tamedia:

Excerpt from the Annual Report 2006

Content for People

Table of contents

Market assessment

Advertising expenditures in daily newspapers rising at below-average rates

2006 was a very successful year for the Swiss economy. The gross domestic product grew stronger than at any time in the past six years. Advertising expenditure increased significantly in comparison with the previous year. However, the daily press, which is of major importance for Tamedia, continued to benefit at a below-average rate from the positive economic development. For the first time in six years, the advertising expenditure in daily newspapers recorded a slight rise. But even at its highest level in December 2006, at 93.8 points, the Publicitas Index, which displays the long-term development for the same month in the previous year, was only 0.9 points above the same month in the previous year.

The advertising revenues of all categories – from newspapers and magazines to television and outdoor advertising – increased last year by 7.4 per cent according to the AIS Advertising Index Switzerland. Newspapers as a whole continue to dominate the advertising market and gained 5.7 per cent. However, in market share, they had to accept a further slight decline to 44.1 per cent (previous year: 44.8 per cent). Consumer magazines increased by 5.3 per cent, thus suffering a slight decline in market share by 0.3 percentage points to 16.4 per cent.

Among the winners in 2006 was television advertising, which grew by 10.7 per cent and now has a market share of 22.0 per cent (previous year: 21.4 per cent). The strong growth at online advertising by 40.5 per cent is of lesser importance due to the continued low volumes. Even the above-average growth of Adscreens with 34.2 per cent is practically negligible because of the low share of the overall market.

Apart from Teletext, which lost 12.2 per cent, the category of radio recorded a particularly disappointing development. The expenditure for radio advertising fell by 6.7 per cent; its share of the overall market is now 2.4 per cent.

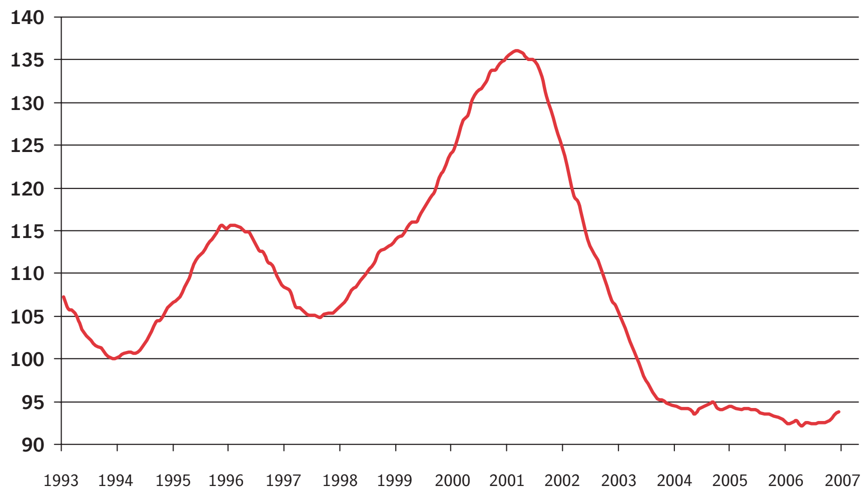
The growth of advertising expenditure is broadly based. Almost all industries spent more for advertising in 2006 than in the previous year. The largest contribution to growth was made by the finance/insurance industry and transportation. The daily newspapers and the popular magazines were the main beneficiaries of the additional advertising expenditure from these two industries, receiving approximately two thirds of the total. On the other hand, there was a sharp reduction in advertising for tobacco products, which traditionally goes mainly to the outdoor advertising category.

A significant decline at unemployment figures in 2006 led to an enlivenment on the job market. The expenditure for job advertisements increased strongly. The Publicitas Index for job ads reached a three-year high of 158.0 index points, compared with 135.5 in the same month of the previous year. The main beneficiaries in this field were the print titles as well as the job platforms on the Internet.

Less satisfactory was the development of advertising expenditure for apartments and real estate. The move of these classified advertisements away from the print titles and on to the Internet continued last year. The Publicitas Index for real estate advertisements fluctuated at a slightly higher level in 2006 and reached 96.7 index points in December (previous year: 96.8).

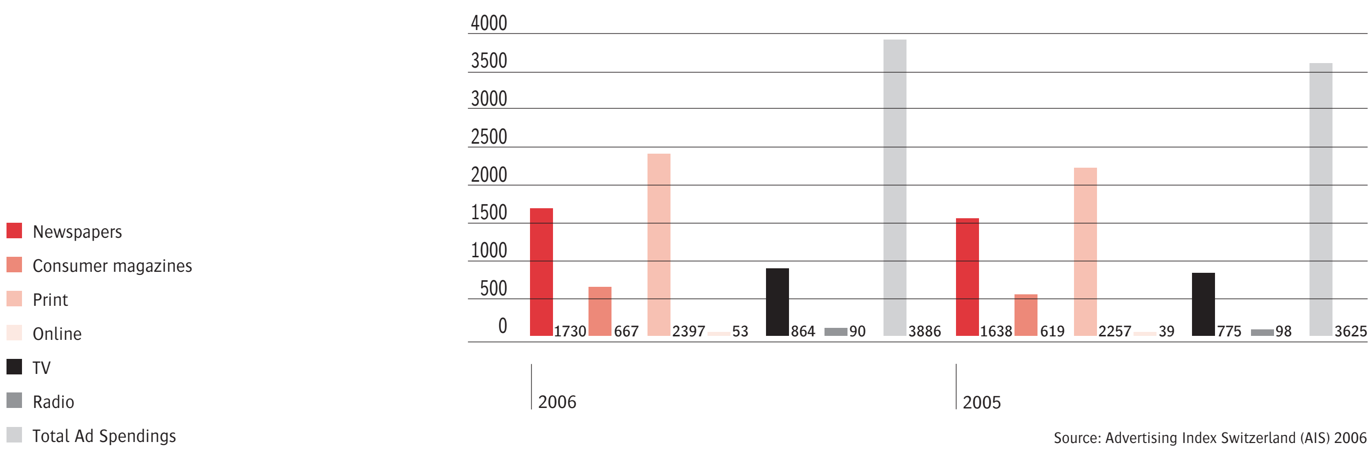
Experts believe that there will be a weakening of economic growth in 2007. Tamedia therefore expects only modestly rising expenditure for commercial advertisements. Due to the continued recovery on the employment market, the growth in the number of job advertisements is likely to continue as the main contributor to sales in the classified ad business.

Publicitas-Index: Development of advertising expenditures in daily newspapers



Source: Publigroupe

Market share and volumes by category 2006 compared with 2005 according to AIS
in Mio. CHF



Source: Advertising Index Switzerland (AIS) 2006

Detailed performance: Newspapers division

The **Tages-Anzeiger** had to record a decline in its readership figures last year, but it remains the largest subscribed daily newspaper in Switzerland. Whereas sales of the main newspaper declined, the advertising revenues rose in comparison with the previous year thanks to the regional editions and the strong growth in job ads. In autumn 2006, the *Tages-Anzeiger* launched four regional editions for the *right bank of the Lake of Zurich, Zurich Unterland, Zurich Oberland* and *the City of Zurich* itself. The basis for the decision to regionalise was derived from the positive experience with the regional edition for the *left bank of the Lake of Zurich* which was launched in 2005. Simultaneously with the launch of the split editions, the central editorial services were reorganised, a new producer system was introduced and the weekly supplement *züritipp* was positioned more strongly as a magazine for readers looking for where to go in their free time. With the creation of a cross-divisional reporter team, the *Tages-Anzeiger* has strengthened its background reporting on current affairs. In addition, and with the launch on 27 February 2007 of its all household circulation in the regions of the Lake of Zurich, Zurich Oberland and Zurich Unterland, it will expand its reach in the economic region of Zurich.

Das Magazin increased its readership last year for the sixth time in succession. The magazine, which has also been included as a supplement to the *Basler Zeitung* and the *Berner Zeitung* since 2005, has gained new readers particularly in those two cities of Basle and Berne. Thanks to a further rise in sales, the quality title moved into the profit zone for the first time. In collaboration with the polo tournaments in St. Moritz and Gstaad, *Das Magazin* published a number of special editions on the themes of enjoyment and style. Further focused editions were devoted to the themes of reading and football. At the end of the year, in co-operation with the *Economist*, a societal and political outlook for 2007 was published.

The **Tagblatt der Stadt Zürich** was able to retain its readership at a high level in the reporting year. However, despite the production of successful special supplements and campaigns, the title recorded a decline in sales. The two shareholders of Tagblatt der Stadt Zürich AG, namely Tamedia and the NZZ subsidiary Freie Presse Holding, reacted to the unsatisfactory profitability of the last seven years by repositioning the traditional title. Since the end of November 2006, the *Tagblatt der Stadt Zürich* has been appearing as a weekly city magazine in a modern tabloid format.

The advertisement market in the entire canton of Zurich continued to record unsatisfactory development, and the **Uster Nachrichten** was also among those which suffered a decline in sales in this field. However, the title gained new readers last year and was able to retain its position in the Zurich Oberland districts of Uster, Hinwil and Pfäffikon. An increase in the circulation is planned for 2007.

20 Minuten experienced a further successful year. Sales and profit rose again despite investments in the French-language edition *20 minutes*. Apart from revenues from commercial advertisements, the job ads also developed very positively. At the same time, *20 Minuten* was able to increase its readership to well over one million and expand its position as the daily newspaper with the widest reach. *20 Minuten Week* successfully defended its position in the readership market.

The commuter newspaper **20 minutes** which was launched in March 2006 has already established itself in French-speaking Switzerland and achieved, six months after its launch and in comparison with the paid daily newspapers, the third highest reach in western Switzerland. The development of sales was significantly better than expected. With the launch of a third, supra-regional edition for French-speaking Switzerland as well as the continual expansion of the distribution network, the readership figures in the current year will rise further.

Despite stronger competition, the **SonntagsZeitung** again increased its sales in the past financial year. The readership figures for the Sunday title declined slightly, as they have for the entire category of weekly newspapers, but the *SonntagsZeitung* nevertheless retained its lead over its direct competitor. In the course of the year, early morning delivery was expanded to a further 39 communities. In addition, the *SonntagsZeitung* completed its range of specials with the magazine *Geld-Extra.* Since autumn 2006, the title, which celebrated its 20th anniversary at the beginning of 2007, has been appearing with its new image campaign "Zeit zum Entdecken" *(Time to Discover)*.

Development of **Finanz und Wirtschaft** continued to be very pleasing. The title benefited from the positive development of the financial markets, strongly increased its sales and expanded its market share on the advertising market. In terms of readership figures, *Finanz und Wirtschaft* was unable to avoid in full the negative trend of the business press and recorded a slight decline. Since June 2006, the first section, the Switzerland section and the Foreign section have appeared in a gently moderated layout; the re-design of the fourth section took place at the beginning of 2007. For the current year, a comprehensive re-launch of the Internet presence is planned.

The **Thurgauer Zeitung** was for the first time included for a full financial year. The readership figures remained stable. Of positive note is the strong growth in job advertisements. Since the beginning of 2006, the *Thurgauer Zeitung* has been printed at Tamedia's printing facility Druckzentrum Bubenberg. For regional reporting, the *Thurgauer Zeitung* has been working together with the *St. Galler Tagblatt* since the beginning of the current year. Also as of the beginning of 2007, Thurgauer Medien AG took over national advertising sales under its own management. For this purpose, the sales service in Frauenfeld was expanded. On 2 April 2007, the *Thurgauer Zeitung* will be launching the combined newspaper *Die Nordostschweiz* together with the Winterthur based *Der Landbote*.

The **Tamedia Stellenmarkt,** in which activities with job advertisements are consolidated, benefited from the enlivenment of the employment market. The job advertisement supplement *Stellen-Anzeiger* as well as the publication for executives *ALPHA* developed well. In order to enhance the attractiveness of the Tamedia job market for its customers, a uniform pricing system and the booking tool Online2Print were introduced

The **Newspaper** division increased its sales (operating revenues) to third parties by 10 per cent to CHF 492.0 million. This increase is primarily attributable to integration of the *Thurgauer Zeitung* and the growth in sales of *20 Minuten* and job advertisements. The operating income before depreciation and amortisation (EBITDA) rose over-proportionally by approximately 18 per cent to CHF 89.6 million. The EBITDA margin was raised to 18 per cent (previous year: 17 per cent).

Number of readership

Title	MACH 2007-I[1]	MACH 2006-I[2]	Changes in %
20 Minuten[3]	1 170 000	1 039 000	+12.6
Tages-Anzeiger	534 000	576 000	−7.3
Thurgauer Zeitung	78 000	75 000	+4.0
Finanz und Wirtschaft	124 000	136 000	−8.8
SonntagsZeitung	785 000	824 000	−4.7
20 Minuten Week[4]	243 000	258 000	−5.8
annabelle	333 000	346 000	−3.8
Das Magazin[5]	656 000	643 000	+2.0
Facts	437 000	439 000	−0.5
Schweizer Familie	688 000	711 000	−3.2
TVtäglich	1 103 000	1 214 000	−9.1

1 Inquiry period: October 2005 till end of September 2006
2 Inquiry period: October 2004 till end of September 2005
3 20 Minuten: As from June 2005 including the St. Gall edition
4 20 Minuten Week: 2007-1 Average of the editions 20 Minuten week and 20 Minuten week Member Special.
5 Das Magazin: 2006-1 data are based on 9 months as a supplement in Basler Zeitung, Berner Zeitung and Tages-Anzeiger. The missing months were adjusted by the method of injection.

Source: WEMF

Detailed performance: Magazines divison

annabelle increased its sales in the last financial year despite new competitors. Thanks to a largely stable readership, *annabelle* was able to defend its position successfully. In the early autumn of 2006, the title drew attention with a petition against military weapons being kept in private households. In October, the Café Bar annabelle opened in the heart of Zurich's old city. As part of the Stella Contemporary Fashion Awards, which took place for the first time in Zurich, the third annabelle Award was handed over in November.

The news magazine **Facts** has been appearing in a new layout and with a revised page structure since May 2006. The editorial team was strengthened in order to gain relevance in the key segments of Politics and Business. Thanks to the new segment of Lifestyle, the pleasant side of life is no longer being neglected. The relaunch was accompanied by a new advertising campaign. Thanks to these measures, Facts is still recording stable readership figures in a negative environment, and the number of fixed subscriptions has been rising again since summer 2006 after several years of a declining trend. Revenues declined slightly and the profit for the year worsened due to the investments involved in the relaunch. For advertising clients, a major relaunch event was carried out, and work was intensified on serving the market for advertisements

Schweizer Familie increased its circulation again and was able to retain most of its readership figures in a declining environment. Thanks to an above-average growth in advertising revenues, *Schweizer Familie* was able to expand its sales and market share on the advertising market. The focus on service themes for leisure time, everyday life, consumption and health has proven itself. Again in 2006, *Schweizer Familie* was developed further with the introduction of new segments. "Die Sternenwoche" (Star Week), which is carried out regularly together with the children's aid organisation UNICEF to support projects for children in developing countries, achieved a further collection record.

TVtäglich, which is published together with Ringier, recorded a slight decline in advertising revenues at a high level. The position as the Swiss TV guide with the largest number of readers was successfully defended.

The **Magazines** division recorded sales to third parties which were 5 per cent higher at CHF 91.7 million. Carriers of this growth are primarily the magazines of Huber & Co. AG as well as *annabelle* and *Schweizer Familie*. Sales were slightly lower in the case of *Facts*. The EBITDA rose at a below-average rate of approximately 4 per cent to CHF 7.0 million, whilst the margin remained constant at 8 per cent.

Detailed performance: Electronic Media division

Radio 24 successfully defended its position last year as the Swiss private radio station with the largest number of listeners and in fact was able to enlarge that number. The programme changes which were implemented received a positive reaction from the listener market. However, the entire radio market suffered a disappointing development in 2006. *Radio 24* was also unable to avoid the poor development and had to accept a decline in sales. With expansion of co-operation between the sales teams of *Radio 24* and *TeleZüri* as well as strengthened co-operation with leading private radio stations in the Swiss Radio Pool and a new sales team, measures have been introduced which should lead to an increase in sales in the current year. In March 2006, the Federal Parliament passed the new Radio and TV Act, which will significantly restrict the development opportunities for Swiss private radio stations with the limitation to two concessions for each provider.

TeleZüri was able to expand its position further in the advertising market by virtue of above-average growth. With investments in entertainment formats, reporting on the elections in Zurich and major sporting events, *TeleZüri* enhanced its publicistic profile and secured a leading position in the viewer market. The station reached more than 500’000 viewers daily in 2006 and therefore continues to be by far the strongest regional TV station in Switzerland. In view of the reorganisation of the regional television landscape through the new Radio and TV Act, discussions have taken place with the cantons in the transmission area that is foreseen.

Radio Basilisk increased its sales in 2006 despite the declining overall market. With the establishment of a joint sales company with *Radio Basilisk, Basel 1* and *Regenbogen*, the potential of radio in the advertising market of the Basle region should be exploited even more in the current year. In the listener market, *Radio Basilisk* further expanded its position as the Basle radio station with the largest number of listeners last year thanks to investments in the programme.

The online dating portal **PartnerWinner.ch** was able to increase its sales in the reporting year. The various online and print co-operation arrangements, such as with the *Coop Zeitung*, developed well. In order to make use of administrative synergies, PartnerWinner AG was merged with 20 Minuten AG.

After a little more than a year, the portal **Piazza.ch** is already the Swiss classified advertisement platform with the widest reach. In the reporting year, the platform was extended with new services, and co-operation arrangements were concluded with online and print publications as well as advertisement brokers.

The individual products operate their internet platforms independently, but in financial reporting, they are shown as part of the Electronic Media division. The development of the web-centre **20minuten.ch** in the spring of 2006 already had a positive impact on sales in the reporting year. The number of daily users quadrupled. The sales of the web-centre **20minutes.ch**, which was launched simultaneously with the commuter newspaper *20 minutes* in March 2006, exceeded the expectations. **tagesanzeiger.ch** also developed pleasingly and is recording higher sales. The internet platform **finanzinfo.ch** of *Finanz und Wirtschaft* is scheduled to be completely redeveloped in the current year. The online management market **ALPHA.CH** which was newly launched in June 2006 as well as the job platform **jobwinner.ch** both significantly increased their sales. Jobwinner started a new advertising campaign in autumn 2006. The segment of online job advertisements will be expanded in the current year.

Marketing companies

The **Electronic Media** division increased its sales to third parties by more than 16 per cent to CHF 58.7 million. The growth in sales is mainly attributable to the positive development in the online job market, at *20minuten.ch* as well as *TeleZüri* and *Radio Basilisk*. However, the investments in *Piazza.ch* and the unsatisfactory income development from *TeleZüri* and *Radio 24* were the main reasons for a reduction of 16 per cent in the operating income before depreciation and amortisation (EBITDA) of CHF 4.0 million. As a result, the EBITDA margin fell to 7 per cent (previous year: 9 per cent).

Detailed performance: Services division

The printing facility **Druckzentrum Bubenberg** again increased its sales in the reporting year despite de-clining printing prices. Paper consumption rose by 14 per cent due to the higher volumes which arose from, among other things, the takeover of printing for the *Thurgauer Zeitung* and further editions of *20 Minuten*. The project Rota 2005 was concluded with final acceptance of the fourth and last rotary printing press. Thanks to the new machinery concept and the increase of energy efficiency in the field of compressed air, the re-use of heat and a new, high performance cooling machine, the consumption of energy per unit produced has been reduced by 39 per cent within two years. The relative water consumption also fell – by a pleasing 40 per cent – thanks to the use of rainwater and the application of hybrid cooling towers.

Huber PrintPack AG, which arose at the beginning of the reporting year from Meier Waser Druck AG and the commercial and packaging printing of Huber & Co. AG, was able to make use of significant synergy potential. As part of the merger, the technical operational elements of Meier Waser Druck AG were moved to Frauenfeld. Huber PrintPack AG, in which the Tamedia subsidiary

Huber & Co. AG holds 80 per cent and Meier & Cie. AG 20 per cent, asserted itself successfully in a strongly competitive market and exceeded the expectations in terms of sales.

The integration of the back-office activities of **Huber & Co. AG** into the organisation of Tamedia is progressing as planned. With Orell Füssli, a partner was found in the reporting year for the Huber Buchhandlung which secures the continuation of the bookshop and the existing workplaces for the long term as from 1 January 2007.

The **Production Services,** in which the activities of Tamedia in the fields of pre-press and production are brought together, recorded a slight decline in sales in 2006 through the loss of a major external client. The integration of newspaper advertisement processing, which was completed in the financial year, will only affect sales in 2007. The technical advertisement processing of the *Thurgauer Zeitung* and the *Landbote* will be integrated in the course of 2007.

The delivery and distribution organisation **Zuvo**, a joint venture organisation of NZZ and Tamedia, was again able to increase its sales in 2006. The main reasons for the growth in sales were the distribution of the *Thurgauer Zeitung* and the early morning delivery of the *St. Galler Tagblatt*, which led to a significant expansion of the delivery area. In addition, Zuvo also took over early morning delivery of the *Bülacher Tagblatt*. With the integration of part-subscriptions to the *Tages-Anzeiger* and the *Neue Zürcher Zeitung* into early morning delivery, the offered services were further expanded. The total number of delivered copies rose by 6% to 142 million.

The **Services** division increased its sales (operating revenues) over-proportionately by 22 per cent to CHF 81.2 million. Apart from Huber PrintPack AG, which was fully consolidated for the first time, having been taken into account in 2005 as Meier Waser Druck AG by means of quota consolidation, and the growth at Zuvo, the printing of the *Landbote*, recorded for a full financial year for the first time, positively affected the sales. The operating income before depreciation and amortisation (EBITDA) sank by 3 per cent to CHF 38.5 million and the margin to a high 16 per cent (previous year: 18 per cent).

Segment reporting in overview

in CHF 000

	Newspapers	Magazines	Electronic Media	Services	Eliminations	**Total Group**
2006						
Operating revenues third parties and intersegment	493 762	91 992	59 416	244 520	(166 139)	**723 552**
Operating expenses	(404 149)	(84 960)	(55 455)	(206 081)	166 139	**(584 507)**
Operating income before depreciation and amortisation (EBITDA)	89 613	7 031	3 961	38 439	0	**139 045**
Operating income (EBIT)	86 038	6 942	2 819	16 406	0	**112 205**
Average number of employees	753	166	210	735	0	**1 864**
2005						
Operating revenues third parties and intersegment	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**

Exhibit 1

Revenues third parties by segment

in CHF mill.

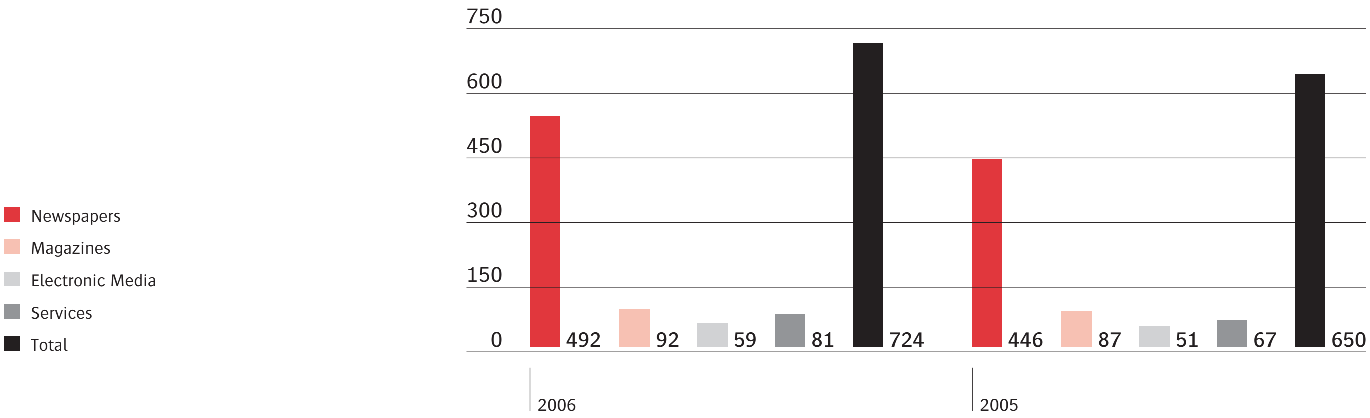
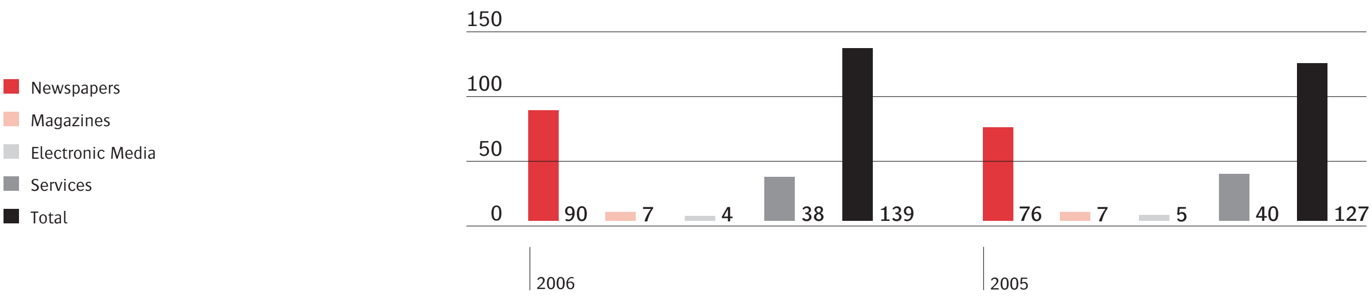


Exhibit 2

EBITDA by segment

in CHF mill.



Financial overview

Accounting policies

The revised standard IAS 19 “Employee Benefits” which took effect as of 1 January 2006 enables actuarial profits and losses to be recognised directly in equity for Employee Benefit Funds with defined benefits. Tamedia has decided not to make use of this possibility. Further new and revised standards (IFRS) and interpretations (IFRIC) which took effect as from 1 January 2006 were either irrelevant or had no or only a marginal influence.

Changes in consolidation scope

Acquisitions

As part of the co-operation arrangements between the sheet-fed printing facilities of Huber & Co. AG and Meier + Cie AG, Meier Waser Druck AG changed its name as of 1 January 2006 into Huber PrintPack AG. At the same time, Huber & Co. AG took over the 50 per cent investment in the company which had been held until then by Tamedia AG, increased its participation ratio to 80 per cent by means of a capital increase of CHF 0.75 million through a contribution in kind and brought its sheet-fed printing activities into Huber PrintPack AG.

As of 4 January 2006, Tamedia took over the 50 per cent participation in Presse Publicité Rep. SA from the HandelsZeitung publishing group and holds now 100 per cent of the company’s shares. Huber PrintPack AG and Presse Publicité Rep. SA have been fully consolidated since 1 January 2006, having been included until the end of 2005 by means of quota consolidation.

Sales (operating revenues)

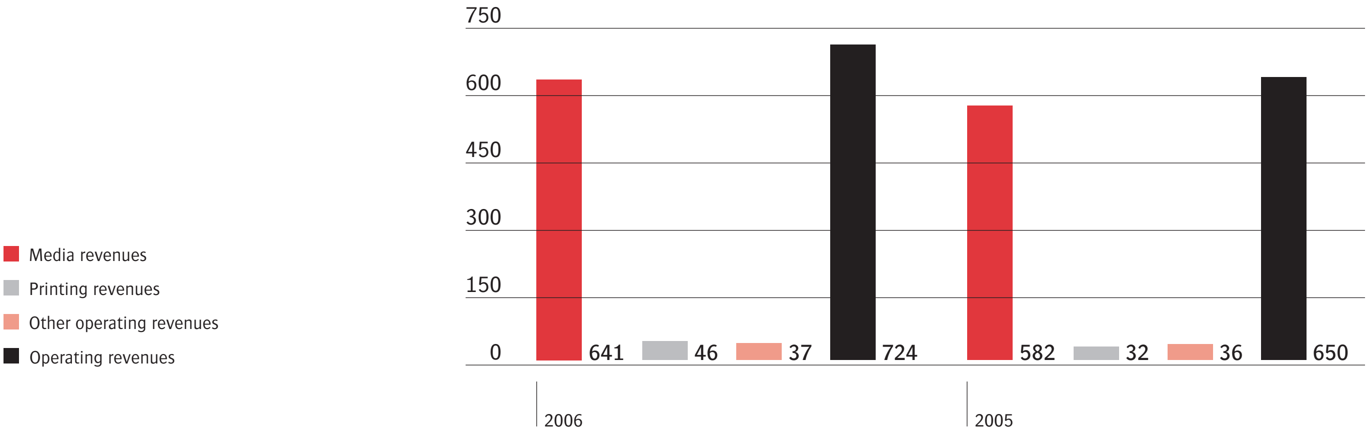
In the 2006 financial year, Tamedia again achieved a significant increase in sales (operating revenues) by 11 per cent to CHF 723.6 million. Primarily the growth in job advertisements and at *20 Minuten* as well as integration of the *Thurgauer Zeitung* and the sheet-fed printing activities of the Huber Group led, together with the full consolidation of Huber PrintPack AG, to an increase in sales of CHF 73.5 million.

Operating income before depreciation and amortization (EBITDA)

The operating income before depreciation and amortisation (EBITDA) improved significantly again by CHF 11.9 million or 9 per cent to CHF 139.0 million. Here again, *20 Minuten* and the activities of the Huber Group contributed to a large part of the growth. The operating expenses rose at a slightly over-proportional rate of 12 per cent which led to a small decline in the EBITDA margin from 20 per cent to 19 per cent.

Exhibit 3

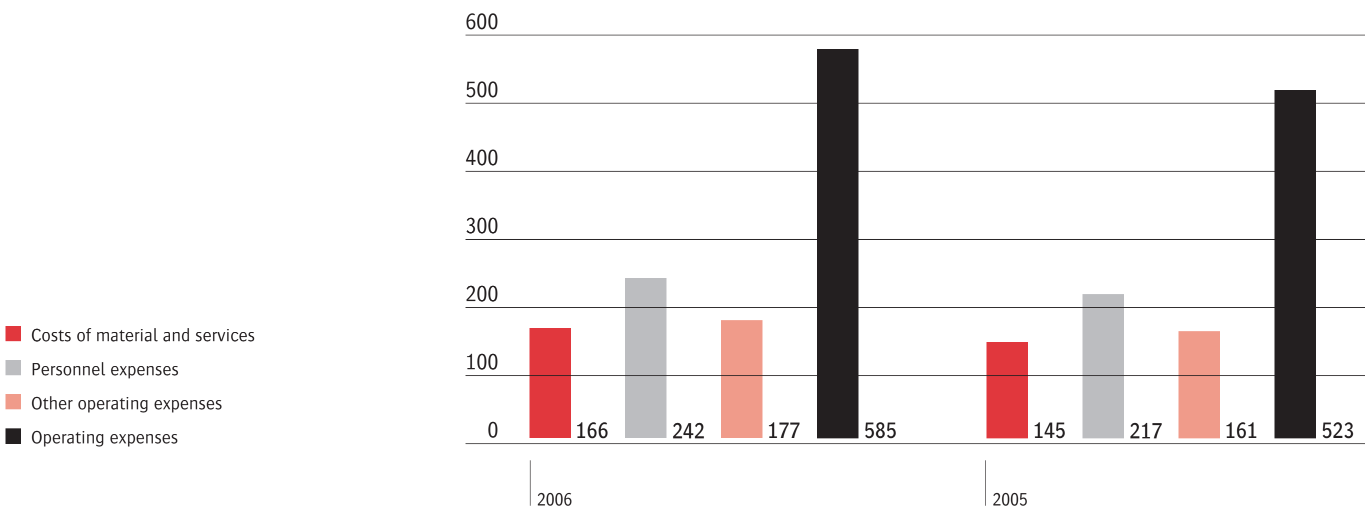
Operating revenues
in CHF mill.



The operating income (EBIT) rose by 18 per cent or CHF 17.0 million to CHF 112.2 million. In total, the non-recurring revenues and expenses before tax in the 2006 financial year amounted to CHF 0.1 million (negative effect in the previous year: CHF 7.9 million). As there was no additional amortisation requirement on the goodwill, which had amounted to CHF 7.3 million in the previous year for *Radio Basilisk* and *Büry Verlag*, the depreciation and amortisation was significantly lower. The EBIT margin raised from 15 per cent to 16 per cent. For the first time in 2006, all the business divisions recorded positive figures at the EBIT level.

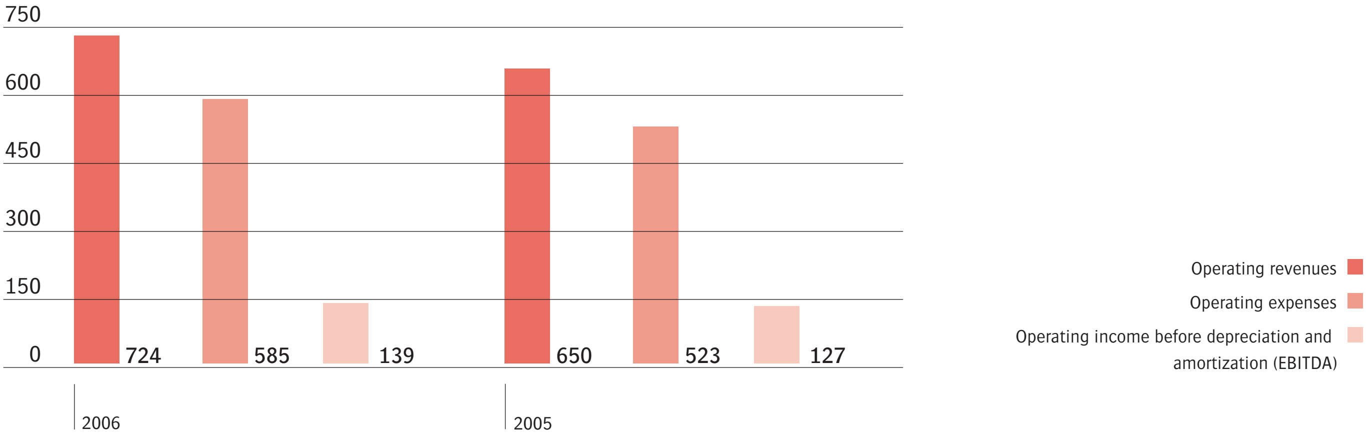
Exhibit 4

Operating expenses
in CHF mill.



Operating income before depreciation and amortization (EBITDA)
in CHF mill.

Exhibit 5



Result

The share of the earnings of associated companies rose in 2006 by CHF 3.6 million to CHF 6.3 million. In the previous year, an impairment of CHF 2.6 million on the goodwill included in Ziegler Druck- und Verlags-AG had negatively influenced the share of the earnings. The proportional share of earnings of the other investments in associated companies were CHF 1.0 million higher than in the previous year.

Other financial income fell by CHF 1.0 million to CHF 1.6 million. The main contributor to the higher income in the previous year was the profit from sale of the investments in the *Anzeiger von Uster* as well as *Condor* and *Regor*.

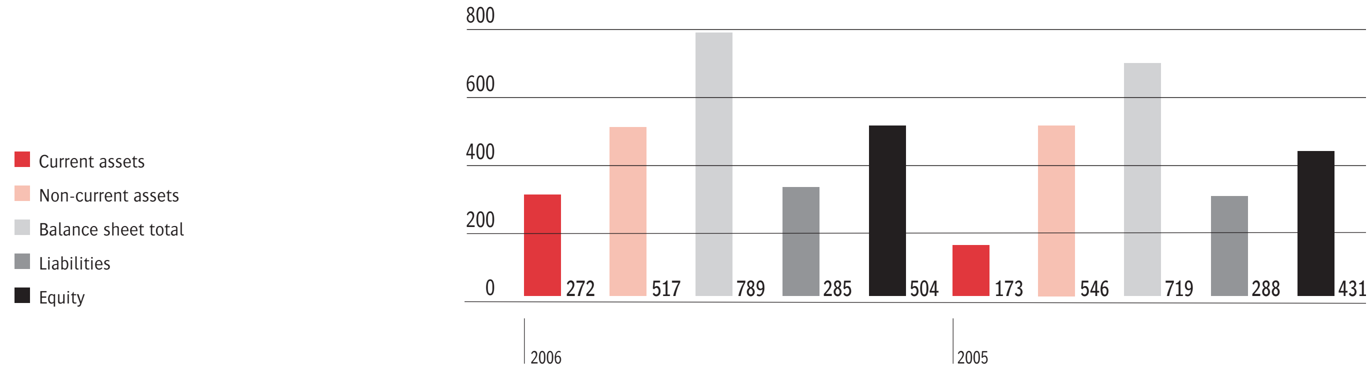
The effective tax rate fell by 3 percentage points to 18 per cent in 2006. This effect is due to, among other things, the tax rate adjustment in the Canton of Thurgau which reduced the anticipated tax rate to 20 per cent. In addition, deferred tax assets arising from losses brought forward, which had not been taken into account before, were able to be used.

Balance sheet

Total assets rose by CHF 69.9 million, from CHF 719.0 million to CHF 789.0 million. This change is largely due to the positive development of liquidity. With an absolute increase of shareholders' equity by CHF 72.7 million to CHF 503.5 million, the self-financing ratio is now 64 per cent. Apart from the positive net income, the distribution of the dividend of Tamedia AG amounting to CHF 25.0 million contributed to this change.

Exhibit 6

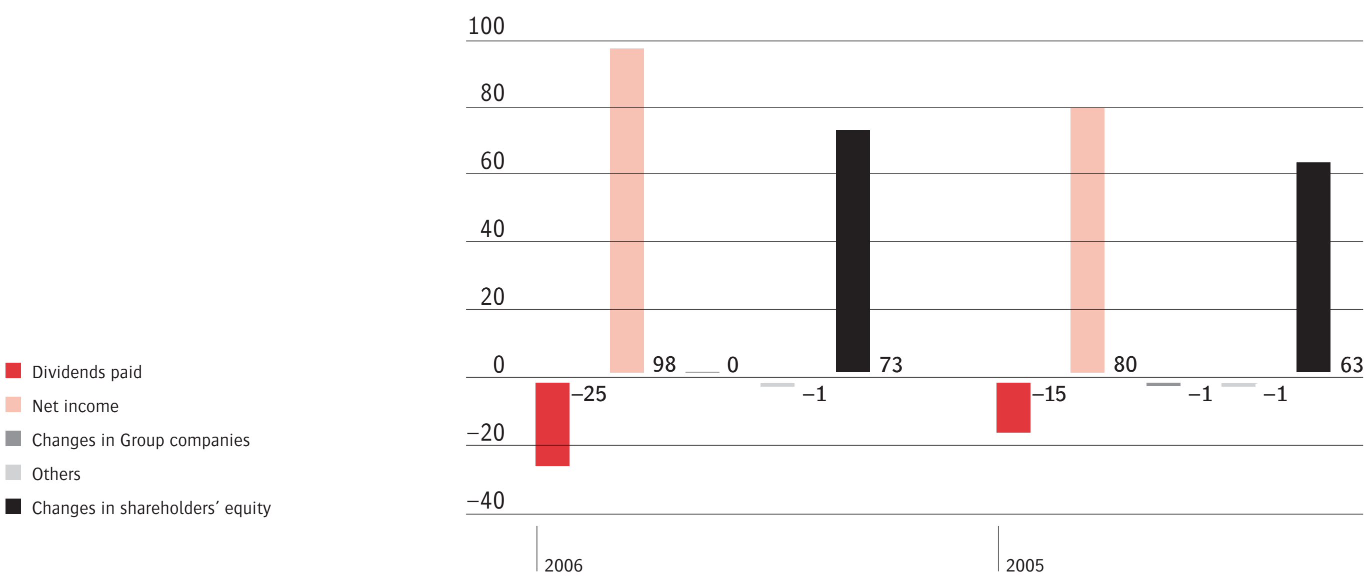
Balance sheet
in CHF mill.



On the asset side of the balance sheet, there was an increase in current assets by CHF 98.7 million to CHF 271.5 million, against a decrease in non-current assets of CHF 28.8 million to CHF 517.4 million. Cash and cash equivalents increased by CHF 84.3 million, largely based on the operational activity. At the end of the year, the cash and cash equivalents, including current financial assets, exceeded the financial liabilities by CHF 116.4 million (previous year: CHF 23.7 million). The increase in trade accounts receivable (CHF 13.5 million or 14 per cent) is mainly due to the higher sales.

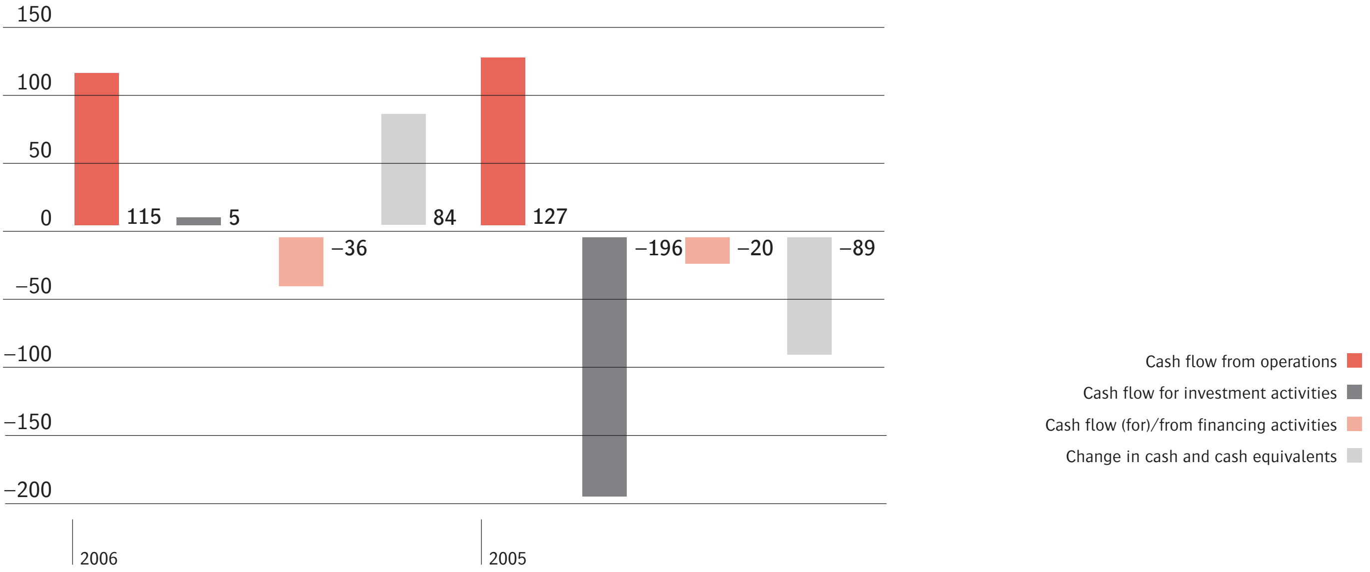
Exhibit 7

Change in equity
in CHF mill.



Cash flow
in CHF mill.

Exhibit 8



The reduction in non-current assets by CHF 28.8 million or 5 per cent is caused by all the items except investments in associated companies and reflects a sharply reduced investment activity. In property, plant and equipment, investments of CHF 5.9 million (previous year: CHF 25.2 million) compared with depreciation and amortisation of CHF 21.7 million. The value of the non-operational real estate fell mainly due to the sale of the property belonging to Meier Waser Druck AG in Feuerthalen. The other non-current financial assets with a reduction of CHF 4.0 million and the deferred tax assets, which fell by CHF 4.9 million, contributed to the overall reduction. The increase in investments in associated companies to CHF 31.2 million resulted from the recognised share in earnings of CHF 6.3 million and a reduction of CHF 4.4 million in dividends received. In the reporting year, Tamedia increased its share in homegate AG by a further 2.0 per cent. The testing of the carrying value of the goodwill items (impairment test) led to no additional requirement to amortize the goodwill.

The rise in the deferred subscription revenues led to an increase of current liabilities by CHF 8.8 million to CHF 224.6 million. The deferral rose primarily because of the significant increase in subscriptions with long durations. On the other hand, the current taxes payable fell by CHF 5.0 million and the short-term provisions by CHF 2.6 million.

The long-term liabilities decreased by CHF 11.6 million to CHF 60.8 million. Contributors to this decrease were long-term financial liabilities which fell by CHF 9.0 million as well as the provision for deferred taxes which was CHF 3.7 million lower, whilst long-term provisions increased by CHF 1.0 million.

Multi-year comparison

		2006	2005	2004	2003	2002
Operating revenues	CHF mill.	**723.6**	650.0	566.6	574.0	640.3
Growth	%	**11.3**	14.7	(1.3)	(10.4)	(15.3)
Operating income before depreciation and amortization (EBITDA)	CHF mill.	**139.0**	127.2	103.0	27.7	71.7
Growth	%	**9.3**	23.4	272.4	(61.4)	(50.8)
Margin [1]	%	**19.2**	19.6	18.2	4.9	11.2
Net income (loss)	CHF mill.	**98.4**	79.7	51.2	(18.9)	20.2
Growth	%	**23.4**	55.6	n.a.	n.a.	(53.5)
Margin [1]	%	**13.6**	12.3	9.0	(3.3)	3.2
Personnel/employees (average)	number	**1 864**	1 616	1 656	1 919	2 004
Operating revenues per employee [2]	CHF 000	**388.2**	402.2	342.2	296.5	319.6
Current assets	CHF mill.	**271.5**	172.8	237.4	186.9	240.0
Non-current assets	CHF mill.	**517.4**	546.2	372.8	407.8	401.3
Balance sheet total	CHF mill.	**789.0**	719.0	610.2	594.7	641.3
Liabilities	CHF mill.	**285.4**	288.2	242.4	275.9	290.7
Equity	CHF mill.	**503.5**	430.8	367.7	318.7	350.6
Cash flow from operations	CHF mill.	**114.9**	126.9	99.3	51.9	72.1
Cash flow from/(for) investment activities	CHF mill.	**5.3**	(195.7)	(17.7)	(65.4)	(37.2)
Cash flow after investment activities	CHF mill.	**120.2**	(68.8)	81.6	(13.5)	34.9
Cash flow from/(for) financing activities	CHF mill.	**(35.9)**	(19.8)	(6.2)	(21.0)	(45.2)
Change in cash and cash equivalents	CHF mill.	**84.3**	(88.6)	75.4	(34.5)	(10.3)
Return on equity [3]	%	**19.5**	18.5	14.0	(6.3)	5.5
Equity ratio [4]	%	**63.8**	59.9	60.3	53.6	54.7
Internal financing ratio for investment activities [5]	%	**n.a.**	64.8	560.5	79.3	193.9
Quick ratio [6]	%	**118.3**	76.8	128.1	89.4	112.0
Debt factor [7]	x	**0.2**	1.0	0.1	1.8	0.8

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 for 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 October 2000 to 9 March 2007

in CHF

Share price in CHF	**2006**	2005	2004	2003	2002
High	**162.00**	136.50	134.25	111.00	128.00
Low	**115.00**	101.00	95.10	50.10	60.00
Year-end	**160.50**	127.90	106.00	110.00	74.00

Market capitalisation in CHF mill.	**2006**	2005	2004	2003	2002
High	**1 620**	1 365	1 343	1 110	1 280
Low	**1 150**	1 010	951	501	600
Year-end	**1 605**	1 279	1 060	1 100	740

Financial calendar

Annual General Meeting	3 May 2007
Half-year report	30 August 2007

Key figures per share
in CHF

		2006	2005	2004	2003	2002
Net income (loss) per share (undiluted)		**9.85**	7.95	4.98	(1.77)	3.56
Net income (loss) per share (diluted)		**9.85**	7.95	4.98	(1.77)	3.56
EBIT per share		**11.22**	9.52	6.31	(4.07)	1.76
EBITDA per share		**13.90**	12.72	10.30	2.77	7.17
Free cash flow per share		**12.02**	(6.88)	8.16	(1.35)	3.49
Shareholders' equity per share		**50.35**	43.08	36.77	31.87	35.06
Dividend per share		**3.00**[1]	2.50	1.50	0.00	1.50
Dividend pay-out rate [2]	%	**30.5**	31.4	30.1	0.0	74.4
Dividend rate of return [3]	%	**1.9**	2.0	1.4	0.0	2.0
Price earnings ratio [3]	x	**16.3**	16.1	21.3	(62.0)	20.8
Price to EBIT ratio [3]	x	**14.3**	13.4	16.8	(27.1)	42.1
Price to EBITDA [3]	x	**11.5**	10.1	10.3	39.8	10.3
Price to sales ratio [3]	x	**2.2**	2.0	1.9	1.9	1.2
Price to free cash flow ratio [3]	x	**13.4**	(18.6)	13.0	(81.3)	21.2
Price to equity ratio [3]	x	**3.2**	3.0	3.0	3.5	2.1

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 authorised 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 per cent of the shares. The members of the shareholders' binding agreement are currently holding 76 per cent of the shares.

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

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Tamedia Group

Consolidated income statement
in CHF 000

	Note	2006	2005
Media revenues	4	**640 983**	581 561
Printing revenues	5	**45 838**	32 063
Other operating revenues	6	**36 731**	36 423
Operating revenues		**723 552**	650 048
Costs of material and services	7	**(165 721)**	(144 937)
Personnel expenses	8	**(241 760)**	(216 822)
Other operating expenses	9	**(177 026)**	(161 101)
Operating income before depreciation and amortization (EBITDA)		**139 045**	127 187
Depreciation and amortization	10	**(26 840)**	(31 955)
Operating income (EBIT)		**112 205**	95 232
Share in earnings of associated companies	11	**6 250**	2 675
Other financial income	12	**1 565**	2 531
Income before taxes		**120 020**	100 437
Income taxes	13	**(21 593)**	(20 698)
Net income		**98 427**	79 740
Attributable to:			
Equity holders of Tamedia	16	**98 485**	79 418
Minority interests	15	**(59)**	322

Earnings per share
in CHF

	Note	2006	2005
Net income per share (diluted and undiluted)	16	**9.85**	7.95

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

Consolidated balance sheet

in CHF 000, at 31 December

	Note	2006	2005
Cash and cash equivalents		**136 024**	51 726
Current financial assets		**78**	911
Trade accounts receivable	17	**111 086**	97 606
Current financial receivables		**778**	1 950
Current tax assets		**1 071**	805
Other accounts receivable		**4 721**	3 128
Accrued income and prepaid expenses		**12 007**	9 682
Inventories	18	**5 768**	7 013
Current assets		**271 532**	172 821
Property, plant and equipment	19	**248 401**	264 831
Non-operational real estate	20	**6 196**	9 762
Investments in associated companies	11	**31 167**	29 085
Other non-current financial assets	21, 22	**26 957**	31 001
Deferred tax assets	14	**12 599**	17 519
Intangible assets	23, 24	**192 111**	194 007
Non-current assets		**517 430**	546 206
Total assets		**788 962**	719 027
Current financial liabilities	25	**5 359**	5 541
Trade accounts payable	26	**47 110**	47 528
Current taxes payable		**14 966**	20 007
Other current payables	27	**13 310**	11 648
Deferred revenues and accrued liabilities	28	**140 866**	125 522
Short-term provisions	29	**3 011**	5 580
Current liabilities		**224 623**	215 826
Long-term financial liabilities	25, 22	**14 340**	23 387
Provisions for deferred taxes	14	**35 751**	39 464
Long-term provisions	29	**10 562**	9 556
Other long-term liabilities		**156**	5
Long-term liabilities		**60 808**	72 412
Total liabilities		**285 431**	288 238
Share capital	30	**100 000**	100 000
Treasury shares	31	**(783)**	(394)
Reserves		**403 583**	330 493
Consolidated shareholders′ equity		**502 800**	430 099
Minority interests in equity		**731**	689
Shareholders′ equity		**503 531**	430 789
Total liabilities and shareholders′ equity		**788 962**	719 027

The notes form an integral part of the Annual Financial Statements

Consolidated cash flow statement

in CHF 000

	Note	2006	2005
Receipts from products and services sold		**693 599**	613 654
Expenditures for personnel		**(245 331)**	(212 300)
Expenditures for material and services received		**(313 760)**	(272 089)
Cash flow from operating activities		**134 508**	129 265
Dividends from associated companies		**4 418**	4 470
Interest paid		**(754)**	(637)
Interest received		**1 595**	918
Other financial income		**649**	1 785
Income taxes paid		**(25 520)**	(8 910)
Cash flow from operations		**114 896**	126 892
Capital expenditures in property, plant and equipment		**(5 854)**	(20 599)
Sales of property, plant and equipment		**10 229**	5 287
Investment in consolidated companies	1	**752**	(151 466)
Sales of consolidated companies	1	**0**	(290)
Investment in associated companies		**(250)**	(24 622)
Investment in other financial assets		**(534)**	(3 331)
Sales of other financial assets		**3 040**	1 061
Capital expenditures in intangible assets		**(2 102)**	(1 659)
Sales of intangible assets		**3**	(84)
Cash flow from/(for) investment activities		**5 283**	(195 703)
Cash flow after investment activities		**120 179**	(68 812)
Payment of dividends		**(25 000)**	(15 000)
Increase/(decrease) in current debt		**(181)**	174
Increase/(decrease) in long-term debt		**(10 311)**	(4 924)
Increase/(decrease) in other long-term liabilities		**151**	0
Net sale/(purchase) of treasury shares		**(389)**	165
Increase/(decrease) in minority interests		**(150)**	(180)
Cash flow (for)/from financing activities		**(35 881)**	(19 766)
Change in cash and cash equivalents		**84 298**	(88 577)
Cash and cash equivalents at 1 January		**51 726**	140 303
Cash and cash equivalents at 31 December		**136 024**	51 726
Change in cash and cash equivalents		**84 298**	(88 577)

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	Valuation adjustments on financial assets [1]	**Reserves**	**Consolidated shareholders' equity**	Minority interests in equity	**Shareholders' equity**
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**
Change in consolidation scope	**0**	0	(471)	0	0	**(471)**	**(471)**	(421)	**(892)**
(Purchase)/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**
Dividends paid	**0**	0	0	(25 000)	0	**(25 000)**	**(25 000)**	(150)	**(25 150)**
Allocation of earnings	**0**	0	54 418	(54 418)	0	**0**	**0**	0	**0**
Net income	**0**	0	0	98 485	0	**98 485**	**98 485**	(59)	**98 427**
Change in consolidation scope	**0**	0	0	0	0	**0**	**0**	250	**250**
(Purchase)/sale of treasury shares	**0**	(389)	0	0	0	**0**	**(389)**	0	**(389)**
Net adjustment of financial assets to market values	**0**	0	0	0	(395)	**(395)**	**(395)**	**0**	**(395)**
Balance at 31 December 2006	**100 000**	**(783)**	**305 098**	**98 485**	**0**	**403 583**	**502 800**	**731**	**503 531**

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 16 March 2007. It is recommended that the Annual General meeting of 3 May 2007 approves the consolidated financial statements.

In the notes certain, individual figures from the previous year have been adjusted to the statement of the reporting year for the purposes of comparison.

Changes in accounting principles in 2006

In the reporting year, various new and revised standards (IFRS) and interpretations (IFRIC) were applied for the first time. Most of them have no influence on the financial reporting of Tamedia and therefore no detailed listing of all the new standards or revised versions of earlier standards is shown here. However, the most significant effects are explained hereunder.

The revised standard IAS 19 “Employee Benefits” allows, in the case of employee benefit plans with defined benefits, direct recognition of actuarial profits and losses in equity. Tamedia has decided not to make use of this possibility. The other adaptations of IAS 19 are with regard to further disclosure stipulations which are applied in the annual financial statements for 2006.

Impact of new accounting principles in 2007

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 and will give rise to supplementary disclosures.

The new and revised standards (IFRS) and interpretations (IFRIC) which take effect as from 1 January 2007 are not being applied early. The implementation is not expected to have any impact, or only a minimal influence, on future consolidated financial statements.

Consolidation scope

All companies in which Tamedia AG holds either a direct or indirect interest of 50 per cent 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 per cent of voting rights are included in their entirety. Minority interests in shareholders' equity and in net income are shown separately in the consolidated balance sheet and income statement.

Joint venture companies in which Tamedia AG holds a direct or indirect interest of 50 per cent of voting rights are consolidated on a quota consolidation basis.

Investments in companies in which Tamedia AG directly or indirectly holds less than 50 per cent 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 capitalised 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 recognised 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 brands and titles if there is no subscriber base, the intangible assets which are not contractually and customer-related as well as the level of market shares. The following principles apply in this regard.

Brand/Title/Subscriber base

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 realised 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 per cent 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.

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 per cent and less than 50 per cent 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 per cent 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 realised and unrealised 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. Unrealised 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 databases 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 realised 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.

Unrealised gains from sale and leaseback transactions which meet the definition of financial leases are deferred and realised 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 per cent 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; capitalisation only takes place if it can be used to reduce the Group's future expenses.

Contributions to defined contribution plans are recorded as expenditure 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 to the extent that the restrictive capitalisation requirements for the development costs as per IAS 38 are not fully met.

Operating revenues

Operating revenues are recognised 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 optimise the financial resources, the management of liquidity and long-term finance is centralised. 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 selectively and 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 derivate financial instruments embedded in basis agreements, 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 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 model

With the employee participation model, Tamedia enables its managers and employees to purchase shares of the company (see also: Note 43). The associated costs are recorded as personnel expenditure as and when they arise. Treasury shares are purchased in order to cover the risk associated with the participation model.

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 2006 financial year, the following material changes occurred in the consolidation scope:

Acquisitions of consolidated companies

Huber PrintPack AG

As part of the co-operation arrangements between the sheet-fed printing facilities of Huber & Co. AG and Meier + Cie AG, Meier Waser Druck AG changed its name as of 1 January 2006 into Huber PrintPack AG. At the same time, Huber & Co. AG took over the 50 per cent investment in the company which had been held until then by Tamedia AG, increased its participation ratio to 80 per cent by means of a capital increase through a contribution in kind and brought its sheet-fed printing activities into Huber PrintPack AG. Parts of the technical operating elements of the location in Feuerthalen were transferred to Frauenfeld. These changes resulted in full consolidation of the company as from 1 January 2006. Prior to then, the company was included by means of quota consolidation.

Presse Publicité Rep. SA

As of 4 January 2006, Tamedia took over from the HandelsZeitung publishing group the 50 per cent participation in Presse Publicité Rep. SA. Tamedia now holds 100 per cent of the company's shares. The company has therefore been fully consolidated since 1 January 2006, having previously been included by means of quota consolidation.

Further changes in the consolidation scope

Partner Winner AG

The company was merged into 20 Minuten AG retroactively as of 1 July 2006.

20 Minuten AG

On 24 January 2005, the remaining 50.5 per cent of 20 Minuten AG, the publisher of the commuter newspaper *20 Minuten*, were acquired via Express Zeitung AG, retroactively as of 1 January 2005. 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 AG, assets of CHF 125.9 million and liabilities of CHF 66.0 million were 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 per cent in Express Zeitung AG, which acquired the investment in 20 Minuten AG. The decision of the federal court is still pending.

Huber Group

On 6 October 2005, all the shares of Huber & Co. AG, Grafische Unternehmung und Verlag, were acquired retroactively as of 1 October 2005. Huber & Co. AG was then holding 100 per cent of Thurgauer Medien AG, publisher of the *Thurgauer Zeitung*, 100 per cent of Zeitungs-Verlag AG Hinterthurgau, publisher of the *Regionalzeitung Hinterthurgau und Umgebung* as well as 100 per cent of Uster Nachrichten AG, publisher of the *Uster Nachrichten*. The costs of the acquisition amounted to CHF 56.7 million in cash. In the initial consolidation, assets of CHF 79.5 million and liabilities of CHF 22.8 million were recognised. The assets encompass goodwill and other intangible rights amounting to CHF 35.1 million.

Note 2

Foreign currency rates
in CHF

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

	2006	2005
Year-end rate		
1 EUR	**1.61**	1.56
1 GBP	**2.40**	2.26
1 USD	**1.22**	1.32
Average rate		
1 EUR	**1.58**	1.55

Segment reporting

Note 3

in CHF 000

	Newspapers	Magazines	Electronic Media	Services	Not allocable	Eliminations	**Total Group**
2006							
Revenues third parties	491 953	91 700	58 686	81 212	0		**723 552**
Revenues inter-segment	1 809	291	730	163 308	0	(166 139)	**0**
Operating revenues	**493 762**	**91 992**	**59 416**	**244 520**	**0**	**(166 139)**	**723 552**
Operating expenses	**(404 149)**	**(84 960)**	**(55 455)**	**(206 081)**	**(0)**	**166 139**	**(584 507)**
Operating income before depreciation and amortisation (EBITDA)	**89 613**	**7 031**	**3 961**	**38 439**	**0**	**0**	**139 045**
Margin[1]	18.1%	7.6%	6.7%	15.7%			**19.2%**
Depreciation and amortisation	(3 575)	(89)	(1 142)	(22 033)	0	0	**(26 840)**
of which impairment on goodwill	0	(66)	0	0	0	0	**(66)**
Operating income (EBIT)	**86 038**	**6 942**	**2 819**	**16 406**	**0**	**0**	**112 205**
Margin[1]	17.4%	7.5%	4.7%	6.7%			**15.5%**
Share in earnings of associated companies	5 116	0	643	491	0	0	**6 250**
Total assets	337 691	20 865	78 320	272 729	79 357	0	**788 962**
Total liabilities	124 527	32 660	11 270	57 931	59 044	0	**285 431**
Capital expenditures in property, plant and equipment	132	0	253	5 536	0	0	**5 921**
Capital expenditures in intangible assets	422	0	151	1 551	0	0	**2 124**
Capital expenditures in associated companies	0	0	250	0	0	0	**250**
Average number of employees	753	166	210	735	0	0	**1 864**
2005							
Revenues third parties	445 615	87 055	50 747	66 631	0	0	**650 048**
Revenues inter-segment	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[1]	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[1]	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**

1 Relates to Operating revenues

Further information with regard to the individual segments is shown in the operational review on pages 14–22.

Note 4

Media revenues

in CHF 000

	2006	2005
Advertising revenues	**433 983**	388 781
Circulation revenues	**142 648**	136 257
Other media revenues	**64 353**	56 523
Total	**640 983**	581 561
of which barter transactions	**25 482**	24 468

As in the previous year, the largest contribution to the operating revenues was made by media revenues (89 per cent). They increased in comparison with the previous year by CHF 59.4 million or 10 per cent to CHF 641.0 million. This increase is due primarily to the growth in job advertisements and *20 Minuten* as well as the integration of the *Thurgauer Zeitung* which was consolidated for a full year for the first time in 2006. The revenues from circulation activity also grew (by CHF 6.4 million) primarily due to the first full-year consolidation of the *Thurgauer Zeitung*. Pleasing growth was also recorded in revenues from other media activities. This is mainly attributable to the online media, while advertising revenues from television and radio recorded a slight decline.

Note 5

Printing revenues

in CHF 000

	2006	2005
Newspaper offset press revenues	**8 306**	6 753
Sheet-fed printing revenues	**23 474**	9 111
Other printing revenues	**14 058**	16 199
Total	**45 838**	32 063

Printing revenues generated a good 6 per cent of the operating income, compared with 5 per cent in the previous year. They rose by CHF 13.8 million or 43 per cent to CHF 45.8 million. Particularly the sheet offset business recorded a strong increase of CHF 14.4 million. This growth reflects on the one hand the revenues from the sheet-fed printing activities of the Huber Group, recognised for the first time for a full year, and the full consolidation of Huber PrintPack AG (previously included as Meier Waser Druck AG under the quota consolidation method). The newspaper offset press revenues increased again with a plus of CHF 1.6 million or 23 per cent. This development is largely attributable to improved use of the capacity at the printing facility Druckzentrum Bubenberg due to the co-operation with Ziegler Druck- und Verlags-AG. The revenues from other printing activity rose by CHF 2.1 million or 13 per cent.

Other operating revenues

Note 6

in CHF 000

	2006	2005
Distribution revenues	**20 947**	19 755
Gains on disposal of property, plant and equipment	**1 916**	1 676
Sundry operating revenues	**13 868**	14 992
Total	**36 731**	36 423

The share represented by other operating revenues fell to 5 per cent of the overall operating revenues (previous year: 6 per cent). The revenues from distribution increased by 6 per cent to CHF 20.9 million, mainly due to taking over the early morning delivery of the *St. Galler Tagblatt* and distribution for the first full financial year of the *Landbote*. The sundry operating revenues include the reversal of provisions no longer required amounting to CHF 2.5 million (previous year: CHF 4.6 million).

Costs of material and services

Note 7

in CHF 000

	2006	2005
Costs of material	**71 976**	59 849
Costs of services	**93 745**	85 088
Total	**165 721**	144 937

The costs of material and services account for 23 per cent of the operating revenues (previous year: 22 per cent) and increased by 14 per cent to CHF 165.7 million. The costs of paper rose not only in price but also due to volumes by 19 per cent to CHF 59.0 million. The costs for third-party services increased by 10 per cent to CHF 93.7 million. Most of this increase is attributable to the publishers and the sheet-fed printing activities of the Huber Group which were taken into account for a full year for the first time.

Personnel expenses

Note 8

in CHF 000

	2006	2005
Salaries and wages	**193 368**	171 358
Social security and retirement benefits	**33 216**	32 054
Other personnel expenses	**15 175**	13 410
Total	**241 760**	216 822

Personnel/employees

Number

	2006	2005
At 31 December[1]	**1 893**	1 839
Average[1]	**1 864**	1 616

1 Without deliverers Zuvo

Personnel expenses, at CHF 241.8 million, continue to represent the highest category of costs. The increase in personnel expenses as well as in the average number of employees arose in various segments. On the one hand, the activities of the Huber Group were taken into account for a full year for the first time. On the other hand, the expansion of the activities of *20 Minuten* in French-speaking Switzerland and in the online sector, implementation of regionalisation of the *Tages-Anzeiger* in the last quarter of the year and the expansion of the distribution regions of Zuvo in St. Gallen contributed to the increase.

However, in relation to the operating revenues, the personnel expenses remained stable at 33 per cent. Adaptation of the employee benefit plans of various companies whose employee benefit and pension arrangements are now being regulated by Tamedia did not give rise to any material, additional costs. Further details on the calculation of employee benefit liabilities are shown in Note 22.

The number of employees (converted to full-time equivalents) rose by the end of the year from 1 839 by 54 or 3 per cent to 1 893. On annual average, the number of employees was 1 864, which represents an increase in comparison with the previous year of 248 or 15 per cent. Here again, the Huber Group is reflected, having been consolidated for a full year for the first time.

Note 9

Other operating expenses
in CHF 000

	2006	2005
Distribution and sales expenses	**75 169**	69 121
Advertising and public relations	**48 534**	43 163
Rent, lease payments and licences	**17 326**	15 238
General operating expenses	**35 996**	33 579
Total	**177 026**	161 101
of which barter transactions	**25 482**	24 468

The other operating expenses amounted to 24 per cent of operating revenues (previous year: 25 per cent) and increased from CHF 161.1 million by 10 per cent or CHF 15.9 million to CHF 177.0 million. The increase in the distribution and sales expenses by 9 per cent is also due to integration of the companies of the Huber Group, the regionalisation of the *Tages-Anzeiger* and the expansion of *20 Minuten*. By the same token, the growth in marketing activities was largely a consequence of regionalising the *Tages-Anzeiger* and the launch of *20 minutes* in French-speaking Switzerland.

Depreciation and amortisation

in CHF 000

Note 10

	2006	2005
Depreciation of property, plant and equipment	**21 931**	20 563
Impairment on goodwill	**66**	7 281
Amortisation of intangible assets	**3 893**	3 674
Other write-offs and allowances	**949**	439
Total	**26 840**	31 955

Depreciation and amortisation fell by a total of CHF 5.1 million or 16 per cent from CHF 32.0 million to CHF 26.8 million. The depreciation and amortisation as well as the write-off of non-current assets which were disposed increased by CHF 2.1 million, primarily due to the Huber Group which was consolidated for a full year for the first time. While the depreciation and amortisation in 2005 included an impairment on goodwill of CHF 7.3 million, this cost fell in 2006 to CHF 0.1 million (see also Note 24).

Associated companies

in CHF 000

Note 11

	2006	2005
Share in earnings of associated companies	**6 250**	2 675
Valuation of investments in associated companies	**31 167**	29 085

The share in earnings of associated companies increased by CHF 3.6 million to CHF 6.3 million, of which CHF 1.0 million arose from higher current profits. In the previous year, the share in earnings of Ziegler Druck- und Verlags-AG included an impairment on goodwill of CHF 2.6 million.

The increase in the investment values in associated companies by a net CHF 2.1 million to CHF 31.2 million resulted from the recognised share in earnings of CHF 6.3 million against a reduction in dividends-received of CHF 4.4 million. In addition, Tamedia has increased its share of homegate AG by 2.0 per cent. A takeover of another 28.5 per cent is forseen at the beginning of 2008. The purchase price is not yet defined because it will be calculated on the basis of future, income-dependent factors.

Share of net assets of associated companies
in CHF 000

	2006	2005
Current assets	**23 026**	18 378
Non-current assets	**35 762**	38 814
Total assets	**58 788**	57 192
Current liabilities	**13 761**	13 959
Long-term liabilities	**13 945**	14 257
Net assets[1]	**31 081**	28 976
Share of revenues and profits of associated companies		
Operating revenues	**81 890**	68 225
Operating expenses	**(71 114)**	(61 086)
Operating income before depreciation and amortisation (EBITDA)	**10 776**	7 138

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, for which a few individual estimates were necessary. In forthcoming years, adaptations could become necessary if new information is made available. All the companies close their accounts as at 31 December.

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

Other financial income

in CHF 000

Note 12

	2006	2005
Interest income	**1 595**	918
Gains on marketable securities	**169**	56
Gains from sales of investments in subsidiaries	**0**	1 441
Exchange gains	**228**	995
Other financial income	**672**	1 784
Financial income	**2 664**	5 192
Interest expense	**(361)**	(62)
Interest expense on financial leases	**(393)**	(574)
Losses on marketable securities	**(2)**	(59)
Write-off of financial assets	**0**	(1 597)
Exchange losses	**(296)**	(302)
Other financial expense	**(46)**	(67)
Financial expense	**(1 099)**	(2 662)
Total	**1 565**	2 531

The other financial income decreased by CHF 1.0 million to CHF 1.6 million. This reduction resulted mainly from the non-recurring gains achieved in 2005 on disposal of the investments in the *Anzeiger von Uster*, as well as Condor Communications AG and Regor AG.

Income taxes

in CHF 000

Note 13

The income tax costs are comprised as follows:

	2006	2005
Current income taxes	**(20 330)**	(19 560)
Deferred income taxes	**(1 264)**	(1 138)
Total	**(21 593)**	(20 698)

Analysis of tax charge
in CHF 000

	2006	2005
Income before taxes	**120 020**	100 437
Average income tax rate	**19.9%**	20.5%
Expected tax expense (using average rates)	**(23 865)**	(20 611)
Taxes related to earnings of prior periods	**77**	(47)
Use of non-capitalised tax losses brought forward and not considered in the past	**2 027**	102
Non-capitalised tax assets on tax losses brought forward	**(235)**	(225)
Expiration of tax loss benefits capitalised	**0**	(70)
Impact of changes in investment income deductions	**153**	0
Deferred taxes due to changes in tax rates	**466**	0
Other items	**(218)**	153
Income taxes	**(21 593)**	(20 698)
Effective tax rate	**18.0%**	20.6%

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 21 per cent to 18 per cent. This is particularly due to non-recurring effects. Tax losses brought forward, which were regarded as non-deductible in the past, were able to be deducted after all during reorganisations which took place in 2006. The reduction of the income tax charge in the Canton of Thurgau reduced the tax expense and resulted in not only a reduction of the future tax rate to be applied for deferred tax assets and liabilities but also a lower effective income tax charge.

Deferred tax assets and liabilities

Note 14

in CHF 000

Deferred taxes are due to timing differences in the valuation of:

	2006	2005
Investments in associated companies	**6 190**	6 360
Capitalised tax losses brought forward	**3 674**	7 957
Employee benefit plan liabilities as per IAS 19	**2 401**	2 557
Intangible assets	**277**	255
Other assets	**57**	391
Total deferred tax assets	**12 599**	17 519
Trade accounts receivable	**1 378**	1 150
Inventories	**212**	565
Land and buildings	**9 918**	10 764
Other property, plant and equipment	**4 497**	6 257
Employee benefit plan assets as per IAS 19	**4 691**	4 691
Marketable securities, loans	**2 252**	2 618
Intangible assets	**704**	872
Provisions and accruals including taxes	**12 096**	12 428
Other balance sheet items	**2**	120
Total deferred tax liabilities	**35 751**	39 464

Tax deductible losses brought forward

in CHF 000

	2006	2005
Capitalised tax losses brought forward	**3 674**	7 957
Average income tax rate	**21.0%**	21.0%
Corresponding to effective tax losses brought forward	**(17 479)**	(37 886)
Expiring within 1 year	**(91)**	0
Expiring in 2 to 5 years	**(16 368)**	(37 857)
Expiring later than in 5 years	**(1 021)**	(29)

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.

Non-capitalised tax losses brought forward	**(75 876)**	(81 539)
Expiring within 1 year	**(16 551)**	0
Expiring in 2 to 5 years	**(52 229)**	(73 848)
Expiring later than in 5 years	**(7 096)**	(7 691)

The non-capitalised losses brought forward amounted to CHF 75.9 million at the end of 2006. They arose from Express Zeitung AG, Huber PrintPack AG (formerly 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 assets for these losses brought forward.

Note 15

Minority interests in net income

in CHF 000

	2006	2005
Minority interests in profits	**(152)**	(476)
Minority interests in losses	**210**	154
Total	**59**	(322)

The change in minority interests in net income resulted mainly from the net income of the Tagblatt der Stadt Zürich AG. This was influenced until the middle of 2005 by a financing agreement which worked, at that time, in favour of the minority shareholder Freie Presse Holding.

Note 16

Net income per share

Number

		2006	2005
Weighted average of shares outstanding during the year			
Number of shares outstanding		**10 000 000**	10 000 000
Number of treasury shares (weighted average)		**4 915**	4 982
Number of shares outstanding (weighted average)		**9 995 085**	9 995 018
Undiluted			
Net income	in CHF 000	**98 485**	79 418
Weighted average of shares outstanding applicable for this calculation		**9 995 085**	9 995 018
Net income per share (undiluted)	in CHF	**9.85**	7.95
Diluted			
Net income	in CHF 000	**98 485**	79 418
Weighted average of shares outstanding applicable for this calculation		**9 995 085**	9 995 018
Net income per share (diluted)	in CHF	**9.85**	7.95

Trade accounts receivable

Note 17

in CHF 000

	2006	2005
Trade accounts receivable from third parties	**114 045**	101 965
Trade accounts receivable from associated companies	**1 698**	655
Allowance for doubtful trade accounts receivable	**(4 656)**	(5 014)
Total	**111 086**	97 606

The trade accounts receivable increased by 14 per cent to CHF 111.1 million. This was due mainly to the higher sales of existing products and the integration of the Huber Group. CHF 4.7 million were provided for doubtful trade accounts receivable, compared with CHF 5.0 million in the previous year.

Inventories

Note 18

in CHF 000

	2006	2005
Raw, ancillary and operating materials	**2 637**	2 952
Work in progress	**1 239**	3 857
Finished goods	**1 875**	179
Trade merchandise	**17**	25
Total	**5 768**	7 013

The inventories declined by CHF 1.2 million to CHF 5.8 million, primarily due to a reduction of the work in progress. The rise in finished goods and the reduction at the same level of work in progress is mainly a consequence of reclassifying the inventories in the packaging business. The material costs included in net income are shown as costs of material in Note 7.

Note 19

Property, plant and equipment and non-operational real estate

in CHF 000	Land	Buildings and fixtures	Technical equipment and machinery	Furnishings, motor vehicles and art objects	Advance payments and assets under construction	**Total property, plant and equipment**	Non-operational real estate
Historical cost							
Balance at 31 December 2004	**49 472**	**187 291**	**184 617**	**13 187**	**28 331**	**462 899**	**14 123**
Change in consolidation scope	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**
Change in consolidation scope	0	13	3 530	7	0	**3 549**	3 475
Additions	0	1 648	3 875	311	88	**5 921**	0
Disposals	0	(6 063)	(6 225)	(420)	0	**(12 709)**	(6 950)
Transfers	0	200	35	0	(261)	**(26)**	0
Revaluation	(51)	0	0	0	0	**(51)**	0
Balance at 31 December 2006	**54 007**	**200 234**	**169 706**	**12 728**	**88**	**436 763**	**8 931**
Accumulated depreciation							
Balance at 31 December 2004	**0**	**100 117**	**111 766**	**8 609**	**0**	**220 491**	**5 232**
Change in consolidation scope	0	(503)	(4 978)	(599)	0	**(6 080)**	0
Annual depreciation	0	5 985	13 221	1 043	0	**20 249**	313
Depreciation due to 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**
Change in consolidation scope	0	12	1 578	5	0	**1 594**	177
Annual depreciation	0	6 103	14 455	1 105	0	**21 663**	268
Depreciation due to impairment[1]	0	0	0	0	0	**0**	0
Additions	0	0	0	0	0	**0**	0
Disposals	0	(5 775)	(4 074)	(283)	0	**(10 132)**	(355)
Transfers	0	0	(10)	0	0	**(10)**	0
Balance at 31 December 2006	**0**	**104 952**	**74 593**	**8 817**	**0**	**188 362**	**2 735**
Net book value of assets							
Balance 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
Balance at 31 December 2006	**54 007**	**95 283**	**95 113**	**3 911**	**88**	**248 401**	**6 196**
of which leased	0	0	11 254	0	0	**11 254**	0
of which available for sale	0	0	0	0	0	**0**	0

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

In total, the property, plant and equipment declined by CHF 16.4 million, from CHF 264.8 million to CHF 248.4 million. Disposals were recorded primarily in installations and building fixtures, machinery and equipment as well as IT systems. The full consolidation of Huber PrintPack resulted in additions of CHF 2.0 million in operating property, plant and equipment and CHF 3.3 million in non-operational real estate. After full commissioning of the new newspaper printing presses, the investment activity fell significantly from CHF 25.2 million to CHF 5.9 million. In the reporting period, investments were made in technical equipment and operational real estate. Annual depreciation at CHF 21.7 million was CHF 1.4 million higher than in the previous year.

Further information with regard to the non-operational land and buildings is shown in the following note.

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

Non-operational land and buildings

Note 20

in CHF 000

	2006	2005
Rent income	**694**	690
Real estate expense	**(593)**	(538)
Net income[1]	**101**	151
Net book value[2]	**6 196**	9 762
Fair value[2]	**6 800**	10 275

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.

2 The net investment value as well as the fair value of the property of Meier Waser Druck AG in 2005 only took into consideration the participation of 50 per cent included with the quota consolidation for that year.

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

This category of assets now includes only the property of *Radio Basilisk*. The property of Meier Waser Druck AG, which was still capitalised under this item in the previous year, was sold as of 19 January 2006; ownership was transferred as of 31 March 2006.

The internal examination of carrying value showed no impairment of the investment properties. The values were discounted at a rate of 5.5 per cent. No valuation was carried out by external experts.

The following limitation exists with regard to the realisation 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

	2006	2005
Other investments	**39**	39
Long-term loans receivable from third parties	**440**	875
Long-term loans receivable from associated companies	**2 600**	5 018
Employee benefit plan assets as per IAS 19	**22 825**	22 337
Other financial assets	**1 052**	2 732
Total	**26 957**	31 001

Other non-current financial assets declined by CHF 4.0 million to CHF 27.0 million. The biggest decrease was recorded in loans receivable from third parties and associated companies with CHF 2.9 million. Of this, CHF 2.1 million resulted from the non-consolidated part of the loan to Huber PrintPack AG in the previous year. Due to a lower need of assets pledged as collateral for subscription insurance, the relevant securities position was reduced.

Details with regard to the pledging of other 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 the law and by the decision of the Board of Trustees. In doing so, 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 over-funded. Actuarial gains/losses and unrecognised parts thereof are presented as net figures.

Development of amounts recognised in profit and loss

in CHF 000

	2006	2005
Current employer service cost	**(19 358)**	(14 638)
Interest cost	**(23 579)**	(23 511)
Expected return on plan assets	**37 682**	34 287
Recognition of plan improvement costs	**0**	0
Recognition of actuarial gain/(loss)	**18**	181
Effect of curtailments gain/(loss)	**132**	479
Recognition of unrecognised past service cost[1]	**(50)**	(3 360)
Company's net periodic pension cost	**(5 155)**	(6 562)
Employer contributions	**15 804**	11 922
Net pension income/(cost) not yet recorded in the income statement	**10 649**	5 360
Non-recognised proportion of net pension income/(cost)	**(10 054)**	(8 126)
Income/(cost) recognised in the income statement in addition to employer contributions	**595**	(2 766)

1 In 2005, due to plan amendments, various employee benefit plans were reclassified as defined benefit plans. The recognition of unrecognised past service cost also encompasses the re-assessment of various adapted employee benefit plans amounting to CHF 2.7 million.

Development of amounts recognised in the balance sheet

in CHF 000

	2006	2005
Present value of obligations	**(887 617)**	(890 880)
Fair value of plan assets	**983 796**	957 750
Present value of net asset/(obligation)	**96 179**	66 870
Unrecognised actuarial loss/(gain)	**(56 433)**	(35 914)
Unrecognised past service cost	**1 597**	0
Unrecognised part of defined benefit (asset)/obligation	**(30 288)**	(20 496)
Defined benefit asset/(obligation) recognised in the balance sheet	**11 055**	10 460
of which plan asset as per IAS 19	**22 825**	22 337
of which plan obligation as per IAS 19	**(11 769)**	(11 877)

Development of defined benefit obligations (DBO)
in CHF 000

	2006	2005
Present value of DBO as of 1 January	**(890 880)**	(746 278)
Increase due to acquisitions	**0**	(80 242)
Increase to plan amendments	**(2 134)**	(12 430)
Current employer service cost	**(19 358)**	(14 638)
Interest cost	**(23 579)**	(23 511)
Employee contributions	**(12 577)**	(9 780)
Benefits paid	**48 948**	38 033
Insurance premiums	**1 671**	1 070
Effect of settlement	**360**	4 782
Actuarial gain/(loss)	**9 932**	(47 886)
Present value of obligation at 31 December	**(887 617)**	(890 880)

Development of plan assets
in CHF 000

	2006	2005
Fair value as of 1 January	**957 750**	795 604
Increase due to acquisitions	**0**	74 344
Increase due to plan amendments	**487**	9 070
Expected return on plan assets	**37 682**	34 287
Employer contributions	**15 804**	11 922
Employee contributions	**12 577**	9 780
Benefits paid	**(48 948)**	(38 033)
Insurance premiums	**(1 671)**	(1 070)
Effect of settlement	**(228)**	(4 303)
Actuarial gain/(loss)	**10 343**	66 149
Fair value at 31 December	**983 796**	957 750
Net asset/(obligation) at 1 January	**66 870**	49 326
Net asset/(obligation) at 31 December	**96 179**	66 870

Based on the number of employees as of 31 December 2006, one must assume that the contributions to defined benefit plans in 2007 will amount to CHF 15.3 million.

Distribution of plan assets in %	**2006**	2005
Equity securities[1]	**35.1**	39.0
Debt securities	**33.6**	34.6
Real estate	**16.3**	15.5
Other	**15.0**	11.0
Total	**100.0**	100.0

1 The investments in equity securities do not include any directly held shares of Tamedia AG. On the other hand, fund products managed by third parties may include shares of Tamedia AG.

Expected return on plan assets in %	**2006**	2005
Equity securities	**6.3**	6.3
Debt securities	**2.5**	2.5
Real estate	**4.2**	4.2
Other	**2.1**	2.1
Total	**4.1**	4.2

The expected return is calculated as a weighted average of the investment strategy and the expected returns per investment category. The assumptions for the individual investment categories of the plan assets are based on long-term market expectations over the period during which the employee benefit obligations will fall due for payment

Value of property, plant and equipment used by the Group

The employee benefit funds do not hold any property, plant and equipment which is used by consolidated or associated companies.

Return on plan assets in CHF 000	**2006**	2005
Expected return on plan assets	**37 682**	34 287
Actual return on plan assets	**48 025**	99 366
Actuarial gain/(loss) on plan assets	**10 343**	65 079

Actuarial assumptions
in %

	2006	2005
Discount rate	**2.8**	2.7
Long-term rate of return on plan assets	**4.1**	4.0
Salary progression	**1.0**	1.0
Pension benefit progression	**0.6**	0.6
Long-term interest on pension entitlements	**2.8**	2.7

The most recent actuarial calculation (using the "projected unit credit" method) took place as of 31 December 2006.

Contributions to defined contribution plans
in CHF 000

	2006	2005
Total	**483**	734

Obligations to employee benefit funds
in CHF 000

	2006	2005
Obligations to employee benefit funds of Tamedia	**14**	214
Obligations to other employee benefit funds	**306**	253
Total	**320**	467

Multi-year comparison
in CHF 000

	2006	2005	2004	2003	2002
Present value of employee benefit obligations	**(887 617)**	(890 880)	(746 278)	(759 750)	(824 695)
Fair value of plan assets	**983 796**	957 750	795 604	811 993	793 257
Net asset/(obligation)	**96 179**	**66 870**	**49 326**	**52 243**	**(31 438)**
Actuarial gain on employee benefit obligations	**2 398**				
Actuarial gain on plan assets	**10 343**				

Note 23

Intangible assets

in CHF 000	Goodwill[2]	Publishing rights and other legal rights	Capitalised software project costs	Other intangible assets	**Total**
Historical value					
Balance at 31 December 2004	**152 815**	**81**	**22 079**	**0**	**174 975**
Change in consolidation scope	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**
Change in consolidation scope	0	0	31	0	**31**
Additions	66	0	2 058	0	**2 124**
Disposals	0	(0)	(1 475)	0	**(1 475)**
Transfers	0	0	106	(80)	**26**
Balance at 31 December 2006	**191 332**	**4 201**	**23 443**	**415**	**219 390**
Accumulated amortisation					
Balance at 31 December 2004	**89 745**	**81**	**15 178**	**0**	**105 004**
Change in consolidation scope	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**
Change in consolidation scope	0	0	14	0	**14**
Annual amortisation	0	344	3 549	0	**3 893**
Impairment[1]	66	0	0	0	**66**
Additions	0	0	0	0	**0**
Disposals	0	0	(1 382)	0	**(1 382)**
Transfers	0	0	10	0	**10**
Balance at 31 December 2006	**7 346**	**505**	**19 013**	**415**	**27 279**
Net book value of assets					
Balance at 31 December 2005	**183 985**	**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**
Balance at 31 December 2006	**183 985**	**3 696**	**4 430**	**0**	**192 111**
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 on 1 January 2005, 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 decreased by CHF 1.9 million, from CHF 194.0 million to CHF 192.1 million. The additions of CHF 2.1 million compared with disposals of CHF 0.1 million net and amortisation of CHF 3.9 million. Whilst in the previous year, amortisation due to impairment of CHF 7.3 million was recorded, this value reduced in 2006 to CHF 0.1 million. Further explanations with regard to goodwill and the impairment tests carried out are shown in the following note.

Note 24

Goodwill

in CHF 000

Segments	2006	2005
Newspapers, of which	**145 876**	145 876
20 Minuten	**98 269**	98 269
Finanz und Wirtschaft	**17 566**	17 566
Thurgauer Zeitung	**30 040**	30 040
Electronic media, of which	**38 110**	38 110
Radio 24	**36 406**	36 406
Radio Basilisk	**1 704**	1 704
Total	**183 985**	183 985
Effects on the capitalised goodwill in the case of cash flow declining by		
5%	**(1 723)**	(6 677)
10%	**(3 691)**	(6 816)

The carrying value of goodwill per cash-generating unit was examined as at 31 December 2006. 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.

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 2007 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 per cent (previous year: 8.0 per cent) is applied. This equates to a discount rate before tax of approx. 10.1 per cent (previous year: 10.1 per cent). The business plans cover a period of four years. For the following years, the growth rate in all the segments was applied at 1.0 per cent, as in the past.

Based on these calculations, it was determined that there was no impairment requirement on the goodwill capitalised to date. The impairment of CHF 0.1 million shown under the amortisation relates to the shares taken over of Presse Publicité Rep. SA. Due the immateriality, the calculated goodwill was immediately written off.

Note 25

Financial liabilities
in CHF 000

	2006	2005
Current bank debt	**0**	0
Current leasing obligations	**5 270**	5 270
Other short-term financial liabilities to third parties	**90**	215
Other short-term financial liabilities to associated companies	**0**	56
Current financial liabilities	**5 359**	5 541
Long-term leasing obligations	**1 971**	6 961
Long-term loans from third parties	**600**	4 549
Employee benefit liabilities as per IAS 19	**11 769**	11 877
Long-term financial liabilities	**14 340**	23 387
Total financial liabilities	**19 699**	28 928
Maturities		
Within 1 year	**5 359**	5 541
1 to 5 years	**2 571**	11 510
Beyond 5 years	**11 769**	11 877
Total	**19 699**	28 928
Weighted average interest rate (excluding obligations as per IAS 19)		
Within 1 year	**3.6%**	**3.5%**
1 to 5 years	**2.9%**	**2.7%**
Beyond 5 years	**n.a.**	**n.a.**

The financial liabilities reduced by CHF 9.2 million to CHF 19.7 million. Leasing liabilities again decreased in the current year by CHF 5.0 million. Through the sale of the property in Feuerthalen which was no longer operationally required as well as several technical operating elements of Huber PrintPack AG, the loan liabilities to third parties were also able to be significantly reduced.

The employee benefit obligations as per IAS 19 declined by only a small amount. They resulted from the pension plans of various companies whose employee benefit arrangements are now regulated in the Tamedia pension fund. Extensive detail on the recording of employee benefit obligations are to be found in Note 22.

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

Note 26

Trade accounts payable

in CHF 000

	2006	2005
Trade accounts payable to third parties	**41 536**	42 954
Trade accounts payable to associated companies	**5 574**	4 573
Total	**47 110**	47 528

Trade accounts payable amounted to CHF 47.1 million, which represents a reduction of CHF 0.4 million in comparison with the previous year.

Note 27

Other current payables

in CHF 000

	2006	2005
Payables to public authorities	**5 030**	4 462
Advance payments from customers	**1 594**	1 353
Other current accounts payable	**6 686**	5 833
Total	**13 310**	11 648

The other current liabilities increased by CHF 1.7 million to CHF 13.3 million.

Note 28

Deferred revenues and accrued liabilities

in CHF 000

	2006	2005
Deferred subscription revenues	**107 176**	91 840
Other accrued liabilities	**33 690**	33 682
Total	**140 866**	125 522

Deferred revenues and accrued liabilities increased by CHF 15.3 million or 12 per cent from CHF 125.5 million to CHF 140.9 million. This was entirely due to the subscription revenues. They rose primarily because of the significantly higher number of subscriptions with a multi-year term.

Provisions

Note 29

in CHF 000	Long-service awards	Personnel provisions	Renovation and contamination removal	Risks of law suits, others	**Total**
Balance at 1 January 2005	**1 263**	**6 318**	**2 551**	**5 930**	**16 062**
Change in consolidation scope	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 financial year	(11)	(1 980)	0	(1 810)	**(3 801)**
Balance at 31 December 2005	**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**
Balance at 1 January 2006	**2 134**	**4 057**	**2 500**	**6 446**	**15 136**
Change in consolidation scope	0	1 074	0	0	**1 074**
Increase	944	1 698	0	1 452	**4 094**
Reversal	(232)	(1 225)	0	(1 095)	**(2 552)**
Used during the financial year	(15)	(3 603)	0	(561)	**(4 179)**
Balance at 31 December 2006	**2 831**	**2 001**	**2 500**	**6 241**	**13 572**
Due within 1 year	763	2 001	0	247	**3 011**
Due between 1 and 5 years	2 067	0	2 500	5 994	**10 562**
Due beyond 5 years	0	0	0	0	**0**

The current and long-term provisions declined by CHF 1.6 million, from CHF 15.1 million to CHF 13.6 million, although the provisions caused by changes in the consolidation scope rose by CHF 1.1 million. The reduction resulted mainly from personnel provisions which were CHF 2.1 million lower, whilst the provisions for long-service awards rose by CHF 0.7 million. All the long-term provisions are due within 5 years.

In the case of long-service awards, the anticipated costs are provided 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 removal 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 agreement. 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.

Note 30

Share capital

in CHF 000	2006	2005
10 000 000 registered shares with a nominal value of CHF 10 each, full paid in	**100 000**	100 000

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

On 18 May 2006, the shareholders approved the recommendation of the Board of Directors to distribute a dividend of CHF 2.50 per share for the 2005 financial year. The Board of Directors will recommend to the Annual General Meeting of 3 May 2007 that a dividend of CHF 3.00 per share be distributed for the 2006 financial year.

Note 31

Treasury shares

	2006	2005
Number of treasury shares		
Number		
Balance at 1 January	**4 378**	6 024
Purchases	**5 000**	0
Sales	**(2 637)**	(1 646)
Balance at 31 December	**6 741**	4 378
Historical value of treasury shares		
in CHF 000		
Balance at 1 January	**560**	558
Purchases	**640**	0
Sales	**(250)**	(164)
Balance at 31 December	**783**	394
Fair value at year-end price	**1 082**	560
Paid/received prices		
in CHF		
Purchases (weighted average)	**127.90**	0.00
min.	**127.90**	0.00
max.	**127.90**	0.00
Sales (weighted average)	**94.91**	100.00
min.	**94.91**	100.00
max.	**94.91**	100.00

The year-end stock market price of treasury shares was CHF 160.50 compared with CHF 127.90 in the previous year. The price development is represented in share price development in the exhibit on page 31.

Within the framework of the employee share participation programme for the 2005 financial year (see also Note 43), 2 637 treasury shares with a total value of CHF 0.3 million were handed over. In order to cover the future requirements from the employee share participation programme, a further 5 000 shares were purchased at a price of CHF 127.90 in July 2006. There were no other transactions with treasury shares.

Further details on the consolidated financial statements

Joint Ventures

Note 32

in CHF 000

	2006	2005
Current assets	**6 408**	10 425
Non-current assets	**1 188**	6 178
Total assets	**7 596**	16 603
Current liabilities	**5 031**	6 955
Long-term liabilities	**427**	6 291
Total liabilities	**5 458**	13 246
Shareholders' equity	**2 138**	3 357
Total liabilities and shareholders' equity	**7 596**	16 603
Operating revenues	**35 507**	39 635
Operating expenses	**(36 533)**	(41 310)
Operating income before depreciation and amortisation (EBITDA)	**(1 027)**	(1 675)

The details with regard to joint ventures encompass the shares included by means of quota consolidation of the companies Balmedia AG, TVtäglich and Zuvo Zustell- und Vertriebsorganisation AG. The previous year's details include Meier Waser Druck AG (now Huber PrintPack AG) and Presse Publicité Rep. SA, which have been fully consolidated since 1 January 2006. The details are shown before elimination of intercompany transactions.

Note 33

Sureties, guarantee obligations and pledges in favour of third parties

in CHF 000

	2006	2005
Subordinated debt	**2 475**	2 900
Joint and several guarantees	**0**	13
Total	**2 475**	2 913

The subordinated debt relates to outstanding loans to homegate AG. There are no further 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.

Note 34

Financial leases

in CHF 000

	2006	2005
Financial lease obligations		
Due within 1 year	**5 393**	5 393
Due between 1 and 5 years	**2 092**	7 485
Due beyond 5 years	**0**	0
Total	**7 485**	12 878
Less interest component	**(244)**	(647)
Financial debt recognised	**7 241**	12 231
of which current	**5 270**	5 270
of which long-term	**1 971**	6 961

As part of the IT outsourcing which took place in autumn 2004, Swisscom IT Services AG 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.

Operating leases and rent commitments

in CHF 000

Note 35

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 of 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* (29 years, until the end of 2035) and for the Medienhaus property in Zurich (14 years, until the end of 2020). There are no other special arrangements.

	2006	2005
Land, buildings and office premises	**49 392**	53 178
Machinery and furnishings	**1 128**	1 214
Total	**50 520**	54 392
Due within 1 year	**6 554**	6 107
Due between 1 and 5 years	**18 143**	18 066
Due beyond 5 years	**25 823**	30 218
Total	**50 520**	54 392
Costs recognised in the financial year under the item rent, lease payments and licences (see also Note 9)	**10 932**	8 754

Off-balance sheet transactions

in CHF 000

Note 36

	2006	2005
Purchase commitments project Rota 2005	**0**	8 256

In connection with the replacement of the newspaper printing presses and the expansion of the printing centre, there are no longer any purchase commitments.

One-year framework agreements are concluded with major suppliers of newspaper and magazine paper. Agreements covering delivery in 2007 were only signed after the balance sheet date, which explains why no commitments are shown in this category as at the end of 2006.

Note 37

Financial instruments

in CHF 000	2006		2005	
	Book value	**Fair value**	Book value	Fair value
Cash and cash equivalents	**136 024**	**136 024**	51 726	51 726
Current financial assets	**78**	**78**	911	911
Current financial receivables	**778**	**778**	1 950	1 950
Long-term financial assets[1]	**4 132**	**3 824**	8 664	8 231
Current financial liabilities	**5 359**	**5 359**	5 541	5 541
Long-term financial liabilities[1]	**2 638**	**2 638**	11 510	11 510

1 Without employee benefit 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	**2006**	2005
Contract volume	**0**	8 397
Fair value, currently due	**0**	878
Within 1 year	**0**	878
Between 1 and 5 years	**0**	0
Beyond 5 years	**0**	0
Information on cash flow hedges		
Cash flow hedges recorded directly in shareholders' equity at 31 December[1]	**0**	395
Used as part of the hedge foreseen	**608**	1 011
Recorded directly to net income	**62**	240

1 The amount of CHF 0.4 million recorded in equity in 2005 is after deduction of deferred taxes amounting to CHF 0.1 million.

Forward Euro contracts and currency swaps totalling CHF 8.4 million existed in the previous year to hedge the foreign currency risk arising from the framework agreements for newspaper and magazine paper. The hedging transactions are recorded on realisation together with the underlying transaction. In 2006, the amount of CHF 0.4 million recorded directly in equity was released to the income statement. At the balance sheet date, no further hedging transactions existed.

Depending on their maturity, the fair value of these derivative financial instruments was recorded under current or non-current financial receivables or payables.

Encumbrance of assets

Note 38

in CHF 000

	2006	2005
Mortgages and long-term advances secured by land and buildings	**414**	5 414
related to land and buildings with a net book value of	**6 196**	22 919
Subscription insurance secured by assets	**581**	792
related to marketable securities with a net book value of	**900**	2 538
Assets pledged as collateral or subject to liens	**995**	6 206
related to assets with a consolidated value of	**7 096**	25 457

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 2006. At the balance sheet date, there were no open liabilities in connection with the pledged assets.

Fire insurance value of property, plant and equipment

Note 39

in CHF 000

	2006	2005
Total	**646 991**	666 897

Investments

Note 40

The Group companies of Tamedia at 31 December 2006 are as follows:

Name	Domicile	Currency	Share capital in CHF 000	Business division	Method of consolidation	Share of capital 2006	Share of voting rights 2006
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	16.5%	16.5%
Huber & Co. AG	Frauenfeld	CHF	1 500	S	V	100.0%	100.0%
Huber PrintPack AG (formerly Meier Waser Druck AG)	Frauenfeld	CHF	1 250	S	V	80.0%	80.0%
Thurgauer Medien AG	Frauenfeld	CHF	1 000	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, in Liquidation	Basle	CHF	100	E	Q	50.0%	50.0%
Metro Media AG, in Liquidation	Basle	CHF	100	E	E	25.0%	25.0%
Piazza AG	Zurich	CHF	100	E	V	100.0%	100.0%
Presse Publicité Rep SA	Geneva	CHF	200	S	V	100.0%	100.0%
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%
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%
Tages-Anzeiger Verlag AG	Zurich	CHF	100	N	V	100.0%	100.0%
TVtäglich[2]	Zurich	CHF	–	M	Q	50.0%	50.0%
Uster Nachrichten AG	Uster	CHF	100	N	V	100.0%	100.0%
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 2006	Share of voting rights 2006
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

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, printing and publishing revenues.

n CHF 000		Operating revenues	Operating expenses	Financial income/ (expense)	Trade accounts receivable [1]	Loans-receivable [1]	Trade accounts payable [1]
Associated companies	2006	10 222	(28 259)	–	1 698	2 600	5 562
	2005	1 975	(17 734)	–	655	2 963	4 496
Joint ventures	2006	1 695	(33 261)	(7)	1 333	0	3 154
	2005	1 391	(33 359)	19	1 295	4 111	4 272
Directors and executives	2006	–	(7 702)	–	–	–	–
	2005	–	(6 515)	–	–	–	–

1 50% 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 Executive Management shown in Notes 42 and 43, there are no other transactions with associated parties.

Note 42

Remuneration of directors and executives

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 the reporting year. No remuneration was paid to former members.

Type of compensation	**Directors**[1]		**Executives**		**Total**	
in CHF 000	**2006**[3]	2005	**2006**	2005[4]	**2006**	2005
Number of members	**8**	8	**6**	5	**14**	13
Fees/Salaries	**2 115**	2 115	**2 673**	2 215	**4 788**	4 331
Success participation and supplementary bonus[2]	**0**	0	**2 255**	1 612	**2 255**	1 612
Employers contributions to pension funds	**84**	84	**346**	279	**430**	363
Expense reimbursements	**120**	120	**108**	90	**228**	210
Total	**2 320**	2 319	**5 382**	4 196	**7 702**	6 515

1 The Board of Directors is currently comprised only of non-executive members.
2 The programme only enters into effect if Tamedia exceeds a profit margin before tax of 10%. In 2005, four of the five members of the management were entitled to participate; in 2006, five of six members.
3 According to the decision of the Board of Directors in March 2007, compensation of CHF 1.5 million will be paid out for the retirement of Hans Heinrich Coninx. The corresponding expenditure will be recorded and disclosed in the annual financial statements for 2007.
4 The figures for the previous years are presented using the same principles as for 2006. In the Annual Report published for 2005, the success participations of CHF 0.6 million debited to net income were not disclosed in Note 42.

Share allotments and ownership

	Directors		**Executives**		**Total**	
Number	**2006**	2005	**2006**	2005	**2006**	2005
Shares owned	**1 322 334**	1 322 084	**5800**	5 800	**1 328 134**	1 327 884

Highest total remuneration of members of the Board of Directors	**2006**	2005
in CHF 000		
Fees	**833**	833
Employer's contributions to pension funds	**84**	84
Expense reimbursements	**36**	36
Total	**953**	953

The expenditure of Tamedia AG in 2006 for the eight members of the Board of Directors amounted to CHF 2.3 million, the same as in the previous year, and for the six members of Executive Management (previously five members) CHF 5.5 million compared with CHF 4.3 million in 2005.

Employee profit participation plan
Note 43

For the years 2005 until 2006, the Board of Directors approved a 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 per cent. As soon as the operating income (EBIT) exceeds 5 per cent of revenues, 5 per cent 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 per cent and is redefined every year. The shares are subject to a vesting period of one year.

For the 2006 financial year, an increase was resolved of 20 per cent (previous year: 20 per cent) for the profit participation drawn in shares. The costs for this additional allocation are carried by Tamedia and are recorded at the expected level in the financial statements for 2006 within personnel expenditure. The fulfilment of entitlements comes from the stock of treasury shares. The profit participation from the results for 2005 was drawn in shares by 158 employees. 2 637 shares were handed out.

Significant events after the balance sheet date
Note 44

Tagblatt der Stadt Zürich AG
As at 1 March 2007, Tamedia took over from the NZZ subsidiary Freie Presse Holding a share package of 25.0 per cent of the Tagblatt der Stadt Zürich AG. Tamedia has therefore increased its majority interest from 60.0 per cent to 85.0 per cent. Freie Presse Holding continues to hold 15.0 per cent.

RV Radio Vision AG
As at 2 March 2007, Tamedia took over from the National Zeitung, Basler Nachrichten AG and Radio Basel 1 Werbe AG a share package of 50.0 per cent of RV Radio Vision AG. The three radio stations *Radio Basilisk, Basel 1* and *Regenbogen* place their sales activities into that company. The company will be included in the consolidated annual financial statements using the quota consolidation method.

The influence of these transactions cannot be precisely calculated at this point in time. 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 (balance sheet, in-come statement, cash flow statement and notes; pages 34 to 82) of Tamedia AG for the year ended 31 December 2006.

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, 19 March 2007

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

	2006	2005
Publishing revenues	**419 931**	412 332
Printing revenues	**55 134**	46 502
Gain on disposal of property, plant and equipment	**0**	1 275
Income from release of unused provisions	**1 161**	3 637
Other operating income	**31 097**	27 598
Other operating revenues	**32 259**	32 510
Changes in inventories	**86**	(324)
Operating revenues	**507 410**	491 021
Costs of material and services	**(120 594)**	(110 191)
Personnel expenses	**(154 619)**	(150 167)
Other operating expenses	**(137 492)**	(129 631)
Operating income before depreciation and amortisation	**94 704**	101 032
Depreciation and amortisation	**(12 263)**	(14 930)
Operating income	**82 441**	86 101
Gain on sales of subsidiaries	**0**	1 441
Other financial income	**13 961**	13 667
Financial income	**13 961**	15 108
Financial expense	**(6 176)**	(10 525)
Financial income, net	**7 785**	4 583
Income before extraordinary items	**90 226**	90 684
Extraordinary expense	**(621)**	(3 208)
Income before taxes	**89 605**	87 476
Taxes	**(17 574)**	(16 947)
Net income	**72 030**	70 529

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

Balance sheet

Assets

in CHF 000, at 31 December

	2006	2005
Cash and cash equivalents	**69 235**	17 091
Marketable securities	**1 082**	553
Trade accounts receivable from third parties, net of allowance for bad debts	**63 973**	59 937
from related parties and shareholders	**582**	27
from Group companies	**5 190**	3 660
Trade accounts receivable	**69 746**	63 624
Other accounts receivable from third parties	**1 223**	2 314
from Group companies	**2 698**	764
Other accounts receivable	**3 921**	3 078
Accrued income and prepaid expenses from third parties	**6 865**	7 318
from Group companies	**2 730**	10 285
Accrued income and prepaid expenses	**9 594**	17 602
Inventories	**1 566**	1 426
Current assets	**155 144**	103 374
Property, plant and equipment Buildings and fixtures	**70 771**	70 527
Other property, plant and equipment	**89 724**	95 162
Property, plant and equipment	**160 495**	165 689
Long-term investments Investments in subsidiaries, net of allowance	**241 705**	244 529
Other long-term investments with third parties	**1 491**	3 516
with related parties and shareholders	**2 475**	2 900
with Group companies	**107 900**	123 429
Long-term investments	**353 571**	374 374
Intangible assets	**3 320**	4 605
Non-current assets	**517 386**	544 668
Total assets	**672 530**	648 042

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

Liabilities and shareholders′ equity

in CHF 000, at 31 December

	Note	2006	2005
Current financial liabilities		**5 270**	5 270
Trade accounts payable			
to third parties		**26 914**	34 621
to related parties and shareholders		**3 314**	91
to Group companies		**3 780**	3 364
Trade accounts payable		**34 008**	38 076
Other current payables			
to third parties		**9 341**	11 386
to Group companies		**1 827**	2 492
Other current payables		**11 168**	13 878
Deferred revenues and accrued liabilities			
from third parties		**126 874**	120 385
from Group companies		**1 470**	2 247
Deferred revenues and accrued liabilities		**128 344**	122 632
Current liabilities		**178 790**	179 856
Long-term financial liabilities			
to third parties		**1 971**	6 961
to Group companies		**18 400**	35 300
Long-term financial liabilities		**20 371**	42 261
Provisions		**7 374**	6 960
Long-term liabilities		**27 744**	49 221
Total liabilities		**206 534**	229 076
Share capital		**100 000**	100 000
Reserves			
General legal reserve		**50 000**	50 000
Reserve for treasury shares		**783**	394
Free reserve	1	**243 183**	198 043
Retained earnings			
Balance brought forward		**0**	0
Net income from current year		**72 030**	70 529
Reserves		**365 996**	318 965
Shareholders′ equity		**465 996**	418 965
Total liabilities and shareholders′ equity		**672 530**	648 042

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 (pages 34 to 82). 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 84 to 90) relates 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 40 to the consolidated financial statements.

Newspapers
- SonntagsZeitung
- Tages-Anzeiger
- Stellenmarkt

Magazines
- annabelle
- Facts
- Schweizer Familie

Electronic media
- Job Winner.ch
- TeleZüri
- ALPHA.CH

Services
- Customer Contact Center
- Production Services
- Tamedia Druckzentrum

Notes

Change in free reserve

Note 1

in CHF 000

	2006	2005
Balance at 1 January	**198 043**	140 137
Allocation to free reserve	**45 529**	57 741
Transfer from reserve for treasury shares	**(389)**	165
Balance at 31 December	**243 183**	198 043

Sureties, guarantee obligations and pledges in favour of third parties

Note 2

in CHF 000

	2006	2005
Joint and several guarantees	**0**	13
Subordinated debt for third parties	**2 475**	2 900
Guarantees	**none**	none
Guarantees for the benefit of Group companies	**1 000**	14 200
Deposit guarantees	**none**	none
Subordinated debt for Group companies	**9 200**	5 113
Total	**12 675**	22 225
of which provided for	**3 600**	9 013

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

	2006	2005
Forward currency contracts		
Contract volume	**0**	8 397
Fair value	**0**	878
Purchase commitments	**0**	8 256

Note 4

Pledged assets as collateral for own liabilities

in CHF 000

	2006	2005
Land and buildings, at net book value	**70 771**	70 527
Liens (mortgage notes), total nominal value	**79 450**	79 450
of which self-owned (freely available)	**79 450**	79 450
Pledged as collateral for own liabilities	**0**	0
Credit drawn, i.e. security granted for fixed advance	**0**	0
Marketable securities pledged as collateral for subscriptions	**581**	793

Note 5

Lease obligations

in CHF 000

	2006	2005
Lease obligations (future commitments)	**8 542**	13 842
of which current	**5 876**	5 765
of which non-current	**2 666**	8 077

Note 6

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

in CHF 000

	2006	2005
Buildings	**158 835**	158 835
Machinery and furnishings (including inventories)	**441 000**	410 000

Note 7

Liabilities to employee benefit plans

in CHF 000

	2006	2005
Current account with Tamedia pension funds	**0**	214
Current account with other pension funds	**236**	225

Note 8

Change in hidden reserves

in CHF 000

	2006	2005
Decrease in hidden reserves	**(8 128)**	(6 358)

Note 9

Investments

See Note 40 to the consolidated financial statements.

Note 10

Significant events since balance sheet date

See Note 44 to the consolidated financial statements.

Recommendation of the Board of Directors

The Board of Directors recommends to the General Meeting of Shareholders of 3 May 2007 that the accumulated profit for the financial year 2006, namely:

in CHF 000	**2006**	2005
Net income	**72 030**	70 529
Balance brought forward	**0**	0
Retained earnings	**72 030**	70 529

be appropriated as follows:

Payment of dividend [1]	**30 000**	25 000
Allocation to general legal reserve	**0**	0
Allocation to free reserve	**42 030**	45 529
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 reserve.

Zurich, 16 March 2007

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 (balance sheet, income statement and notes; pages 84 to 90) of Tamedia AG for the year ended 31 December 2006.

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 90) comply with Swiss law and the company's articles of incorporation.

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

Zurich, 19 March 2007

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 October 2, 2000
Market capitalisation	see "Capital structure" section
Treasury shares (at December 31, 2006)	6 741
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]

	2006	2005	2004
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, Berne	**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%	7.36%
Ellermann Rappenstein Stiftung, FL-Vaduz	**6.21**%	6.21%	6.21%
Ellermann Pyrit GmbH, D-Stuttgart	**7.35**%	7.35%	7.35%
Other participants in the shareholders' agreement	**1.86**%	1.86%	1.86%
Total participants in the shareholders' agreement	**76.09**%	76.09%	76.09%
Tweedy Browne Company LLC	**5.27**%	5.28%	5.53%

1 Expressed as a percentage of the 10 million total issued and outstanding registered shares.

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 per cent 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 per cent or below 50 per cent), 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 in CHF mill.	**2006**	2005	2004
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 37 of the consolidated financial statements.

Registered shares
Number

	2006	2005	2004
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	**9 993 259**	9 995 622	9 993 976
Number outstanding (weighted average)	**9 995 085**	9 995 018	9 993 976
Number of Treasury shares	**6 741**	4 378	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 capitalisation can be found in information for investors on page 31.

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 per cent 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 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 14 september 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 with voting rights up to a maximum of 3 per cent of the number of registered shares. Nominees are persons who do not specifically declare that they hold the shares on their own behalf. The Board of Directors can register nominees with more than 3 per cent of the registered share capital, also granting them voting rights, if the applicable nominee informs the company of the names, addresses and number of shares held by beneficiaries for whom he/she holds 0.5 per cent 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 and options.

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.

Internal organisation
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	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 Annual General Meeting 2007, Hans Heinrich Coninx will announce his resignation and recommend the election of Pietro Supino as his successor.

Authority and responsibilities

The Board of Directors is responsible for definition of the Group strategy. It examines the underlying plans and goals defined for the company and identifies external risks and opportunities. The authority and responsibilities of the Board and its committees as well as its authority in relation to the company's management are governed by the Organizational Guidelines which can be called up on www.tamedia.ch[1]. 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. These meetings take place with participation of the Chief Executive Officer, as well as other members of executive management and the cadre for the agenda points which are of relevance for them.

The full Board of Directors is informed by means of monthly, written reporting with regard to the consoli-dated monthly financial statements, the course of business of the individual divisions and other relevant circumstances. The Board is informed quarterly in writing with regard to the development of market share, and the half-yearly and annual financial statements are explained in a report every six months. In addition, the Board of Directors receives the minutes of meetings held by executive management, the Executive Committee and the Audit Committee. Furthermore, executive management informs the Chairman of the Board of any occurrences or incidents of particular significance.

[1] www.tamedia.ch/dyn/e/organisationsreglement/index.html

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 the management.

Committees

In addition to the committees described below, the Board of Directors may form additional committees for specific purposes. Committees are defined and members appointed in conjunction with the organization of the Board of Directors and by the same procedures. Basically, committees do not have the power to make binding decisions, but instead report to the Board as a whole and, when appropriate, propose decisions and guidelines to the Board.

Currently, there are the following standing committees:

- Executive Committee
- Audit Committee

Executive Committee

The Executive Committee serves to increase the efficiency of the Board's activities, strengthens the strategic orientation of the entire company, and intensifies communication with executive management.

It is comprised of three members, who conducted 18 meetings in the reporting year. On average, every second meeting is attended by the Chief Executive Officer, depending on the agenda matters to be discussed.

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. For this purpose, the Audit Committee examines the legal reports of the independent auditors and reporting on significant findings from the interim and final audit. The Committee is informed additionally and orally by the independent auditors, the Chief Financial Officer and other cadre members from the financial sector with regard to the progress of audit work. The fees for the audit of the consolidated financial statements and the individual financial statements are approved by the Audit Committee.

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 Chief Financial Officer as the representative of executive management and the independent auditors. For specific matters, the Audit Committee calls in outside experts if necessary. In the reporting year, the Audit Committee held four half-day meetings, at each of which the Chief Financial Officer and representatives of the independent auditors were present. The Chairman of the Audit Committee informs the full Board of Directors orally about the results of these meetings.

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, participations 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 the 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 Executive Committee are fixed amounts. In addition, expenses are reimbursed.

Compensation of management is comprised of a fixed amount 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 notes 41 and 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 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 5 per cent 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 Code of Obligations (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 5 per cent 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 per cent 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" on page 103).

Agenda

Shareholders who together represent shares having a combined nominal value of CHF 1 000 000 may request that a subject be included in the agenda for discussion or negotiation. This request must be submitted in writing at least 60 days prior to the General Meeting with an indication of the subject of negotiation.

Registration in share register

All shareholders who are entered in the share register with voting rights are admitted to and entitled to vote during the General Meeting. For organizational reasons, registration is discontinued during the 20 days prior to the shareholders' meeting. Shareholders who sell their shares prior to the General Meeting are no longer entitled to vote.

Changes of control and 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 per cent 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 by Ernst & Young amounted to CHF 0.6 million (previous year: 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 (previous year: 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 “Board of Directors – Audit Committee”. The rotation rhythm of the head auditor (auditor in charge) is seven years at the most, in compliance with the independence guideline of the Chamber of Trustees. A regular rotation of the independent auditors is not foreseen.

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 38 to 47 to the consolidated financial statements).

An agenda with the date of the Annual General Meeting and the publication date of the half-year report are shown on page 31.

Tamedia AG’s articles of incorporation can be obtained on www.tamedia.ch[1]

[1] www.tamedia.ch/dyn/e/statuten/index.html

As a listed company, Tamedia has the obligation to inform the public of any information relevant to the trading of its shares (ad hoc publicity, Art. 72 of the Listing Rules). In addition to information regarding the financial progress of the company, Tamedia also informs the public regarding current changes and developments.

Complete information regarding the company can be found on www.tamedia.ch. The Swiss Commercial Gazette is the company's instrument for official publications.

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