 100	740	1 010

Financial calendar

Annual General Meeting	18 May 2006
Half-year report	1 September 2006

Key figures per share
in CHF

		2005	2004	2003	2002	2001
Net income (loss) per share (undiluted)		**7.95**	4.98	(1.77)	3.56	(1.18)
Net income (loss) per share (diluted)		**7.95**	4.98	(1.77)	3.56	(1.18)
EBIT per share		**9.52**	6.31	(4.07)	1.76	7.92
EBITDA per share		**12.72**	10.30	2.77	7.17	14.57
Free cash flow per share		**(6.88)**	8.16	(1.35)	3.49	(2.30)
Shareholders' equity per share		**43.08**	36.77	31.87	35.06	32.64
Dividend per share		**2.50**[1]	1.50	0.00	1.50	1.50
Dividend pay-out rate [2]	%	**31.4**	30.1	0.0	74.4	34.6
Dividend rate of return[3]	%	**2.0**	1.4	0.0	2.0	1.5
Price earnings ratio [3]	x	**16.1**	21.3	(62.0)	20.8	(85.4)
Price to EBIT ratio [3]	x	**13.4**	16.8	(27.1)	42.1	12.8
Price to EBITDA ratio[3]	x	**10.1**	10.3	39.8	10.3	6.9
Price to sales ratio[3]	x	**2.0**	1.9	1.9	1.2	1.3
Price to free cash flow ratio[3]	x	**(18.6)**	13.0	(81.3)	21.2	(43.9)
Price to equity ratio[3]	x	**3.0**	3.0	3.5	2.1	3.1

1 recommendation of the Board of Directors
2 based on net profit of ongoing segments
3 based on year-end price

Capital structure
The share capital of CHF 100 million is divided into 10 000 000 shares at a par value of CHF 10 each. Of these, 9 520 000 shares arose from the capital increase carried out in May 2000 prior to the IPO. There is no authorized or conditional capital. The organisation holds shares of its own (treasury shares) for the staff share participation plans as per Notes 31 and 43. There is a shareholders' binding agreement for 67% of the shares. The members of the shareholders' binding agreement are currently holding 76% of the shares.

Appropriation of profit
Tamedia pursues a result-related distribution practice. As a rule, 35–45% of the consolidated profit is distributed in the form of dividends.

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Tamedia Group

Consolidated income statement
in CHF 000

	Note	**2005**	2004
Publishing revenues	4	**581 561**	482 302
Printing revenues	5	**32 063**	26 702
Other operating revenues	6	**36 423**	57 577
Operating revenues		**650 048**	566 580
Costs of material and services	7	**(144 937)**	(118 095)
Personnel expenses	8	**(216 822)**	(203 345)
Other operating expenses	9	**(161 101)**	(142 101)
Operating income before depreciation and amortisation (EBITDA)		**127 187**	103 039
Depreciation and amortisation	10	**(31 955)**	(39 947)
Operating income (EBIT)		**95 232**	63 092
Share in earnings of associated companies	11	**2 675**	3 583
Other financial income (expense), net	12	**2 531**	609
Income before taxes		**100 437**	67 284
Income taxes	13	**(20 698)**	(16 049)
Net income		**79 740**	51 235
Attributable to:			
Equity holders of Tamedia		**79 418**	49 783
Minority interests	15	**322**	1 452

Earnings per share
in CHF

Net income per share (undiluted and diluted)	16	**7.95**	4.98

The notes form an integral part of the Annual Financial Statements.

Consolidated balance sheet

in CHF 000, as of 31 December

	Notes	2005	2004
Cash and cash equivalents		**51 726**	140 303
Current financial assets		**911**	1 926
Trade accounts receivable	17	**97 606**	79 800
Current financial receivables		**1 950**	719
Current taxes receivable		**805**	1 565
Other accounts receivable		**3 128**	3 461
Accrued income and prepaid expenses		**9 682**	6 063
Inventories	18	**7 013**	3 563
Current assets		**172 821**	237 400
Property, plant and equipment	19	**264 831**	242 408
Non-operational real estate	20	**9 762**	8 892
Investments in associated companies	12	**29 085**	6 258
Other non-current financial assets[1]	21, 22	**31 001**	38 162
Deferred tax assets	14	**17 519**	7 069
Intangible assets	23, 24	**194 007**	69 971
Non-current assets		**546 206**	372 760
Total assets		**719 027**	610 160
Current debt	25	**5 541**	4 634
Trade accounts payable	26	**47 528**	28 227
Current taxes payable		**20 007**	10 313
Other current payables	27	**11 648**	6 823
Deferred revenues and accrued liabilities	28	**125 522**	123 783
Short-term provisions	29	**5 580**	8 778
Current liabilities		**215 826**	182 558
Long-term debt[1]	25	**23 387**	16 420
Provisions for deferred taxes	14	**39 464**	36 177
Long-term provisions	29	**9 556**	7 284
Other long-term liabilities		**5**	5
Long-term liabilities		**72 412**	59 887
Total liabilities		**288 238**	242 445
Share capital	30	**100 000**	100 000
Treasury shares	31	**(394)**	(558)
Reserves		**330 493**	267 305
Consolidated shareholders' equity		**430 099**	366 747
Minority interests in equity		**689**	968
Shareholders' equity		**430 789**	367 715
Total liabilities and shareholders' equity		**719 027**	610 160

1 In the past, the employee benefit credit balance, calculated in accordance with IAS 19, was shown net of the corresponding liabilities within the assets. The presentation is now on a gross basis, for which reason the details for the previous year have been restated for better comparability.

The notes form an integral part of the Annual Financial Statements.

Consolidated cash flow statement

in CHF 000

	Note	2005	2004
Receipts from products and services sold		**613 654**	577 662
Expenditures for personnel		**(212 300)**	(220 621)
Expenditures for material and services received		**(272 089)**	(254 088)
Cash flow from operating activities		**129 265**	102 952
Dividends from associated companies		**4 470**	3 705
Interest paid		**(637)**	(734)
Interest received		**918**	640
Other financial income (expense), net		**1 785**	937
Income taxes paid		**(8 910)**	(8 234)
Cash flow from operations		**126 892**	99 266
Capital expenditures in property, plant and equipment		**(20 599)**	(31 449)
Sales of property, plant and equipment		**5 287**	8 603
Investment in consolidated companies	1	**(151 466)**	0
Sales of consolidated companies	1	**(290)**	0
Investment in associated companies		**(24 622)**	0
Investment in other financial assets		**(3 331)**	0
Sales of other financial assets		**1 061**	7 373
Capital expenditures in intangible assets		**(1 659)**	(2 341)
Sales of intangible assets		**(84)**	103
Cash flow for investment activities		**(195 703)**	(17 710)
Cash flow after investment activities		**(68 812)**	81 555
Payment of dividends		**(15 000)**	0
Increase/(decrease) in current debt		**174**	(326)
Increase/(decrease) in long-term debt		**(4 924)**	(5 251)
Net sale/(purchase) in treasury shares		**165**	0
Increase/(decrease) in minority interests		**(180)**	(598)
Cash flow (for)/from financing activities		**(19 766)**	(6 176)
Change in cash and cash equivalents		**(88 577)**	75 379
Cash and cash equivalents at 1 January		**140 303**	64 924
Cash and cash equivalents at 31 December		**51 726**	140 303
Change in cash and cash equivalents		**(88 577)**	75 379

The notes form an integral part of the Annual Financial Statements.

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 interests in equity	**Shareholders' equity**
Balance at 31 December 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**
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)**
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 31 December 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**
Net income	**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)**
Balance at 31 December 2004	**100 000**	**(558)**	**216 369**	**49 783**	**1 154**	**267 305**	**366 747**	**968**	**367 715**
Dividends paid	**0**	0	0	(15 000)	0	**(15 000)**	**(15 000)**	(180)	**(15 180)**
Allocation of earnings	**0**	0	34 783	(34 783)	0	**0**	**0**	0	**0**
Net income	**0**	0	0	79 418	0	**79 418**	**79 418**	322	**79 740**
Changes in Group companies	**0**	0	(471)	0	0	**(471)**	**(471)**	(421)	**(892)**
Sale of treasury shares	**0**	165	0	0	0	**0**	**165**	0	**165**
Net adjustment of financial assets to market values	**0**	0	0	0	(759)	**(759)**	**(759)**	0	**(759)**
Balance at 31 December 2005	**100 000**	**(394)**	**250 681**	**79 418**	**395**	**330 493**	**430 099**	**689**	**430 789**

1 Net after deferred taxes.

The notes form an integral part of the Annual Financial Statements.

Notes to the consolidated financial statements

Consolidation and valuation principles

Consolidation principles

General comments

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). The consolidation is based on the audited financial statements of the individual subsidiaries as of 31 December, 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, as well as the expenses and income shown in the financial statements for the reporting period. These estimates and assumptions take into consideration historic experiences as well as developments in the economic circumstances and are mentioned wherever relevant in the notes. They are subject to risks and uncertainties. The actual results can deviate from these estimates.

The consolidated financial statements were approved by the Board of Directors on 17 March 2006. It is recommended that the Annual General Meeting of 18 May 2006 approves the consolidated financial statements.

Changes in accounting principles in 2005

In the reporting year, various new and revised standards were applied for the first time. No detailed listing of all the new standards or revised versions of previous standards is shown here. However, the most significant effects are explained hereunder.

According to IFRS 3 “Business Combinations”, which took effect on 31 March 2004, it is assumed as from 1 January 2005 that goodwill has an indefinite useful life and is therefore no longer amortized according to plan by the straight-line method. As in the past, goodwill is subjected to an annual impairment test. The adjustment is applied for the goodwill shown separately in the balance sheet as well as for goodwill which is included in investments capitalised using the equity method.

The adaptations of the revised standard IAS 38 “Intangible Assets” mean that in the case of a corporate merger, a value for the division of the purchase price is allocated to the acquired intangible assets wherever this is possible. The calculated values are capitalized separately from goodwill and amortised over the anticipated useful life or, in the case of an unlimited useful life, examined annually for impairment (see also the section “Goodwill and intangible assets” hereunder).

Impact of new accounting principles in 2006

In December 2004, the revised standard IAS 19 was published and is to be applied for the first time as at 1 January 2006.

In August 2005, the new standard IFRS 7 “Financial Instruments – Disclosures” and the revised standard IAS 1 “Presentation of Financial Statements” were published. They are both to be applied for the first time as from 1 January 2007.

The new and revised standards which take effect as from 1 January 2006 or later will be implemented in 2006 or later. The implementation is not expected to have any impact, or only a minimal influence, on the consolidated financial statements for 2006.

Consolidation scope

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 of their sale.

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 percent 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 percent 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 accounted for on a proportional basis using the equity method or reported at fair values as described in current and non-current financial assets.

Capital consolidation

The interests held in consolidated companies are recorded using the purchase method.

Goodwill and intangible assets

At the time of their initial consolidation, the assets and liabilities of a company – or the net assets acquired – and the intangible assets are recorded at fair values. A positive difference between the acquisition price and the equity calculated under this principle is capitalized as goodwill in the year of acquisition. The goodwill calculated in this manner is no longer amortised but subjected to an annual impairment test. If there are any indications of an impairment in the value of the goodwill, a new assessment takes place and any exceptional write-offs required are recognised. Any negative difference between the acquisition price and the calculated equity is immediately recognized in the income statement. Apart from goodwill, the intangible assets which are to be capitalised are also determined when an initial consolidation takes place.

Intangible assets which, due to their nature, cannot be individually separated out, cannot be separately capitalised in the allocation of the purchase price and therefore increase the goodwill. These include, in particular, the intangible assets which are not contractually- and customer-related if there is no subscriber base, as well as the level of market shares. The following principles apply in this regard.

Brand / Title / Subscription database

The brand (or the "title") of a medium is separately identifiable, but it forms, in each case, an integral element of the published product and cannot be separately valued in many cases. A valuation of the brand in the case of media products therefore only takes place in connection with another intangible asset, the subscriber base. This value is summarised under the description "Publishing right". If there is no subscriber base, a brand is regarded as an integral part of the goodwill acquired.

Advertising customer base

To the extent that the customer base is comprised mainly of customer relationships which are not contractually regulated, the criterion of separability based on the quality of the customer relationship is not given.

Market position

The position which a company or a product has on the market at the point in time at which the purchase agreement is concluded is reflected in the purchase price paid for the acquisition. This position is not separable per se and therefore cannot be valued. It forms an integral part of the goodwill acquired.

In the case of sale of Group companies, the difference between the sales price and the net assets, as well as any goodwill which has not yet been amortised, is recorded in the consolidated financial statements as an investment income.

Treatment of intercompany profits

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

Translation of foreign currencies

The consolidated financial statements of Tamedia are presented in CHF. Inclusion in the balance sheet of foreign currency receivables and payables from the individual financial statements takes place at the exchange rate applicable on the balance sheet date. Transactions in foreign currencies during the financial year are booked at monthly rates. The resulting translation differences are included in net income.

Valuation principles

Cash and cash equivalents

Cash and cash equivalents encompass cash at hand, postal and bank account balances as well as time deposits with a term of up to three months and cheques, recorded 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 the balance sheet date. 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 realised and unrealised – are recorded in net income with the exception of those which arise from derivative financial instruments and are designated as "accounting hedges" (see: "Valuation principles for derivative financial instruments").

Trade accounts receivable

Valuation takes place at nominal values. Allowance is made individually and charged against net income for doubtful accounts receivable. The general risk is covered by an allowance based on historical experience.

Inventories

Inventories are stated at their purchase or production cost, determined by the weighted average method, or at their lower market value minus any anticipated finishing and sales costs.

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

Property, plant and equipment

Valuation is at the maximum of the historical cost minus economically necessary depreciation with the exception of developed land which is not depreciated.

Land and buildings which are not used operationally in the long term to the extent of more than 50% are classified as investment properties. The fair values of such properties which are disclosed in the notes to the financial statements are determined periodically based on the discounted cash flow method. The investment properties are valued in the same way as the operational real estate, i.e. at historical cost.

Leasehold improvements are capitalised and depreciated over the term of the lease agreement, regardless of 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 directly against net income.

Works of art are recorded in the balance sheet at their historical cost minus any necessary adjustments for decreases 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 useful lives are as follows:

Operational buildings	40 years
Investment properties	40 years
Conversions and renovations	3–25 years
Leasehold improvements	3–25 years
Installations and constructional facilities	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

Non-current financial assets

Non-current financial assets include investments in associated companies, other investments, non-current loans, financial assets held to maturity, non-current derivative financial instruments and other non-current financial assets.

Investments in associated companies (i.e. companies in which Tamedia AG directly or indirectly holds between 20% and less than 50% of the voting rights or where significant influence is exercisable in any other way) 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 if 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% of voting rights are held) are stated at fair value. Unrealised gains and losses are recorded net of related taxes directly in shareholders' equity. Impairment is recorded in net income.

The valuation of non-current loans is at historical cost. Financial assets held to maturity are stated at their amortised historical cost.

Non-current derivative financial instruments (held for trading) are stated at fair values. Both realized and unrealized gains and losses are recorded in net income, except for those derivative financial instruments which are designated as accounting hedges (see: Valuation principles for derivative financial instruments).

Other non-current financial assets (available for sale) are also reported at fair values. Unrealized gains – net after taxes – are recorded in shareholders' equity. Declines in value due to impairment are recorded in net income.

Intangible assets

Acquired intangible assets are recorded at historical cost and amortised by the straight-line method over their anticipated useful lives. Intangible assets with an unlimited useful life are examined annually for impairment. Tested at the same time is whether the useful life is still unlimited. The costs of intangible assets generated by the Group are charged against current earnings as they arise.

The following amortisation periods apply:

Goodwill	no amortisation
Publishing and brand rights	5–20 years
Capitalised software project costs	3–5 years

Non-separable brand rights and subscription database are summarised under the expression “Publishing right”.

Impairment of assets

The carrying values of property, plant and equipment and other non-current 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 provided by management. The values realized can therefore deviate from those estimates. If the book value exceeds the recoverable value, it is written down to the estimated value in use – determined on the basis of the discounted, estimated value of future cash flows from the asset – or, if higher, the net realisable value.

Leasing

Fixed assets acquired under leasing agreements, where Group companies have the rights and risks of ownership, are classified as financial leases. Thereby, these assets are capitalised at the inception of the agreement at the lower of their market value or the net cash value of future non-cancellable 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 by means of employer and employee contributions according to the requirements of the law and the applicable plan regulations.

The benefit obligations under the "defined benefit" plans in accordance with the criteria of the IFRS are calculated every year by an independent actuary using the "projected unit credit" method. The obligations equate to the cash value of the anticipated future cash flows. The plan assets and income are determined annually. Actuarial gains and losses which exceed 10% of the higher of the plan liability or the plan's assets are recorded in net income over the remaining years of service of the employees.

In the balance sheet the under-funding of the defined benefit plans is recorded as a provision. For its calculation, the cash value of the employee benefit obligations is compared with the assets at fair values (taking into consideration any unrecorded actuarial gains or losses). An over-funding is disclosed in the notes; capitalization only takes place if it can be used to reduce the Group's future expenses.

Contributions 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 consolidated 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.

Deferred taxes on losses brought forward are only capitalised if it is probable that future profits will be available with which the losses brought forward can be offset for tax purposes.

Product development

All expenditures for product development incurred during the year are charged against income, unless the restrictive capitalisation requirements for the development costs as per IAS 38 are not fully met.

Operating revenues

Operating revenues are recognized at the time at which products are delivered or services are rendered. Revenues are stated net of sales reductions, losses of accounts receivable and value-added tax. Revenues and expenses relating to barter transactions are shown in gross figures. Counter-supplies which have not yet been made in barter transactions are accrued. Exchange transactions 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 reporting is provided for the various business divisions. No geographical data is provided because the business activities are concentrated primarily in the German-speaking part of Switzerland.

The accounting principles described above are also applied for 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 be meaningfully allocated to a segment.

Financial risks

In order to optimize the financial means, the management of liquidity and long-term finance is centralized. This ensures a cost-efficient procurement of capital and liquidity which is attuned to the payment obligations.

Interest rate risks

The management of interest rates for long-term liabilities is centralised. Short-term interest rate risks are generally not hedged.

Exchange rate risks

Risks arising from exchange rate fluctuations exist for Tamedia primarily in purchases of paper or investments. To the extent regarded as reasonable, exchange rate risks are centrally hedged and therefore minimised.

Market risks

Fair value fluctuations in the case of long-term investments held for strategic reasons have, with the exception of a foreseeable, long-term impairment, no effects on the book value of the investments. Securities are held in association with the management of liquidity. Risks of impairment are minimised by means of analyses prior to purchase, followed by constant monitoring of performance and the risks of investments.

Risks of bad debts

The trade accounts receivable are constantly monitored by means of standardised processes which are also supported by external partners in the case of debt collection. The necessary adjustments to value are based on uniform guidelines (see also: Valuation guideline for accounts receivable). The danger of cluster risks is minimised due to the large number and broad distribution of receivables from customers in all the market segments.

Derivative 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 or separately at fair value as at the balance sheet date.

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

In the case of so-called "fair value hedges", which qualify as such (hedges of continued historical values), the change in fair value of the effective portion of the derivative financial instruments and the hedged transaction is recorded immediately in the income statement. The changes in fair values of derivative financial 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 derivative financial instruments 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.

Transactions with associated companies and related parties

Transactions with associated companies and 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 participation

Tamedia offers management and employees the opportunity to purchase shares of the company under various employee participation plans. 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 income statement, balance sheet, cash flow statement and statement of changes in shareholders' equity

The figures in the consolidated financial statements have been rounded. As the calculations are made with a higher level of numerical accuracy, it is possible that small rounding differences may occur.

Changes in consolidation scope

Note 1

In the 2005 financial year, the following material changes occurred in the consolidation scope:

Acquisitions of consolidated companies

20 Minuten AG

On 24 January 2005, the remaining 50.5% of 20 Minuten AG, the publisher of the commuter newspaper *20 Minuten*, were acquired via Express Zeitung AG, retroactively as at 1 January 2005.

20 Minuten AG

in CHF 000	Recognised on acquisition	Previous carrying value[1]
Cash and cash equivalents	6 643	6 643
Trade accounts receivable	8 220	8 220
Property, plant and equipment	952	952
Deferred tax assets	11 516	11 516
Intangible assets[2]	98 494	0
Other assets	121	121
Total assets	**125 946**	**27 452**
Trade accounts payable	(3 086)	(3 086)
Deferred revenues and accrued liabilities	(1 481)	(1 481)
Long-term debt	(58 111)	(58 111)
Long-term provisions	(2 300)	(2 300)
Other liabilities	(1 023)	(1 023)
Total liabilities	**(66 001)**	**(66 001)**
Net assets	**59 945**	**(38 549)**
Share previously held	(394)	
Net assets acquired	**59 551**	
Long-term debt acquired	49 035	
Purchase price	**108 586**	
Cash and cash equivalents acquired	(6 643)	
Net cash outflow	**101 943**	
Operating income before depreciation and amortisation (EBITDA) since acquisition[3]	**18 957**	

1 Adapted to IFRS
2 The intangible assets also include the goodwill calculated at the time of acquisition.
3 As the consolidation takes place as at 1.1.2005, there is no necessity to present comparative figures for consolidated revenues and profit as though the transactions had taken place per 1.1. of the financial year.

The costs of the acquisition amounted to CHF 108.6 million in cash, of which CHF 59.6 million were for the acquired shares and CHF 49.0 million for loans and accumulated interest. In the initial consolidation of 20 Minuten, assets of CHF 125.9 million and liabilities of CHF 66.0 million are recorded. The liabilities include loans of CHF 56.8 million which are eliminated on consolidation. The assets encompass goodwill and other intangible assets amounting to CHF 98.5 million.
Berner Zeitung AG is still attempting to acquire a participation of 17.5% in Express Zeitung AG, which acquired the investment in 20 Minuten AG. The decision of the Appeals Commission within the Anti-Trust Commission is still pending.

Huber-Group
On 6 October 2005 (consolidated for the first time on 1 October), all the shares of Huber & Co. AG, Grafische Unternehmung und Verlag, were acquired. Huber & Co. AG holds 100% of Thurgauer Medien AG, publisher of the *Thurgauer Zeitung,* 100% of Zeitungs-Verlag AG Hinterthurgau, publisher of the *Regionalzeitung Hinterthurgau und Umgebung* as well as 100% of Uster Nachrichten AG, publisher of the *Uster Nachrichten.*

Huber-Group
in CHF 000

	Recognised on acquisition	Previous carrying value[1]
Cash and cash equivalents	7 217	7 217
Trade accounts receivable	7 041	7 041
Inventories	4 180	4 180
Property, plant and equipment	23 406	5 360
Intangible assets[2]	35 109	2 705
Other assets	2 549	2 549
Total assets	**79 503**	**29 053**
Trade accounts payable	(3 646)	(3 646)
Deferred revenues and accrued liabilities	(8 389)	(8 389)
Long-term debt	(4 610)	(4 610)
Provisions for deferred taxes	(4 821)	(845)
Other liabilities	(1 296)	(1 296)
Total liabilities	**(22 762)**	**(18 786)**
Net assets acquired	**56 741**	**10 266**
Share previously held	0	
Purchase price	**56 741**	
Cash and cash equivalents acquired	(7 217)	
Net cash outflow	**49 523**	
Operating income before depreciation and amortisation (EBITDA) since acquisition	1 769	

1 Adapted to IFRS
2 The intangible assets also include the goodwill assets calculated at the time of acquisition.

If the acquisition of Huber & Co. AG and its subsidiaries had taken place on 1 January 2005, the revenues in comparison with the information in this Annual Report would have been CHF 55.2 million higher and the EBITDA CHF 0.5 million lower.

Recorded separately as an intangible asset was the publishing right *Thurgauer Zeitung* (comprised of the brand and the subscriber base). Its valuation resulted in an amount of CHF 4.0 million which will be amortized by the straight-line method over 12 years.

Büry Verlag AG

On 26 July 2005, 100% of Büry Verlag AG, publisher of the local district newspaper *Die Vorstadt* was acquired via the Tagblatt der Stadt Zürich AG retroactively as at 1 July 2005. The purchase price in cash amounted to CHF 0.4 million for the shares and loans.

Sales and disposals of consolidated companies

in CHF 000

Condor Communicatons AG / Regor AG

Assets	(6 859)
Liabilities	(4 855)
Net assets sold	**(2 004)**
Sales price	**(2 100)**
Cash and cash equivalents sold	2 390
Net cash outflow	**(290)**

Regor AG

As at 1 January 2005, Regor AG, active in the *lettershop* sector, was sold. In 2004, Regor, with an average of 49 employees (expressed as full-time equivalents) achieved revenues of slightly more than CHF 6.3 million.

Condor Communications AG

Retroactively as at 1 January 2005, the participation of 70% in Condor Communications AG and its subsidiary Condor Communications GmbH was sold. In 2004, the average of 28 employees (expressed as full-time equivalents) contributed revenues of CHF 10.9 million to Tamedia.

Basilisk Medienverlag AG

The company was merged into Medag AG für Medienarbeit retroactively as at 1 January 2005.

TV3 AG in liquidation

The liquidation of TV3 AG was concluded and the company was deleted from the Commercial Register on 27 May 2005.

Note 2

Foreign currency rates

in CHF

The following rates were applied for the translation of foreign currencies:

	2005	2004
Year-end rate		
1 EUR	**1.56**	1.55
1 GBP	**2.26**	2.18
1 USD	**1.32**	1.14
Average rate		
1 EUR	**1.55**	1.55

Segment reporting

Note 3

in CHF 000

	Newspapers	Magazines	Electronic Media	Services	Not allocable	Eliminations	**Total Group**
2005							
Revenues third parties	445 615	87 055	50 747	66 631	0	0	**650 048**
Revenues intercompany	1 520	506	2 634	148 039	0	(152 700)	**0**
Operating revenues	**447 135**	**87 561**	**53 381**	**214 670**	**0**	**(152 700)**	650 048
Operating expenses	(371 011)	(80 792)	(48 688)	(175 070)	0	152 700	**(522 861)**
Operating income before depreciation and amortisation (EBITDA)	**76 124**	**6 769**	**4 693**	**39 601**	**0**	**0**	127 187
Margin	17.0%	7.7%	8.8%	18.4%			**19.6%**
Depreciation and amortisation	(4 469)	(91)	(7 864)	(19 532)	0	0	**(31 955)**
of which impairment on goodwill	(281)	0	(7 000)	0	0	0	**(7 281)**
Operating income (EBIT)	**71 655**	**6 678**	**(3 171)**	**20 068**	**0**	**0**	95 232
Margin	16.0%	7.6%	(5.9%)	9.3%			**14.6%**
Share in earnings of associated companies	2 034	0	194	447	0	0	**2 675**
Total assets	297 209	19 774	74 863	290 373	36 807	0	**719 027**
Total liabilities	104 729	33 065	12 984	70 706	66 754	0	**288 238**
Capital expenditures in property, plant and equipment	303	9	292	24 605	0	0	**25 210**
Capital expenditures in intangible assets	548	0	101	1 011	0	0	**1 661**
Capital expenditures in associated companies	23 002	0	1 620	0	0	0	**24 622**
Average number of employees	625	154	166	671	0	0	**1 616**
2004							
Revenues third parties	343 905	90 347	63 926	68 402	0	0	**566 580**
Revenues intercompany	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 amortisation (EBITDA)	**55 111**	**8 670**	**2 141**	**37 117**	**0**	**0**	103 039
Margin	15.9%	9.6%	3.2%	19.0%			18.2%
Depreciation and amortisation	(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	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	21 999	88 654	257 218	120 772	0	**610 160**
Total liabilities	80 861	33 857	8 406	42 987	76 334	0	**242 445**
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**
Capital expenditures in associated companies	5 040	0	0	1 214	0	0	**6 258**
Average number of employees	675	172	193	615	0	0	**1 656**

Further information with regard to the individual segments is shown in the operational review on pages 20–26.

Note 4

Publishing revenues

in CHF 000

	2005	2004
Advertising revenues	**388 781**	283 822
Circulation revenues	**136 257**	140 012
Other publishing revenues	**56 523**	58 468
Total	**581 561**	482 302
of which barter transactions	**24 468**	15 010

The largest contribution to the operating revenues (89%) was made by publishing revenues (previous year 85%). They increased in comparison with the previous year by CHF 99.3 million or 21% to CHF 581.6 million. This increase is primarily due to the integration of *20 Minuten* and the *Thurgauer Zeitung*. The revenues from distribution activity declined due to slightly lower subscription income by CHF 2.8 million. The revenues from other publishing activity declined slightly too. These mainly encompass advertising revenues from television, radio and online media. The strong rise in barter transactions is associated with the integration of *20 Minuten.*

Note 5

Printing revenues

in CHF 000

	2005	2004
Newspaper offset press revenues	**6 753**	2 660
Sheet printing revenues	**9 111**	7 399
Other printing revenues	**16 199**	16 643
Total	**32 063**	26 702

As in the previous year, 5% of the operating revenues were contributed by printing revenues. They increased by CHF 5.4 million or 20% to CHF 32.1 million. Particularly the newspaper offset business recorded a pleasing increase of CHF 4.1 million or almost 154%. This development is due to a better use of capacity at the printing centre in Bubenberg. Whilst the activity in sheet printing recorded an increase of CHF 1.7 million or 23%, due to the integration of the Huber-Group, the revenues from other printing activities suffered a slight decline of CHF 0.4 million or 3%.

Other operating revenues

Note 6

in CHF 000

	2005	2004
Distribution revenues	**19 755**	24 422
Commissioned production revenues	**0**	9 444
Lettershop revenues	**0**	5 737
Gains on disposal of property, plant and equipment	**1 676**	1 826
Sundry operating revenues	**14 992**	16 148
Total	**36 423**	57 577

The share represented by other operating revenues fell to 6% of the overall operating revenues (previous year 10%). The decline is mainly due to the absence of revenues from Condor Communications AG and Regor AG which were sold at the beginning of 2005. In the revenues from deliveries to third parties, the integration of 20 Minuten AG led to a significant decrease. However, adjusted by this effect, the revenues were higher. The sundry operating revenues include the reversal of provisions no longer required amounting to CHF 4.6 million (previous year CHF 5.6 million).

Costs of material and services

Note 7

in CHF 000

	2005	2004
Costs of material	**59 849**	50 432
Costs of services	**85 088**	67 663
Total	**144 937**	118 095

The costs of material and services accounted for 22% of the operating expenses (previous year 21%). They increased by 23% to CHF 144.9 million. The costs of paper increased by 22% to CHF 49.7 million, mainly due to higher volumes. The costs of third-party services rose by 26% to CHF 85.1 million. The services supplied by third parties were somewhat reduced, mainly those of publishing houses, radio and television. In printing, external editorial fees and deliveries, the costs were significantly higher following the integration of 20 Minuten AG.

Personnel expenses

Note 8

in CHF 000

	2005	2004
Salaries and wages	**171 358**	168 280
Social security and retirement benefits	**32 054**	25 069
Other personnel expenses	**13 410**	9 996
Total	**216 822**	203 345

Personnel/employees Number	**2005**	2004
As of 31 December[1]	**1 839**	1 518
Average[1]	**1 616**	1 656

1 without deliverers Zuvo

Personnel expenses, at CHF 216.8 million, represent by far the largest category of costs. The rise in personnel expenses and the number of employees at the balance sheet date is almost completely due to the changes in the consolidation scope. With the disposals of Condor and Regor, the costs fell by CHF 7.0 million, whilst the acquisitions of 20 Minuten AG and the companies of the Huber-Group gave rise to an increase of CHF 20.6 million. In relation to the operating revenues, the personnel expenses were again reduced and amounted to 34% (previous year: 36%). The re-assessment and adaptation of employee benefit plans maintained by various companies whose benefit plans are now regulated within the Tamedia pension fund gave rise to one-time costs of CHF 3.4 million. Details on the calculation of employee benefit obligations are shown in Note 22. For the companies excluding the acquisitions, the personnel costs recorded a slight reduction.

The number of employees (converted to full-time equivalents) rose by the end of the year due to the acquisitions by 321 or 21% from 1518 to 1839. On an annual average, the number of employees was 1616 which, in comparison with the previous year, equates to a decrease of 39 full-time equivalents or 2%.

Note 9

Other operating expenses in CHF 000	**2005**	2004
Distribution and selling expense	**69 121**	54 225
Advertising and public relations	**43 163**	37 560
Rent, lease payments and licences	**15 238**	14 495
General operating expense	**33 579**	35 821
Total	**161 101**	142 101
of which barter transactions	**24 468**	15 010

Other operating expenses accounted for 25% of operating revenues (previous year: 26%) and increased from CHF 142.1 million to CHF 161.1 million. This increase of 13.4% or CHF 19.0 million is almost completely attributable to the acquisition of 20 Minuten AG, and is reflected particularly in the expenditures for distribution and sales as well as advertising and public relations. Merely the general operating costs recorded a reduction of 6%.

Depreciation and amortisation

Note 10

in CHF 000

	2005	2004
Depreciation of property, plant and equipment	**20 563**	25 824
Amortisation of goodwill	**0**	10 091
Impairment on goodwill	**7 281**	0
Amortisation of other intangible assets	**3 674**	3 414
Other write-offs and allowances	**439**	618
Total	**31 955**	39 947

Depreciation and amortisation fell by a total of CHF 8.0 million or 20% from CHF 39.9 million to CHF 32.0 million. Responsible for this decline is the depreciation of property, plant and equipment (CHF –5.3 million), of which the main proportion is attributable to technical equipment and machinery. Furthermore, the impairment of goodwill was CHF 2.8 million lower than the amortisation for 2004. Whilst in the previous year planned amortisation of goodwill was recorded at a level of CHF 10.1 million, the amortisation in 2005 includes an impairment of goodwill amounting to CHF 7.3 million (see also Note 24).

Associated companies

Note 11

in CHF 000

	2005	2004
Share in earnings of associated companies	**2 675**	3 583
Investments in associated companies	**29 085**	6 258

The significant increase of CHF 22.8 million in investments in associated companies resulted primarily from the acquisitions of 20.0% of Ziegler Druck- und Verlags-AG and 14.5% of homegate AG. In addition, proportional income of CHF 2.7 million was taken into account (previous year: CHF 3.6 million) which stood in contrast to a reduction by dividends received of CHF 4.4 million.

In the case of homegate AG, Tamedia is acquiring, in two phases, a participation of at least 43% and has already taken a seat on the Board of Directors since acquiring the first tranche of 14.5%. Significant power of influence is therefore given, although the share of voting rights at the present time is still less than 20%.

Share of the associates' balance sheet in CHF 000	**2005**	2004
Current assets	**18 378**	22 761
Non-current assets	**38 814**	32 982
Total assets	**57 192**	55 742
Current liabilities	**13 959**	12 994
Long-term liabilities	**14 257**	35 535
Net assets[1]	**28 976**	7 213
Share of the associates' revenue and profit		
Operating revenues	**68 225**	90 532
Operating expenses	**(61 086)**	(77 882)
Operating income before depreciation and amortization (EBITDA)	**7 138**	12 649

1 The disclosed shares of net assets also include negative figures for companies whilst the capitalised share of associated companies only takes into account those for which Tamedia has obligations above and beyond the investment.

No shares of the associated companies are publicly traded. There are therefore no published share prices. As the associated companies do not apply IFRS as their accounting principle, the available financial statements are adapted to IFRS. Various estimates were necessary in order to apply the equity method. In forthcoming years, adaptations could become necessary if new information is made available. All the companies close their accounts as at 31 December.

In order to apply the equity method for the newly acquired investments, independent consultants were mandated in certain cases to calculate the fair value of the identifiable assets and liabilities at the point in time of acquisition. The split of the historical costs took place on the basis of information available to Tamedia.

Details with regard to transactions with associated companies are disclosed in Note 41.

Other financial income

Note 12

in CHF 000

	2005	2004
Interest income	**918**	640
Gains on marketable securities	**56**	8
Gain from sales of investments in subidiaries	**1 441**	3
Exchange gains	**995**	1 007
Other financial income	**1 784**	1 024
Financial income	**5 192**	2 682
Interest expense	**(62)**	(63)
Interest expense on financial leases	**(574)**	(671)
Losses on marketable securities	**(59)**	(24)
Write-off of financial assets	**(1 597)**	(607)
Exchange loss	**(302)**	(627)
Other financial expense	**(67)**	(81)
Financial expense	**(2 662)**	(2 073)
Total	**2 531**	609

The other financial income rose from CHF 0.6 million to CHF 2.5 million. This is largely due to the successful disposal of the investments in the *Anzeiger von Uster*, Condor and Regor.

Taxes

Note 13

in CHF 000

The tax costs are comprised as follows:

	2005	2004
Current taxes	**(19 560)**	**(21 094)**
Deferred taxes	**(1 138)**	5 046
Total	**(20 698)**	(16 049)

Analysis of tax charge
in CHF 000

	2005	2004
Income before taxes	**100 437**	67 284
Average income tax rate	**20.5%**	23.3%
Expected tax expense (using average rates)	**(20 611)**	(15 658)
Taxes related to earnings of prior periods	**(47)**	10
Non-deductible amortisation of goodwill	**0**	(2 510)
Use of uncapitalised tax losses brought forward and not considered in the past	**102**	57
Non capitalised tax assets on tax losses brought forward	**(225)**	(709)
Impact of changes in investment income deductions	**0**	840
Expiration of tax loss benefits capitalised	**(70)**	0
Deferred taxes due to changes in tax rates	**0**	2 721
Other items	**153**	(800)
Taxes	**(20 698)**	(16 049)
Effective tax rate	**20.6%**	23.9%

The anticipated average Group tax rate equates to the weighted average of the consolidated companies.

In comparison with the previous year, the effective income tax rate on profit before tax fell from 24% to 21%. Within the framework of a partial revision of the tax law, a proportional tariff (previously a yield-dependent, three-level tariff) has been applicable in the Canton of Zurich since 1 January 2005. This meant a reduction of the effective income tax charge as well as of the future tax rate to be applied for deferred tax assets and liabilities.

Deferred tax assets and liabilities

Note 14

in CHF 000

Deferred taxes due to timing differences in the valuation of:

	2005	2004
Investments in associated companies	**6 360**	6 199
Capitalised tax losses brought forward	**7 957**	728
Pension plan assets	**2 557**	0
Intangible assets	**255**	0
Other assets	**391**	142
Total deferred tax assets	**17 519**	7 069

	2005	2004
Trade accounts receivable	**1 150**	1 047
Inventories	**565**	202
Land and buildings	**10 764**	8 331
Other property, plant and equipment	**6 257**	6 602
Pension plan liabilities	**4 691**	4 016
Marketable securities, loans	**2 618**	3 700
Intangible assets	**872**	0
Provisions and accruals including taxes	**12 428**	11 891
Other balance sheet items	**120**	389
Total deferred tax liabilities	**39 464**	36 177

Tax deductible losses brought forward

in CHF 000

	2005	2004
Capitalised tax losses brought forward	**7 957**	728
Average income tax rate	**21.0%**	20.4%
corresponding to effective tax losses brought forward	**(37 886)**	(3 580)
Expiring within 1 year	**0**	0
Expiring in 2 to 5 years	**(37 857)**	(1 192)
Expiring beyond 5 years	**(29)**	(2 388)

The deductibility of these capitalised losses brought forward for tax purposes depends upon the taxable profits that are achieved in the future. The prerequisites for realisation are given for the relevant companies, based on their current profitability.

	2005	2004
Non-capitalised tax losses brought forward	**(81 539)**	(78 172)
Expiring within 1 year	**0**	0
Expiring in 2 to 5 years	**(73 848)**	(63 963)
Expiring beyond 5 years	**(7 691)**	(14 210)

The non-capitalised losses brought forward amounted to CHF 81.5 million at the end of 2005. They arose from Express Zeitung AG, Meier Waser Druck AG, Piazza AG, Presse Publicité Rep. SA, Tagblatt der Stadt Zürich AG and the former Winner companies. The offsetting of these losses brought forward with future profits must currently be regarded as improbable. There is therefore no capitalisation of the deferred tax claims for these losses brought forward.

Note 15

Minority interests in net income

in CHF 000

	2005	2004
Minority interests in profits	**(476)**	(1 718)
Minority interests in losses	**154**	266
Total	**(322)**	(1 452)

The decline of minority interests in net income resulted mainly from the results of the Tagblatt der Stadt Zürich AG. These were strongly influenced in the previous year by a financing agreement which worked in favour of the minority shareholder Freie Presse Holding.

Note 16

Net income per share

Number

		2005	2004
Weighted average of shares outstanding during the year			
Number of shares outstanding		**10 000 000**	10 000 000
Number of treasury shares (weighted average)		**4 982**	6 024
Number of shares outstanding (weighted average)		**9 995 018**	9 993 976
Undiluted			
Net income	in CHF 000	**79 418**	49 783
Weighted average of shares outstanding applicable for this calculation		**9 995 018**	9 993 976
Net income per share (undiluted)	in CHF	**7.95**	4.98
Diluted			
Net income	in CHF 000	**79 418**	49 783
Weighted average of shares outstanding applicable for this calculation		**9 995 018**	9 993 976
Net income per share (diluted)	in CHF	**7.95**	4.98

Trade accounts receivable

Note 17

in CHF 000

	2005	2004
Trade accounts receivable from third parties	**101 965**	82 319
Trade accounts receivable from associated companies	**655**	1 554
Allowance for doubtful accounts	**(5 014)**	(4 073)
Total	**97 606**	79 800

The trade accounts receivable increased by 22% to CHF 97.6 million. This was due mainly to the integration of 20 Minuten AG and the Huber-Group. CHF 5.0 million were provided for doubtful trade accounts receivable, compared with CHF 4.1 million in the previous year.

Inventories

Note 18

in CHF 000

	2005	2004
Raw materials	**2 952**	2 563
Work in progress	**3 857**	714
Finished goods	**179**	258
Trade merchandise	**25**	27
Total	**7 013**	3 563

The inventories doubled to just over CHF 7.0 million due primarily to the integration of the Huber-Group. The material costs booked to the income statement are disclosed as material costs in Note 7.

Note 19

Property, plant and equipment and non-operational real estate

in CHF 000	Land	Buldings and fixtures	Technical equipment and machinery	Furnishings, automobiles and art objects	Advance payments and assets under construction	**Total property, plant and equipment**	Non-operational real estate
Historical cost at							
Balance at 31 December 2003	**51 165**	**178 724**	**248 004**	**13 427**	**72 552**	**563 872**	**14 123**
Changes in Group companies	0	2	22	2	0	**26**	0
Additions	0	349	3 063	484	13 933	**17 829**	0
Disposals	(1 693)	(6 084)	(110 326)	(725)	0	**(118 828)**	0
Transfers	0	14 299	43 854	0	(58 154)	**0**	0
Balance at 31 December 2004	**49 472**	**187 291**	**184 617**	**13 187**	**28 331**	**462 899**	**14 123**
Changes in Group companies	5 400	10 703	513	655	0	**17 271**	0
Additions	0	2 863	21 882	364	100	**25 210**	0
Disposals	0	(857)	(59 446)	(1 377)	(148)	**(61 828)**	(5 192)
Transfers	(814)	4 436	20 925	0	(28 022)	**(3 475)**	3 475
Balance at 31 December 2005	**54 058**	**204 436**	**168 492**	**12 830**	**261**	**440 077**	**12 406**
Accumulated depreciation at							
Balance at 31 December 2003	**0**	**99 321**	**199 144**	**8 067**	**0**	**306 533**	**4 873**
Changes in Group companies	0	0	0	0	0	**0**	0
Annual depreciation	0	6 019	18 413	1 033	0	**25 465**	358
Impairment[1]	0	0	0	0	0	**0**	0
Additions	0	0	0	0	0	**0**	0
Disposals	0	(5 224)	(105 791)	(492)	0	**(111 507)**	0
Transfers	0	0	0	0	0	**0**	0
Balance at 31 December 2004	**0**	**100 117**	**111 766**	**8 609**	**0**	**220 491**	**5 232**
Changes in Group companies	0	(503)	(4 978)	(599)	0	**(6 080)**	0
Annual depreciation	0	5 985	13 221	1 043	0	**20 249**	313
Impairment[1]	0	0	0	0	0	**0**	0
Additions	0	0	0	0	0	**0**	0
Disposals	0	(799)	(57 374)	(1 063)	0	**(59 236)**	(3 078)
Transfers	0	(187)	10	0	0	**(177)**	177
Balance at 31 December 2005	**0**	**104 612**	**62 644**	**7 990**	**0**	**175 247**	**2 644**
Net book value of assets							
at 31 December 2004	**49 472**	**87 175**	**72 852**	**4 579**	**28 330**	**242 408**	**8 892**
of which leased	0	0	17 045	0	0	**17 045**	0
of which available for sale	0	0	2 431	23	0	**2 455**	2 159
at 31 December 2005	**54 058**	**99 824**	**105 847**	**4 840**	**261**	**264 831**	**9 762**
of which leased	0	0	15 952	0	0	**15 952**	0
of which available for sale	0	0	786	1	0	**787**	3 298

1 Depreciation due to impairment is declared in the income statement within the item depreciation and amortisation (see also Note 10).

The changes in the consolidation scope led to additions of CHF 17.3 million. The investment activity increased from CHF 17.8 million to CHF 25.2 million. The shutdown of further parts of the old newspaper printing press resulted in further, material reductions in technical equipment and machinery as well as buildings, installations and constructional ancillary facilities. In the reporting period, further investments were made in technical equipment and machinery for the new newspaper printing presses. Current depreciation fell by CHF 5.2 million in comparison with the previous year. In total, property, plant and equipment increased by CHF 22.4 million, from CHF 242.4 million to CHF 264.8 million.

Available for sale were production facilities with an asset value of CHF 0.8 million as well as the building property of Meier Waser Druck AG which is capitalized at a value of CHF 3.3 million. It is now standing empty following the transfer of the technical operating parts of Meier Waser Druck AG to Frauenfeld and was therefore reclassified to non-operational land and buildings. Further information with regard to this property is shown in the following note.

Details with regard to pledges of plant, property and equipment can be found in Note 38.

Non-operational real estate

Note 20

in CHF 000

	2005	2004
Rent income	**690**	741
Real estate expense	**(538)**	(656)
Net income[1]	**151**	85
Net book value[2]	**9 762**	8 891
Fair value	**10 275**	10 300

1 The reclassification of the property of Meier Waser Druck AG took place as at the end of 2005. The real estate income for 2005 therefore only includes details for the property of Radio Basilisk whilst the details for 2004 also include the building used by Waser Druck AG.

2 The net investment value as well as the fair value of the property of Meier Waser Druck AG only take into consideration the participation of 50% included with the quota consolidation.

The change in accumulated historical values and depreciation is shown in the statement of property, plant and equipment included in Note 19.

This category of assets includes the building properties of Radio Basilisk and (new) that of Meier Waser Druck AG. The property of Waser Druck AG, which was still capitalised under this item in the previous year, was sold in the first half of 2005.

The internal examination of carrying value showed no impairment of the investment properties. The values were discounted at a rate of 5.5%. The fair value recorded for the building of Meier Waser Druck AG is based on the sales price which was achieved in January 2006. The sale of the property took place on 18 January 2006 and ownership was transferred as at 31 March 2006.

The following limitation exists with regard to the realization of the value of the property belonging to 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 which granted the construction rights has a pre-purchase option. In the event that the property would have to be rendered back to the counterparty, the Group has the right to receive compensation based on the fair value of the property at that time.

Note 21

Other non-current financial assets

in CHF 000

	2005	2004
Other investments	**39**	26
Long-term loans receivable from third parties	**875**	1 763
Long-term loans receivable from associated companies	**5 018**	11 380
Pension plan assets[1]	**22 337**	21 697
Other financial assets	**2 732**	3 296
Total	**31 001**	38 162

1 In the past, the employee benefit credit balance, calculated in accordance with IAS 19, was shown net of the corresponding liabilities within the assets. The presentation is now on a gross basis, for which reason the details for the previous year have been restated for better comparability.

The other non-current financial assets declined by CHF 7.2 million to CHF 31.0 million. The largest reduction was in loans to third parties and associated companies with CHF 7.3 million which, in the previous year, still included the loans to 20 Minuten AG. The loans to third parties reduced due to repayments made during the year. Whilst long-term forward currency contracts with a fair value of CHF 0.7 million were included in the previous year, there were no longer any long-term transactions in 2005.

Details with regard to the pledging of financial assets are to be found in Note 38.

Note 22

Employee benefits

For Swiss pension funds, only the Board of Trustees can make decisions regarding the use of available free funds. Therefore, the capitalisation of any over-funding is only possible to the extent that benefits accrue to the employer according to law and by the 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 beneficiaries must be respected.

Amounts recorded as pension plan assets consist of employer contribution reserves and a portion of the pension plans' free funds for those plans that are overfunded. Actuarial gains/losses and unrecognised parts thereof are presented as net figures.

Analysis of defined benefit assets recognised
in CHF 000

	2005	2004
Present value of obligations	**890 880**	746 278
Fair value of plan assets	**(957 750)**	(795 604)
Present value of net obligation/(asset)	**(66 870)**	(49 326)
Unrecognised actuarial (loss)/gain	**35 914**	16 046
Unrecognised part of defined benefit asset (obligation)	**20 496**	14 156
Defined benefit obligation/(asset) recognised	**(10 460)**	(19 124)
thereof pension plan assets per IAS 19	**(22 337)**	(21 697)
thereof pension plan liabilities per IAS 19	**11 877**	2 573

Analysis of retirement benefit expense from defined benefit plans
in CHF 000

	2005	2004
Current service cost	**14 638**	17 074
Interest cost	**23 511**	26 073
Expected return on plan assets	**(34 287)**	(36 371)
Recognition of plan improvement costs	**0**	4 554
Recognition of actuarial (gain)/loss	**(181)**	0
Effect of curtailment	**(479)**	0
Recognition of unrecognised past service cost[1]	**3 360**	0
Company's net periodic pension cost	**6 562**	11 330
Employer contributions	**(11 922)**	(15 945)
Company's pension expenses not yet recognised in income statement	**(5 360)**	(4 615)
Unrecognised part of company's net periodic pension income (cost)	**8 126**	5 393
Company's pension expenses/(income) to be recognised in income statement in addition to employer contributions	**2 766**	778

1 In 2005, due to changes made to various employee benefit plans, several of them are newly classified as defined benefit plans. The costs of years of service which are to be taken into account as a consequence encompass the reclassification of various, adapted employee benefit plans and amount to CHF 2.7 million.

Change in net assets recognised
in CHF 000

	2005	2004
Net obligation/(asset) recognised as of 1 January	**(19 124)**	(19 902)
Change due to acquisitions	**5 898**	0
Company's net periodic pension cost	**6 562**	11 330
Employer contributions	**(11 922)**	(15 945)
Change in unrecognised portion of net obligation/(asset)	**8 126**	5 393
Net obligation/(asset) as of 31 December	**(10 460)**	(19 124)
thereof pension plan assets per IAS 19	**(22 337)**	(21 697)
thereof pension plan liabilities per IAS 19	**11 877**	2 573

Return on plan assets
in CHF 000

	2005	2004
Projected return on plan assets	**34 287**	36 371
Actual return on plan assets	**99 366**	34 454
Actuarial gain/(loss) on plan assets	**65 079**	(1 917)

Actuarial assumptions
in %

	2005	2004
Discount rate	**2.7**	3.1
Long-term rate of return on assets	**4.0**	4.3
Salary progression	**1.0**	1.0
Pension benefit progression	**0.6**	0.6

The most recent actuarial appraisal (using the projected unit credit method) took place as at 31 December 2005.

Contributions to defined contribution plans
in CHF 000

	2005	2004
Total	**734**	1 552

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

There is no property, plant and equipment belonging to pension funds that is used by consolidated or associated companies.

Liabilities to employee benefit plans
in CHF 000

	2005	2004
Liabilities to Tamedia pension funds	**214**	0
Liabilities to other pension funds	**253**	57
Total	**467**	57

Note 23

Intangible assets

in CHF 000	Goodwill[2]	Publishing rights and other legal rights	Software development costs	Other intangible assets	**Total**
Historical cost at					
Balance at 31 December 2003	**151 815**	**263**	**22 148**	**93**	**174 319**
Changes in Group companies	0	0	0	0	**0**
Additions	1 000	0	1 341	0	**2 341**
Disposals	0	(182)	(1 410)	(93)	**(1 685)**
Balance at 31 December 2004	**152 815**	**81**	**22 079**	**0**	**174 975**
Changes in Group companies	128 196	4 120	730	415	**133 461**
Additions	0	0	1 581	80	**1 661**
Disposals	0	0	(1 666)	0	**(1 666)**
Transfers[3]	(89 745)	0	0	0	**(89 745)**
Balance at 31 December 2005	**191 266**	**4 201**	**22 723**	**495**	**218 685**
Accumulated amortisation at					
Balance at 31 December 2003	**78 859**	**117**	**13 143**	**0**	**92 119**
Changes in Group companies	0	0	0	0	**0**
Annual amortisation	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 at 31 December 2004	**89 745**	**81**	**15 178**	**0**	**105 004**
Changes in Group companies	0	0	(176)	0	**(176)**
Annual amortisation	0	80	3 179	415	**3 674**
Impairment[1]	7 281	0	0	0	**7 281**
Additions	0	0	198	0	**198**
Disposals	0	0	(1 558)	0	**(1 558)**
Transfers[3]	(89 745)	0	0	0	**(89 745)**
Balance at 31 December 2005	**7 281**	**162**	**16 820**	**415**	**24 678**
Net book value of assets					
at 31 December 2004	**63 070**	**0**	**6 900**	**0**	**69 971**
of which leased	0	0	0	0	**0**
of which available for sale	0	0	72	0	72
at 31 December 2005	**183 986**	**4 039**	**5 902**	**80**	**194 007**
of which leased	0	0	0	0	**0**
of which available for sale	0	0	0	0	**0**

1 Amortisation due to impairment is recorded in the income statement within the item depreciation and amortisation (see also Note 10).
2 With the introduction of IFRS 3, goodwill is no longer amortised but subjected to an annual impairment test.
3 In connection with the introduction of IFRS 3, the accumulated amortisation of CHF 89.7 million was deducted directly from the historical cost.

The intangible assets increased from CHF 70.0 million by CHF 124.0 million to CHF 194.0 million. This increase is almost exclusively associated with the acquisitions of 20 Minuten AG and the Huber-Group. On the initial consolidation, goodwill of CHF 128.2 million as well as publishing rights and other legal entitlements of CHF 4.1 million were capitalised. On the other hand, current amortisation amounted to CHF 3.7 million and write-offs due to impairments of goodwill totalled CHF 7.3 million. Further explanations with regard to goodwill and the impairment tests carried out are shown in the following note.

Goodwill

in CHF 000

Note 24

Segments	**2005**	2004
Newspapers, thereof	**145 876**	17 960
20 Minuten	98 269	394
Finanz und Wirtschaft	17 566	17 566
Thurgauer Zeitung	30 040	0
Electronic Media, thereof	**38 110**	45 110
Radio 24	36 406	36 406
Radio Basilisk	1 704	8 704
Total	**183 986**	63 070

The carrying value of goodwill per cash-generating unit was examined as at 31 December 2005. The units relate to individual products which are usually independent within a company of their own. The calculation of values in use took place using the discounted cash flow method with the exception of goodwill which arose from the acquisition of the Huber-Group at the beginning of October 2005. As the acquisition took place very close to the balance sheet date, the price paid was recorded as a realisable amount, i.e. fair value.

The calculations, which are the basis for the business plans, refer to the values directly achieved in the previous year, the current budget figures for 2006 and the medium-term expectations of the business divisions.

These include the latest estimates of the development of revenues and costs. The development of revenues is based on current reader and listener figures for which a stable further development can be assumed. These figures are compiled by third parties (WEMF, Radiocontrol, Telecontrol). Measures which serve to improve the results are only taken into consideration if they have already been decided and are in the process of implementation. The differently estimated business risks were taken into consideration in the business plans. As tax payments are included in the cash flows, a discount rate after tax of 8.0% (previous year: 8.0%) is applied. This equates to a discount rate before tax of approx. 10.1% (previous year: 10.1%). The business plans cover a period of four years. For the following years, the growth rate in the newspaper segment was applied as in the past at 1.0% and for electronic media also at 1.0% (previously 1.5%).

Based on these calculations, it was determined that in the business segment of electronic media, there was an impairment of CHF 7.0 million on the goodwill of Radio Basilisk. The reason is that in the current business plans, the outlook for revenues has been corrected downwards due to intensified competition. In the business segment of newspapers, an impairment of CHF 0.3 million was recorded.

Note 25

Financial liabilities

in CHF 000

	2005	2004
Current bank debt	**0**	**3**
Current leasing obligations	**5 270**	**4 304**
Other short-term financial debt to third parties	**215**	**327**
Other short-term financial debt to associated companies	56	0
Current debt	**5 541**	**4 634**
Long-term leasing obligations	**6 961**	**9 142**
Long-term loans from third parties	**4 549**	**4 706**
Pension plan liabilities[1]	11 877	2 573
Long-term debt	**23 387**	**16 420**
Financial debt	**28 928**	**21 055**
Maturities		
Within 1 year	**5 541**	**4 634**
1 to 5 years	**11 510**	**13 847**
Beyond 5 years	**11 877**	**2 573**
Total	**28 928**	**21 055**
Weighted average interest rate (excluding pension plan liabilities)		
Within 1 year	**3.5%**	**3.6%**
1 to 5 years	**2.7%**	**2.8%**
Beyond 5 years	**n.a.**	**n.a.**

1 In the past, the employee benefit credit balance, calculated in accordance with IAS 19, was shown net of the corresponding liabilities within the assets. The presentation is now on a gross basis, for which reason the details for the previous year have been restated for better comparability.

The financial liabilities have increased by CHF 7.9 million to CHF 28.9 million. Within this figure, there was a decline of lease obligations in the current year totalling CHF 1.2 million against an addition of employee benefit obligations as per IAS 19 of CHF 9.3 million. The latter arose from taking 20 Minuten AG and the Huber-Group into account for the first time and the re-assessment of the pension plans of various companies whose employee benefits are newly regulated within Tamedia's pension fund. Details with regard to calculation of the employee benefit obligations can be found in Note 22.

The interest rate for lease liabilities is fixed for the entire term of the contracts.

Trade accounts payable

Note 26

in CHF 000

	2005	2004
Trade accounts payable to third parties	**42 954**	26 872
Trade accounts payable to associated companies	**4 573**	1 355
Total	**47 528**	28 227

Trade accounts payable amount to CHF 47.5 million, which represents an increase of CHF 19.3 million in comparison with the previous year. Liabilities to third parties rose in 2005 primarily in connection with the purchase of the new newspaper printing presses and the integration of 20 Minuten AG and the Huber-Group. The increase in trade accounts payable to associated companies increased mainly because the Tamedia magazines are now being printed by Ziegler Druck- und Verlags-AG.

Other current liabilities[1]

Note 27

in CHF 000

	2005	2004
Payables to public authorities	**4 462**	3 934
Advance payments from customers	**1 353**	1 603
Other current accounts payable	**5 833**	1 286
Total	**11 648**	6 823

1 Previously, other current liabilities also included current provisions. These are now shown as a separate item in the balance sheet and disclosed in Note 29. The figures for the previous year were adapted for better comparability.

The other current liabilities increased significantly by CHF 4.8 million to CHF 11.6 million. The increase is mainly attributable to higher liabilities to various social insurance institutes.

Deferred revenues and accrued liabilities

Note 28

in CHF 000

	2005	2004
Deferred subscription revenues	91 840	93 951
Other accrued liabilities	33 682	29 832
Total	**125 522**	123 783

The increase in deferred revenues and accrued liabilities of CHF 1.7 million is mainly a consequence of the changes in the consolidation scope which caused an increase of CHF 6.2 million in subscription revenues and CHF 2.8 million in other deferred revenues and accrued liabilities. The deferred subscription revenues of the titles published by Tamedia so far fell because of subscriptions with a multi-year term which increased significantly in the previous year and will only be billed again in 2006. The decrease here amounted to CHF 8.3 million.

Note 29

Provisions

in CHF 000	Long-service awards	Personnel-redundancy payment plans	Renovation and contamination removal	Risks of law suits, others	**Total**
Balance at 1 January 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 at 31 December 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**
Balance at 1 January 2003	**1 263**	**6 318**	**2 551**	**5 930**	**16 062**
Changes in Group companies	637	0	(50)	2 560	**3 147**
Increase	245	3 250	0	826	**4 320**
Reversal	0	(3 531)	0	(1 062)	**(4 593)**
Used during the period	(11)	(1 980)	0	(1 810)	**(3 801)**
Balance at 31 December 2003	**2 134**	**4 057**	**2 500**	**6 446**	**15 136**
Due within 1 year	353	4 057	500	671	**5 580**
Due between 1 and 5 years	1 781	0	1 600	5 775	**9 156**
Due beyond 5 years	0	0	400	0	**400**

Current and long-term provisions declined slightly from CHF 16.1 million to CHF 15.1 million, despite the fact that net provisions rose by CHF 3.1 million due to the changes in the consolidation scope. The decrease of CHF 0.9 million resulted primarily from a decline in personnel provisions by CHF 2.3 million whilst the provisions for long-service awards and legal dispute risks/others rose by CHF 0.9 million and CHF 0.5 million respectively. Most of the long-term provisions are due within five years.

In the case of long-service awards, the anticipated costs are provided for for the next five years. The personnel provisions encompass mainly the costs which are still to be expected in connection with the resolved restructuring measures. The renovation and contamination costs include estimated costs for renovation of rented properties if and when they are vacated and guarantees for removal of contamination for properties which are sold. The due dates for restoration costs in the case of rented premises depend upon the term of the relevant agreements. The provisions for legal dispute risks relate to current cases. The other provisions include various items which are immaterial when considered individually.

The amount of provisions and the point in time at which the resultant cash outflows will occur are based on best possible estimates and could deviate from actual circumstances in the future.

Share capital

Note 30

in CHF 000	2005	2004
10 000 000 registered shares with a nominal value of CHF 10 each, fully paid in	**100 000**	100 000

A shareholders' binding agreement exists for 67% of the 10 million registered shares of Tamedia AG. The members of the shareholders' binding agreement currently own 76% of the shares.

On 25 May 2005, the shareholders approved the recommendation of the Board of Directors to distribute a dividend of CHF 1.50 per share for the 2004 financial year. The Board of Directors will recommend to the Annual General Meeting of May 18 2006 that a dividend of CHF 2.50 per share be distributed for the 2005 financial year.

Treasury shares

Note 31

Number of treasury shares

Number	2005	2004
Balance at 1 January	**6 024**	6 024
Purchases	**0**	**0**
Sales	**1 646**	0
Balance at 31 December	**4 378**	6 024

Historical value of treasury shares

in CHF 000	2005	2004
Balance at 1 January	**558**	558
Purchases	**0**	0
Sales	**(164)**	0
Adjustment	**0**	0
Balance at 31 December	**394**	558
Fair value	**560**	693

Paid / received prices in CHF	**2005**	2004
Purchases (weighted average)	**0.00**	0.00
min.	**0.00**	0.00
max.	**0.00**	0.00
Sales (weighted average)	**100.00**	0.00
min.	**100.00**	0.00
max.	**100.00**	0.00

The year-end stock market price of treasury shares was CHF 127.90 compared with CHF 106.00 in the previous year. The price development is represented in share price development in the exhibit on page 35.

Within the framework of the employee share participation programme for the 2004 financial year (see also Note 43), 1 646 treasury shares with a total value of CHF 0.2 million were handed over. There were no other transactions with treasury shares.

Note 32

Further details on the consolidated financial statements

Joint ventures in CHF 000	**2005**	2004
Current assets	**10 425**	9 653
Non-current assets	**6 178**	6 979
Total assets	**16 603**	16 631
Current liabilities	**6 955**	5 715
Long-term liabilities	**6 291**	8 463
Total liabilities	**13 246**	14 177
Shareholders' equity	**3 357**	2 454
Total liabilities and shareholders' equity	**16 603**	16 631
Operating revenues	**39 635**	41 085
Operating expenses	**(41 310)**	(41 226)
Operating income before depreciation and amortisation (EBITDA)	**(1 675)**	(141)

The details with regard to joint ventures encompass the shares included by means of quota consolidation of the companies Balmedia, Meier Waser Druck, Presse Publicité, TVtäglich and Zuvo. The details are shown before elimination of intercompany transactions.

Sureties, guarantee obligations and pledges in favour of third parties

Note 33

in CHF 000

	2005	2004
Subordinated debt	**2 900**	7 657
Joint and several guarantees	**13**	650
Total	**2 913**	8 307

The subordinations relate to loans to associated companies. The subordination carried out in the past year related to an outstanding loan to 20 Minuten AG. The remaining possible obligation resulting from a joint and several guarantee (originally amounting to CHF 0.7 million) has been fully provided for. There are no other sureties, guarantee obligations or pledged assets in favour of third parties.

With the purchase of homegate AG, Tamedia entered into a joint and several liability to the vendor for the obligations of the second buyer, Edipresse. The extent of the joint and several liability is mainly dependent upon the purchase price for the other shares which are to be taken over in a second phase at the beginning of 2008. The level of the purchase price will be calculated on the basis of result-dependent figures. Due to the strong creditworthiness of Edipresse, the risk arising from the joint and several liability is considered to be extremely low.

Financial leases

Note 34

in CHF 000

	2005	2004
Financial lease obligations		
Due within 1 year	**5 393**	4 401
Due between 1 and 5 years	**7 485**	9 903
Due beyond 5 years	**0**	0
Total	**12 878**	14 304
Less interest component	**(647)**	(858)
Financial debt recognised	**12 231**	13 446
of which current	**5 270**	4 304
of which long-term	**6 961**	9 142

As part of the IT outsourcing which took place in autumn 2004, Swisscom IT Services took over various IT equipment from Tamedia. This was leased back by Tamedia by means of an agreement which runs until 2008. The existing agreement for the lease of transport equipment also runs until 2008. The price risk for these fixed-interest lease agreements has not been hedged.

Note 35

Operating leases and rent commitments

in CHF 000

At the moment, rent agreements exist for real estate and lease agreements for motor vehicles and office machinery. The lease agreements have a remaining term between one and four years and are generally at fixed conditions. The remaining term for the real estate rent agreements is between one and five years. There are longer terms agreed for the building property in construction rights owned by Radio Basilisk (30 years, until the end of 2035) and for the Medienhaus property in Zurich (15 years, until the end of 2020). There are no other special arrangements.

	2005	2004
Land, buildings and fixtures	**53 178**	59 033
Machinery and furnishings	**1 214**	3 964
Total	**54 392**	62 996
Due within 1 year	**6 107**	6 905
Due between 1 and 5 years	**18 066**	21 724
Due beyond 5 years	**30 218**	34 367
Total	**54 392**	62 996
Costs recognised in the financial year under the item rent, lease payments and licenses (see also Note 9)	**8 754**	9 240

Note 36

Off-balance sheet transactions

in CHF 000

	2005	2004
Purchase commitments project Rota 2005	**8 256**	21 835

In connection with the replacement of the newspaper printing presses and the expansion of the printing centre, purchase commitments decreased as at the balance sheet date by CHF 13.6 million to CHF 8.3 million. Remaining cash outflows related to this project are only expected in 2006.

One-year framework agreements are concluded with suppliers of newspaper and magazine paper. Agreements covering delivery in 2006 were only signed after the balance sheet date, which explains why no commitments are shown in this category as at the end of 2005.

Financial instruments

Note 37

in CHF 000

	2005		2004	
	Book value	**Fair value**	Book value	Fair value
Cash and cash equivalents	**51 726**	**51 726**	140 303	140 303
Current financial assets	**911**	**911**	1 926	1 926
Current financial receivables	**1 950**	**1 950**	719	719
Long-term financial assets[1]	**8 664**	**8 231**	16 465	16 465
Current debt	**5 541**	**5 541**	4 634	4 634
Long-term debt[1]	**11 510**	**11 510**	13 847	13 847

1 without pension plan assets / liabilities arising from IAS 19.

Wherever possible, the fair value is determined by market prices. Alternatively, the Group's own calculations are applied.

Forward currency contracts/swaps	**2005**	2004
Contract volume	**8 397**	26 570
Fair value, currently due	**878**	2 502
Within 1 year	**878**	1 803
Between 1 and 5 years	**0**	699
Beyond 5 years	**0**	0
Information on cash flow hedges		
Cash flow hedges recorded directly in shareholders' equity[1]	**395**	1 154
Recorded together with the underlying hedged transaction	**1 011**	1 748
Recorded directly to net income	**240**	940

1 The amount of CHF 0.4 million recorded in equity is after deduction of deferred taxes amounting to CHF 0.1 million.

Forward Euro contracts and currency swaps totalling CHF 8.4 million exist to hedge the foreign currency risk arising from the framework agreements for newspaper and magazine paper. In the previous year, the contract volume totalled CHF 26.6 million and still included the hedge for the purchase of the new newspaper printing presses. The hedging transactions are recorded on realization together with the underlying transaction. In 2005, the amount of CHF 0.4 million recorded directly in equity was released to the income statement. CHF 0.6 million were allocated to investments in newspaper printing press.

Depending on their maturity, these derivative financial instruments are recorded under current or non-current financial receivables or payables. The hedging transactions which currently exist are treated as "cash flow hedges."

Note 38

Encumbrance of assets

in CHF 000

	2005	2004
Mortgages and long-term advances secured by land and buildings	**5 414**	414
related to land and buildings with a net book value of	**22 919**	6 732
Subscription insurance secured by assets	**792**	905
related to marketable securites with a net book value of	**2 538**	2 597
Assets pledged as collateral or subject to liens	**6 206**	1 319
related to assets with a total book value of	**25 457**	9 329

The amount disclosed of liabilities secured by means of mortgage rights is comprised of construction rights interest for the property belonging to Radio Basilisk for a maximum term of 3 years as well as an available bank credit facility which, however, was not being utilised as at the end of 2005. At the balance sheet date, there were open liabilities for construction rights interest – however, only due in 2006 – amounting to CHF 0.1 million.

Note 39

Fire insurance value of property, plant and equipment

in CHF 000

	2005	2004
Total	**666 897**	622 123

Investments

Note 40

The Group companies of Tamedia as at 31 December 2005, are as follows:

Name	Domicile	Currency	Share capital (in CHF 000)	Business division	Method of consolidation	Share of capital 2005	Share of voting rights 2005
Tamedia AG	Zurich	CHF	100 000	N	V	–	–
alaCasa.ch AG	Zurich	CHF	100	E	E	25.0%	25.0%
Belcom AG	Zurich	CHF	506	E	V	100.0%	100.0%
Radio 24 AG	Zurich	CHF	100	E	V	100.0%	100.0%
Zürivision AG[1]	Zurich	CHF	60	E	V	66.6%	66.6%
Berner Zeitung AG	Berne	CHF	500	N	E	49.0%	49.0%
Betriebsgesellschaft SonntagsZeitung[2]	Zurich	CHF	–	N	V	85.0%	85.0%
Bevo AG	Berne	CHF	100	S	E	25.0%	25.0%
Express Zeitung AG	Zurich	CHF	100	N	V	100.0%	100.0%
20 Minuten AG	Zurich	CHF	5 000	N	V	100.0%	100.0%
Facts-Media AG	Zurich	CHF	100	M	V	100.0%	100.0%
homegate AG	Adliswil	CHF	10 000	E	E	14.5%	14.5%
Huber & Co. AG	Frauenfeld	CHF	1 500	S	V	100.0%	100.0%
Thurgauer Medien AG	Frauenfeld	CHF	1 000	N	V	100.0%	100.0%
Uster Nachrichten AG	Uster	CHF	100	N	V	100.0%	100.0%
Zeitungs-Verlag AG Hinterthurgau	Eschlikon	CHF	100	N	V	100.0%	100.0%
Medag AG für Medienarbeit	Basle	CHF	224	E	V	100.0%	100.0%
Balmedia AG	Basle	CHF	100	E	Q	50.0%	50.0%
Metro Media AG, in liquidation	Basle	CHF	100	E	E	25.0%	25.0%
Meier Waser Druck AG[3]	Feuerthalen	CHF	500	S	Q	50.0%	50.0%
Partner Winner AG	Zurich	CHF	100	E	V	100.0%	100.0%
Piazza AG (vormals Car4you Print AG)	Zurich	CHF	100	E	V	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	V	100.0%	100.0%
Schweizerische Depeschenagentur AG	Berne	CHF	2 000	S	A	5.0%	5.0%
SECM World Media Network, in liquidation	F-Paris	EUR	18	S	A	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	V	60.0%	60.0%
Büry Verlag AG	Zurich	CHF	200	N	V	60.0%	60.0%
Tages-Anzeiger Verlag AG	Zurich	CHF	100	N	V	100.0%	100.0%
TVtäglich[2]	Zurich	CHF	–	M	Q	50.0%	50.0%
Verlag Finanz und Wirtschaft AG	Zurich	CHF	1 000	N	V	100.0%	100.0%
Verlags-AG SonntagsZeitung	Zurich	CHF	1 000	N	V	85.0%	85.0%
Waser Druck AG	Buchs ZH	CHF	2 500	S	V	100.0%	100.0%
Winner AG	Zurich	CHF	100	E	V	100.0%	100.0%
Ziegler Druck- und Verlags-AG	Winterthur	CHF	3 326	N	E	20.0%	20.0%

Name	Domicile	Currency	Share capital (in CHF 000)	Business division	Method of consolidation	Share of capital 2005	Share of voting rights 2005
Zuvo Zustell- und Vertriebsorganisation AG	Zurich	CHF	1 500	S	Q	50.0%	50.0%
AZ Vertriebs AG	Aarau	CHF	100	S	A	12.5%	12.5%
PVG Pressevertriebs GmbH	Lucerne	CHF	102	S	E	25.0%	25.0%
Südostschweiz Pressevertrieb AG	Chur	CHF	100	S	A	17.5%	17.5%

1 33.3% each held by Tamedia AG and Belcom AG.
2 sole proprietorship
3 Name changed on January 25 2006. to Huber PrintPack AG

Field of business:
N= Newspapers
M= Magazines
E = Electronic Media
S = Services

Method of consolidation:
V = Full consolidation
Q= Quota consolidation
E = Equity valuation
A = Valued at historical cost or fair value

The main changes in the consolidated investments are explained in Note 1, and those of investments in associated companies in Note 11.

Note 41
Transactions with associated companies and related parties

Transactions between the Tamedia-Group and associated companies took place mostly in the fields of delivery and publishing revenues. The decrease in revenues – through the integration of 20 Minuten AG – as well as the increase in expenditures arose largely in the field of delivery.

in CHF 000		Operating revenues	Operating expenses	Financial income	Trade accounts receivable[1]	Long-term loans receivable[1]	Trade accounts payable[1]
Associated companies	2005	1 975	(17 734)	–	655	2 963	4 496
	2004	8 268	(15 451)	–	1 554	3 030	1 281
Joint ventures	2005	1 391	33 359	19	1 295	4 111	4 272
	2004	1 653	33 136	12	1 360	8 350	3 800
Directors and executives	2005	–	(5 933)	–	–	–	–
	2004	–	(4 444)	–	–	–	–

1 Joint ventures are recorded in the financial statements using the quota consolidation method. The share of transactions with other Group companies is eliminated on consolidation, and the non-consolidated share is shown under receivables or payables from or to associated companies. In this overview, the transactions are shown to the full extent and separately presented for associated companies and joint ventures.

With the exception of the transactions with members of the Board of Directors and the Executive Management shown in Notes 42 and 43, there are no other transactions with associated parties.

Remuneration of directors and executives

Note 42

The remuneration shown reflects the expenditure debited to the income statement in the reporting year (regardless of the dates on which it was paid). Among the directors and executives in office taken into consideration are also those who terminated their function in 2005. The former members are considered who terminated their functions in the previous period or earlier.

Type of compensation in CHF 000	**Directors**[1] **2005**	2004	**Executives 2005**	2004	**Total 2005**	2004
Number	8	8	5	5[2]	**13**	13
Fees / Salaries	2 115	1 873	2 215	1 777	**4 331**	3 650
Success participation and supplementary bonus [3]	0	0	1 030	290	**1 030**	290
Employer's contributions to pension funds	84	84	279	243	**363**	327
Expense reimbursements	120	104	90	72	**210**	176
Total	**2 319**	2 062	**3 614**	2 383	**5 933**	4 444

1 The Board of Directors is currently comprised only of non-executive members.
3 Alexander Theobald until March 2004
3 The profit participation for members of management was suspended until the end of 2004 due to the poor course of business. The Board has revised the earlier programme and approved it until and including the 2006 financial year. The programme only enters into effect if Tamedia exceeds a profit margin before tax of 10%. In 2005, four of the five members of management were entitled to participate.

Share allotments and ownership

Number	**Directors 2005**	2004	**Executives 2005**	2004	**Total 2005**	2004
Shares owned	**1 322 084**	1 322 084	**5 800**	5 815	**1 327 884**	1 327 899

Highest total remuneration of members of the Board of Directors in CHF 000	**2005**	2004
Fees	**952**	750
Employer's contributions to pension funds	**84**	84
Expense reimbursements	**36**	32
Total	**1 072**	866

The expenditure of Tamedia AG in 2005 for the eight members of the Board of Directors amounted to CHF 2.3 million (previous year: CHF 2.1 million) and for members of Executive Management CHF 3.6 million (previous year: CHF 2.4 million). In the previous year, the entire Board of Directors and the Chief Executive Officer received fees or salaries which had been reduced by 10% due to the poor course of business in 2003.

Note 43

Employee share participation plan

An employee share participation plan was introduced in connection with the IPO in the year 2000 for practically all the employees of Tamedia. The final blocked period resulting from that plan lapsed in 2005 without being used. This also applies for the exercise period for the remaining 5 492 options.

For the years from 2004 until 2006, the Board of Directors of Tamedia approved a new profit participation model. The payment of a profit participation takes place if Tamedia achieves an operating income margin (EBIT to revenues) of at least 5%. As soon as the operating income (EBIT) exceeds 5% of the revenues, 5% of the amount which exceeds that margin is paid out to the Tamedia employees. The employees can choose whether they want to draw their profit participation in cash or shares. The conversion of the profit participation into shares takes place at the average closing price of the shares within the last ten days prior to the purchase of shares. According to the regulations, the Board of Directors has the possibility to increase the number of shares based on the profit participation to the debit of the company. The increase amounts to at least 10% and is re-defined every year. The shares are subject to a blocked period of one year.

For the 2005 financial year, an increase was resolved to the profit participation drawn in shares by 20% (previous year: 20%). The costs for this additional allocation are carried by Tamedia and are recorded at the expected level in the financial statements for 2005 within personnel expenditure. The fulfilment of entitlements comes from the stock of treasury shares. The profit participation from the results for 2004 was drawn in shares by 124 employees. 1 646 shares were handed out.

Due the harmonisation of working conditions within the Tamedia Group, the Board of Directors resolved an expansion of the profit participation programme to include employees of the subsidiaries that had previously been excluded. As the basic model was not changed, this expansion does not lead to any additional costs. The costs, which are carried by the relevant business units in proportion to the number of employees, depend exclusively on the results achieved.

Note 44

Significant events after the balance sheet date

Presse Publicité Rep. SA

Tamedia AG and the HandelsZeitung publishing group have agreed that the advertisement sales of their titles in the French-speaking region of Switzerland will in future be individually organized. As at 4 January 2006, Tamedia therefore took over the 50% investment held by the HandelsZeitung publishing group in Presse Publicité Rep. SA.

Huber PrintPack AG
As part of a co-operation between the sheet printing works of Huber & Co. AG and Meier + Cie AG, Meier Waser Druck AG changed its name to Huber PrintPack AG as at 1 January 2006. At the same time, Huber & Co. AG took over the share of 50% of the company previously held by Tamedia AG and increased its investment ratio to 80% by means of a capital increase of CHF 0.75 million. Simultaneously, Huber & Co. transferred its sheet printing activities into Huber PrintPack AG. The technical operating parts of Meier Waser Druck AG were transferred to Frauenfeld. In order to continue serving local customer needs, a printing agency under the name "Meier Print" continues to be managed in the city centre of Schaffhausen.

There are no other significant events after the balance sheet date.

Report of the group auditors

To the general meeting of Tamedia AG, Zurich

As group auditors, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in shareholders' equity and notes, pages 38 to 88) of Tamedia AG for the year ended 31 December 2005.

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 Swiss Auditing Standards, 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, 20 March 2006

Ernst & Young AG

Yves Vontobel
Swiss Certified Accountant

Felix Ort
Swiss Certified Accountant
(in charge of the audit)

Tamedia AG

Income statement
in CHF 000

	2005	2004
Publishing revenues	**412 332**	410 235
Printing revenues	**46 502**	28 541
Gain on disposal of property, plant and equipment	**1 275**	4 390
Reversal of provisions not used	**3 637**	4 373
Other operating income	**27 598**	24 791
Other operating revenues	**32 510**	33 554
Changes in inventories	**(324)**	(293)
Operating revenues	**491 021**	472 036
Costs of material and services	**(110 191)**	(91 663)
Personnel expenses	**(150 167)**	(151 197)
Other operating expenses	**(129 631)**	(129 575)
Operating income before depreciation	**101 032**	99 600
Depreciation and amortisation	**(14 930)**	(16 062)
Operating income	**86 101**	83 539
Gain on sales of subsidiaries	**1 441**	0
Other financial income	**13 667**	17 762
Financial income	**15 108**	17 762
Financial expense	**(10 525)**	(3 984)
Financial income, net	**4 583**	13 779
Income before extraordinary items	**90 684**	97 317
Extraordinary expense	**(3 208)**	(5 535)
Income before taxes	**87 476**	91 782
Taxes	**(16 947)**	(19 041)
Net income	**70 529**	72 741

The notes form an integral part of the Annual Financial Statements.

Balance sheet

Assets

in CHF 000, as of 31 December

	2005	2004
Cash and cash equivalents	**17 091**	110 806
Marketable securities	**553**	633
Trade accounts receivable from third parties, net of allowance for bad debts	**59 937**	55 189
from related parties and shareholders	**27**	735
from Group companies	**3 660**	6 341
Trade accounts receivable	**63 624**	62 264
Other accounts receivable from third parties	**2 314**	1 583
from Group companies	**764**	1 359
Other accounts receivable	**3 078**	2 941
Accrued income and prepaid expenses from third parties	**7 318**	3 046
from Group companies	**10 285**	1 684
Accrued income and prepaid expenses	**17 602**	4 731
Inventories	**1 426**	1 965
Current assets	**103 374**	183 340
Property, plant and equipment Buildings and fixtures	**70 527**	65 024
Other property, plant and equipment	**95 162**	88 686
Property, plant and equipment	**165 689**	153 710
Long-term investments Investments in subsidiaries, net of allowance	**244 529**	171 234
Other long-term investments with third parties	**3 516**	4 315
with related parties and shareholders	**2 900**	0
with Group companies	**123 429**	32 225
Long-term investments	**374 374**	207 774
Intangible assets	**4 605**	6 488
Non-current assets	**544 668**	367 972
Total assets	**648 042**	551 312

The notes form an integral part of the Annual Financial Statements.

Liabilities and shareholders' equity in CHF 000, as of 31 December	Note	2005	2004
Current debt		**5 720**	4 304
Trade accounts payable to third parties		**34 621**	19 685
to related parties and shareholders		**91**	413
to Group companies		**3 364**	3 630
Trade accounts payable		**38 076**	23 728
Other accounts payable to third parties		**11 386**	13 258
to Group companies		**2 492**	2 486
Other accounts payable		**13 878**	15 744
Deferred revenues and accrued liabilities from third parties		**120 385**	119 887
from Group companies		**2 247**	1 159
Deferred revenues and accrued liabilities		**122 632**	121 046
Current liabilities		**179 856**	164 823
Long-term debt Other long-term liabilities		**6 961**	9 142
Long-term liabilities		**35 300**	6 764
Long-term debt		**42 261**	15 906
Provisions		**6 960**	7 147
Long-term liabilities		**49 221**	23 052
Total liabilities		**229 076**	187 875
Share capital		**100 000**	100 000
Reserves General legal reserve		**50 000**	50 000
Reserve for treasury shares		**394**	558
Free reserve	1	**198 043**	140 137
Retained earnings Balance brought forward		**0**	0
Net income from current year		**70 529**	72 741
Reserves		**318 965**	263 436
Shareholders' equity		**418 965**	363 436
Total liabilities and shareholders' equity		**648 042**	551 312

The notes form an integral part of the Annual Financial Statements.

Notes to the annual financial statements

Basis

The annual financial statements of Tamedia AG are prepared under the stipulations of Swiss Corporation Law. They supplement the consolidated financial statements which are prepared under International Financial Reporting Standards (IFRS) (pages 38–88). The accumulated profit reflected in these annual financial statements forms the basis for the appropriation of profit to be resolved by the General Meeting of Shareholders.

Whilst the consolidated financial statements provide information on the economic situation of the Group as a whole, the information shown in the annual financial statements of Tamedia AG (pages 90–96) relate to the Group's parent company itself. Due to the differing accounting and reporting principles used in the financial statements (consolidated statements under IFRS and parent company statements under Corporation Law), they are only comparable to a limited extent.

The following list shows the most significant products and services which are managed directly by the parent company, Tamedia AG. The investments of Tamedia AG are shown in Note 46 of the consolidated financial statements.

Newspapers
- SonntagsZeitung
- Tages-Anzeiger
- Job market

Magazines
- annabelle
- Facts
- Schweizer Familie

Electronic Media
- jobwinner.ch
- TeleZüri

Services
- Customer Contact Center
- Production Services
- Druckzentrum Bubenberg

Notes

Change in free reserves

Note 1

in CHF 000

	2005	2004
Balance at 1 January	**140 137**	101 047
Allocation to free reserve	**57 741**	39 090
Transfer from reserve for treasury shares	**165**	0
Balance at 31 December	**198 043**	140 137

Sureties, guarantee obligations and pledges in favour of third parties

Note 2

in CHF 000

	2005	2004
Joint and several guarantees	**13**	650
Subordinated debt for third parties	**2 900**	0
Guarantees	**none**	none
Guarantees for the benefit of Group companies	**14 200**	14 750
Deposit guarantees	**none**	none
Subordinated debt for Group companies	**5 113**	6 440
Total	**22 225**	20 240
of which provided for	**9 013**	10 180

With the purchase of homegate AG, Tamedia entered into a joint and several liability to the vendor for the obligations of the second buyer, Edipresse. The extent of the joint and several liability is mainly dependent upon the purchase price for the other shares which are to be taken over in a second phase at the beginning of 2008. The level of the purchase price will be calculated on the basis of revenue-dependent figures. Due to the strong creditworthiness of Edipresse, the risk arising from the joint and several liability is considered to be extremely low.

Off-balance sheet transactions

Note 3

in CHF 000

	2005	2004
Forward contracts		
Contract volume	**8 397**	26 570
Fair value	**878**	2 502
Purchase commitments	**8 256**	21 835

Note 4

Pledged assets as collateral for own liabilities
in CHF 000

	2005	2004
Land and buildings, at net book value	**70 527**	65 024
Liens (mortgage notes), total nominal value	**79 450**	87 350
of which owned (freely available)	**79 450**	87 350
Pledged as collateral	**0**	0
Credit drawn, i.e. security granted for fixed advance	**0**	0
Marktable securities pledged as collateral for subscriptions	**793**	905

Note 5

Lease obligations
in CHF 000

	2005	2004
Lease obligations (future commitments)	**13 842**	16 862
of which current	**5 765**	5 263
of which non-current	**8 077**	11 599

Note 6

Fire insurance values of property, plant and equipment (replacement at new value)
in CHF 000

	2005	2004
Buildings	**158 835**	164 772
Machinery and furnishings (incl. inventories)	**410 000**	411 400

Note 7

Liabilities to employee benefit plans
in CHF 000

	2005	2004
Current account with Tamedia pension funds	**214**	0
Current account with other pension funds	**225**	375

Note 8

Change in hidden reserves
in CHF 000

	2005	2004
Change in hidden reserves	(6 358)	(12 987)

Note 9

Investments
See Note 40 of the consolidated financial statements.

Note 10

Significant events since balance sheet date
See Note 44 of the consolidated financial statements.

Recommendation of the Board of Directors

The Board of Directors recommends to the General Meeting of Shareholders of 18 May 2006 that the accumulated profit for the financial year 2005, namely:

in CHF 000	**2005**	2004
Net income	**70 529**	72 741
Balance brought forward	**0**	0
Retained earnings	**70 529**	72 741

be appropriated as follows:

Payment of dividend[1]	**25 000**	15 000
Allocation to general legal reserve	**0**	0
Allocation to free reserve	**45 529**	57 741
Balance to be carried forward	**0**	0

1 Dividends on shares which, on the date of dividend payment, are held by Tamedia AG itself ("treasury shares") will be allocated to the free reserves.

Zurich, 17 March 2006

On behalf of 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 90–96) of Tamedia AG for the year ended 31 December 2005.

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 Swiss Auditing Standards, 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 (page 96) comply with Swiss law and the company's articles of incorporation.

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

Zurich, 20 March 2006

Ernst & Young AG

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

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 2 October 2000
Market capitalisation	see "Capital structure" section
Treasury shares (at 31 December 2005)	4 378
Trading number	1117825
Symbol	
• Bloomberg	TAMN SW
• Reuters	TMDZ.x
• Telekurs	TAMN

Group companies which are not listed are described in note 40 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]	**2005**	2004	2003
Dr. Hans Heinrich Coninx, Küsnacht	**12.64**	12.64	12.64
Annette Coninx Kull, Wettswil a.A.	**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**	7.36	–
Lawena GmbH, D-Hamburg[2]	–	–	7.36
Ellermann Rappenstein Stiftung, FL-Vaduz	**6.21**	6.21	–
Rappenstein GmbH, D-Munich[3]	–	–	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	**5.28**	5.53	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 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 exercising 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/her 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/her 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 conformity 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 and changes in capital structure in CHF mill.	**2005**	2004	2003
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 right 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 41 of the consolidated financial statements.

Registered shares Number	**2005**	2004	2003
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 entitled to dividends	**10 000 000**	10 000 000	10 000 000
Total number of voting rights	**9 995 622**	9 993 976	9 993 976
Number outstanding (weighted average)	**9 995 622**	9 993 976	9 993 458
Number of treasury shares	**4 378**	6 024	6 024

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".

Information regarding the market capitalization can be found in information for investors on page 35.

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 circumventing 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.

Board of Directors

Members
The names of the company's directors and their additional activities and business connections are shown on pages 4 and 5 of the annual report.

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

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

Name	Function	Director since	Term of office until	Executive Committee	Audit Committee
Hans Heinrich Coninx	Chairman	1978	2008[1]	C	
Robert Karrer	Vice Chairman	1992	2008		C
Pietro Supino	Vice Chairman	1991	2008[1]	M	M
Iwan Rickenbacher	Member	1996	2008	M	
Karl Dietrich Seikel	Member	1996	2008		
Christina von Wackerbarth	Member	2000	2008		
Ueli Maurer	Member	2002	2008		M
Konstantin Richter	Member	2004	2008		

C: Chairman
M: Member

1 At the General Meeting of Shareholders in 2007, Hans Heinrich Coninx will tender his resignation and propose to elect Pietro Supino his successor.

Authority and responsibilities

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 Organisational Guidelines. These are based on the most recent information and correspond to international standards. In particular, these are comprised of the supervisory and control responsibilities of the Board of Directors, supported directly by external parties, as well as the continuous and complete information of all members of the Board.

The Board of Directors is also responsible for monitoring and supervising the company's management. Management informs the Board of Directors during 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 by means of 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 year under review, the Board of Directors conducted seven mostly 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 organisation 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 conducted 27 meetings in the reporting year.

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 per annum, as a rule with the participation of the company's management and independent auditors. In 2005 the Audit Committee held five 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 8 of the annual report.

Management contracts

During the year under review, there were no management contracts between Tamedia and companies or private individuals for the transfer of management responsibilities for Tamedia.

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, lump-sum expenses are reimbursed.

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

In addition, a supplementary bonus is granted which depends upon the Tamedia Group's pre-tax earnings (see the footnote in Note 42).

In compliance with the normal social security and legal requirements, they are provided with social security, death and disability insurance. Two employment contracts exist with a period of notice longer than 18 months. One contract is fixed until the end of 2008 and one to the end of 2010. Thereafter, the usual termination conditions apply.

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

The compensation to active and former members of the Board of Directors and management can be found in note 42 of the consolidated financial statements.

Share allotments and ownership

The shares and options for shares of Tamedia AG which have been granted to active and former members of the Board and management can also be found in note 42 of the consolidated financial statements.

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 expenditure 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 highest total compensation to a Board member can be found in note 42 of the consolidated financial statements.

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/her own shares or shares which he/she 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 109).

Agenda
Shareholders who together represent shares having a combined nominal value of CHF 1000000 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 defensive 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 1 January 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 (2004: CHF 0.5 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 (2004: 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 pages 42–51 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 Schweizerisches Handelsamtsblatt is the company's instrument for official publications.

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Imprint

Project management, overall editing	Corporate Communications Tamedia
Coordination with the Board	Company Secretary's Office
Concept and design	Nose Applied Intelligence, Zurich
Photography	Sophie Stieger, Stefan Walter
Typesetting and typography	Tamedia Production Services
Proofreading	Tamedia
Printing	Huber PrintPack AG, Frauenfeld

Please order your copy of the Annual Report from:
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