# Comments on the results for 2003

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Annual Press Conference, 28 April 2003

Switzerland's economy was by no means impervious to the weak global economy, entering a second year of recession in '03. While there were signs of a gradual recovery, the Iraq crisis, the SARS epidemic and continued lack of consumer confidence produced another setback. Under these circumstances and subject to subsequent adjustment, Switzerland's gross domestic product, in reflection of national added value, barely reached zero growth. The main reasons are slow exports and the ongoing decline in capital goods investments. A hesitant recovery was noticeable in the second half of the year but private consumption still failed to recover and retail sales were down 0.9 percent on the previous year. In late '03, the consumer confidence index recovered slightly from the massive drop in '02. Finally, at some 162,800 unemployed – up 25 percent year on year – the job market was yet another depressing sight.

The Iraq crisis affected Europe's economy more than that of the United States. It took two quarters for the Old Continent to recover from the March setback. Germany experienced a second year of recession, and France and Italy barely escaped negative growth rates even though things improved somewhat in late '03. In the past year Central and East European candidates agreed to join the EU, boosting its membership from 15 nations to 25, effective 1st May '04. In '03, the newcomers' economies successfully resisted Western Europe's influence, the four countries in which Ringier is active producing particularly respectable growth figures. The Asian economic region also showed itself highly resistant to the effects of Western recession, with China spurring continued growth in the region.

**Turnover**
In the past year, gross advertising expenditure in Switzerland declined for the third year in a row, to CHF 3,684m. While television benefited from an increase of close to eight percent and magazines stagnated, newspapers ad sales were down more than five percent.

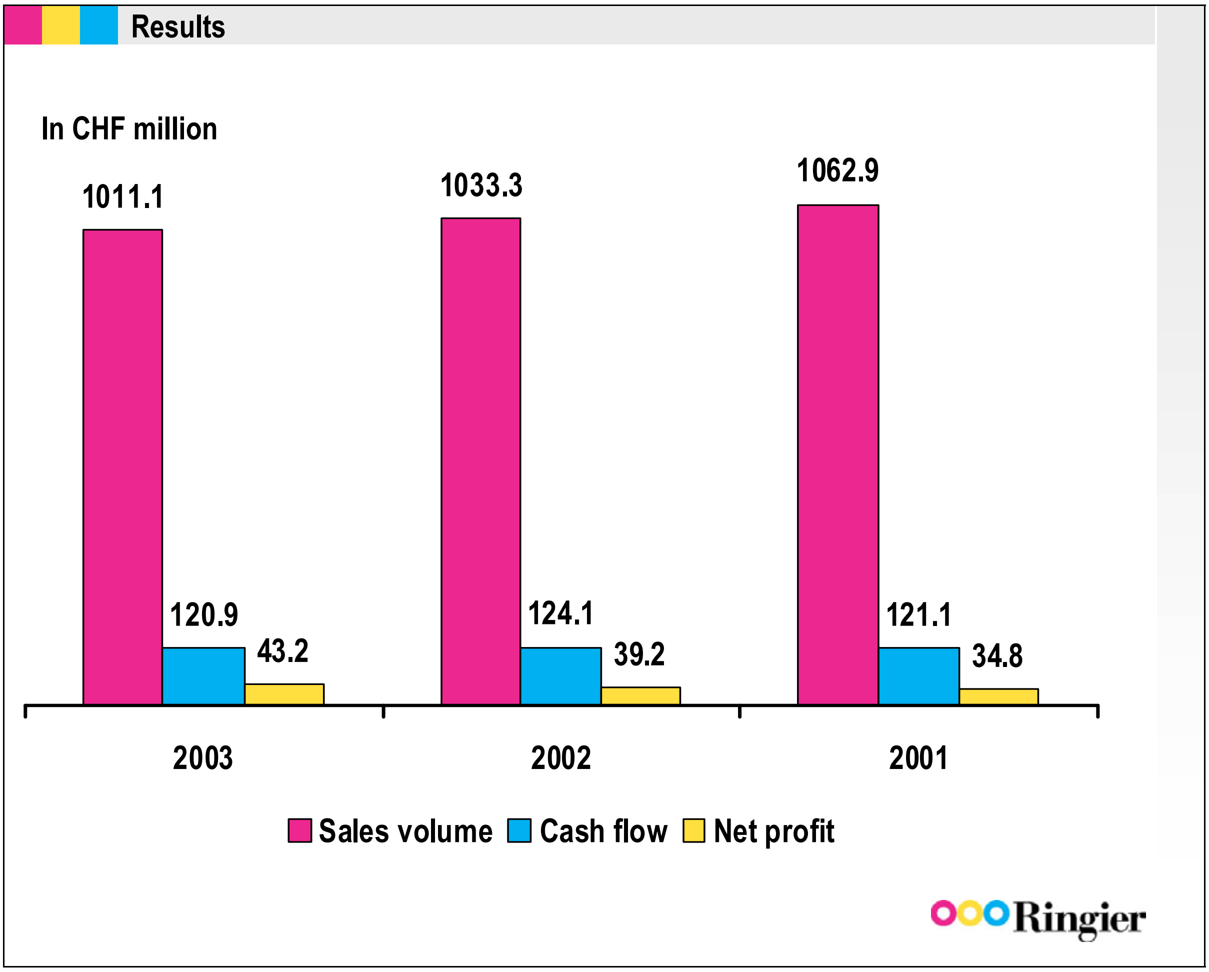
Which is all the more reason to be satisfied with our slight turnover reduction, to CHF 1,011.1m. Not counting the effects of currency fluctuations and the previous year's one-time gains, our turnover was in fact up 2.5 percent.

Like other publishers in Switzerland, in our home market we suffered the effects of an under-performing economy. At Publishing Switzerland, turnover dropped almost eight percent. Not counting the previous year's one-time gains, given the considerable reduction in advertising expenditures the 1.7 percent sales decline in our core business can be considered satisfactory. Losses in printing turnover in Switzerland were more profound due, to some extent, to the Winterthur plant closing. On the other hand, our Central and Eastern European business generated significantly more turnover, some 45 percent of this growth of some CHF 60m due to new acquisitions.

**Turnover**

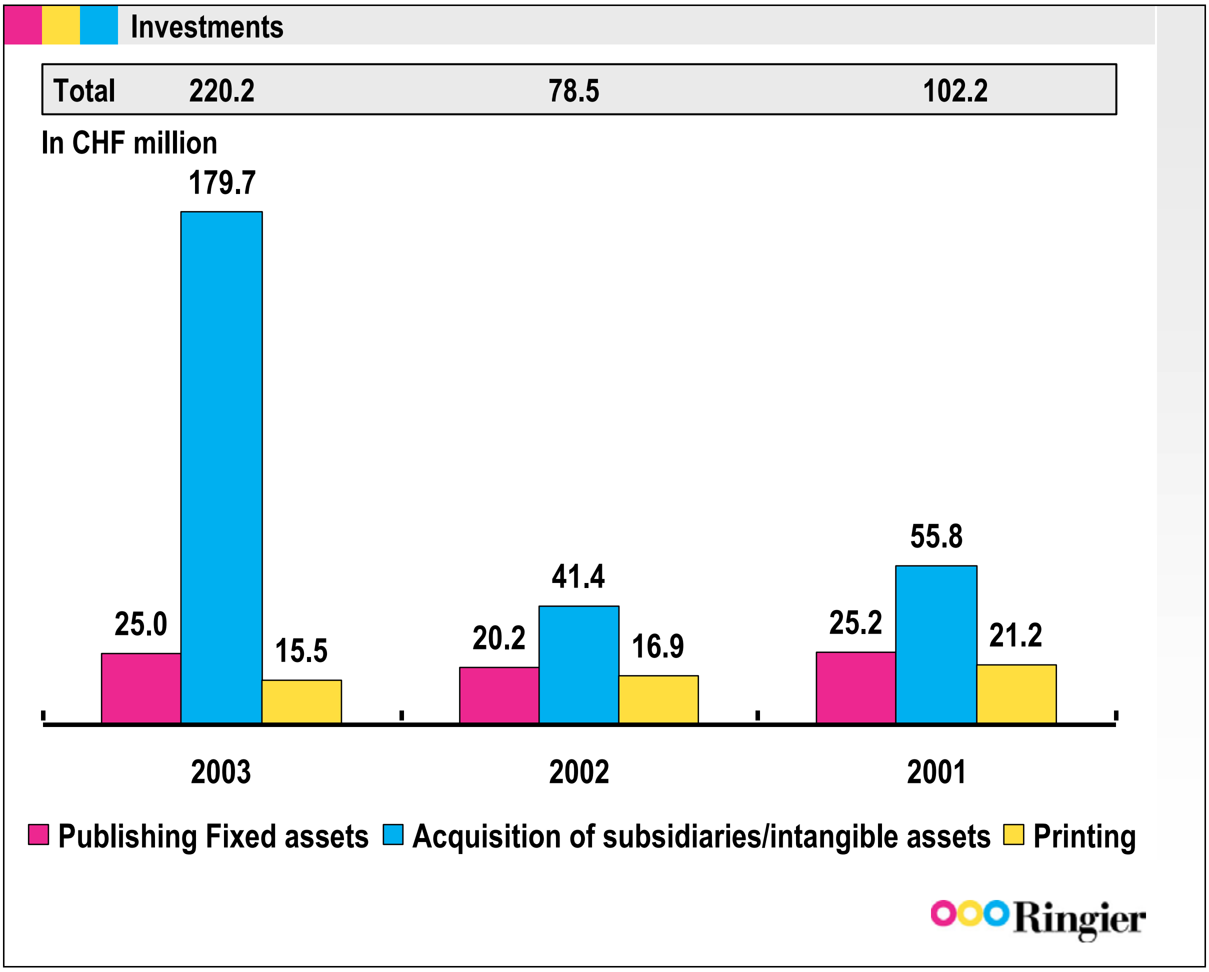
| In CHF million | 2003 | 2002 | in % |
|---|---|---|---|
| Publishing Switzerland | 536.7 | 582.6 | -7.9 |
| Ringier Europe | 227.3 | 167.6 | +35.6 |
| Ringier Asia | 44.0 | 44.1 | -0.2 |
| Commercial printing | 203.1 | 239.0 | -15.0 |
| **Total** | **1011.1** | **1033.3** | **-2,1** |

**Annual Results**
At CHF 43.2m, our result was up 10.2 percent, or CHF 4.0m. Profit growth in the face of declining turnover can be traced to operating costs that keep shrinking. Next to lower raw materials prices and magazine and newspaper volumes in Switzerland, it was cost-cutting measures in Switzerland – fully brought to bear in the past fiscal year – that reduced expenditures. Consequently, our profit-to-sales ratio improved from 3.8 percent in ’02 to 4.3 percent in the year under review. Self-generated earnings, at CHF 120.9m, resulted in a cash flow rate of 12.0 percent.

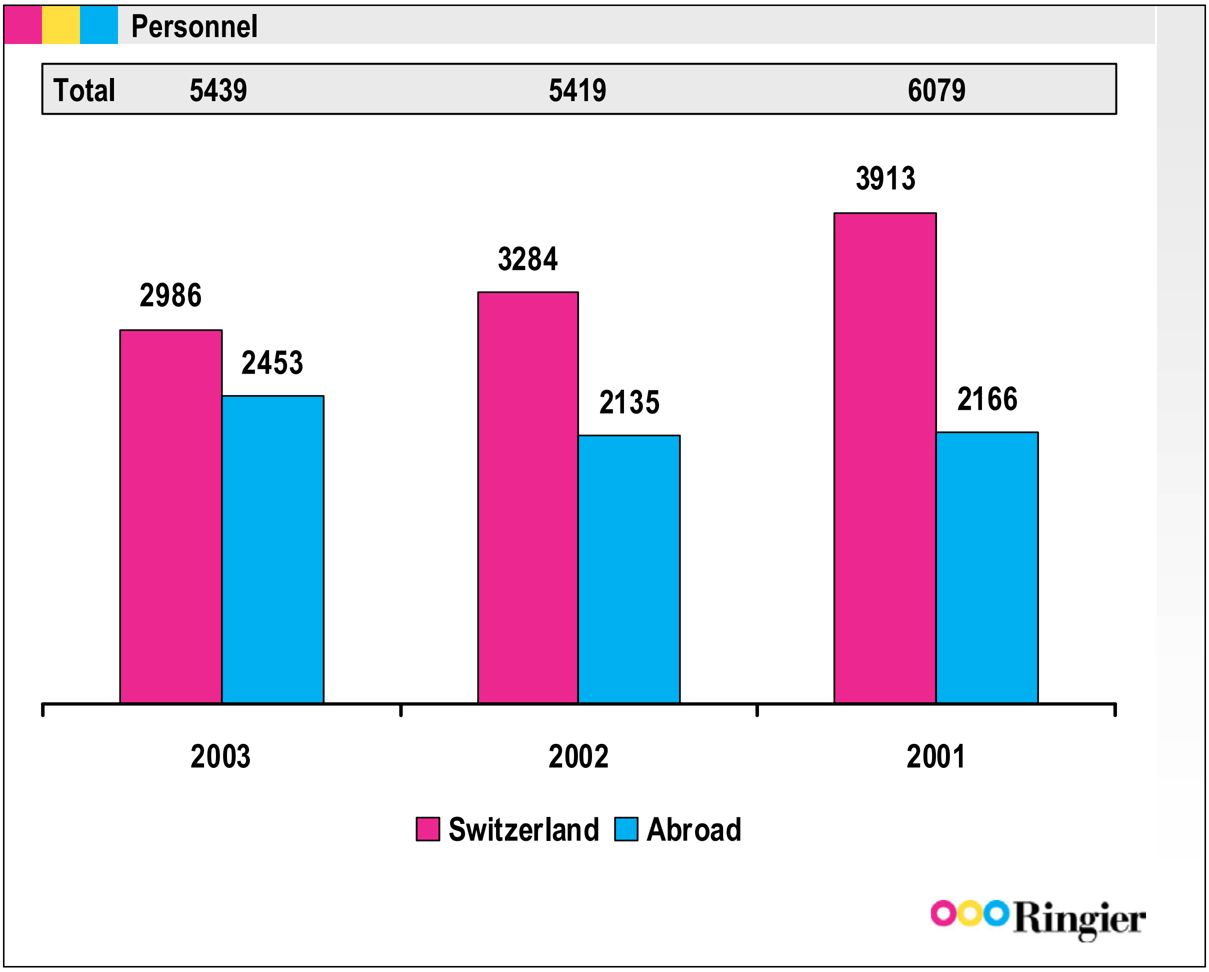


**Investments**

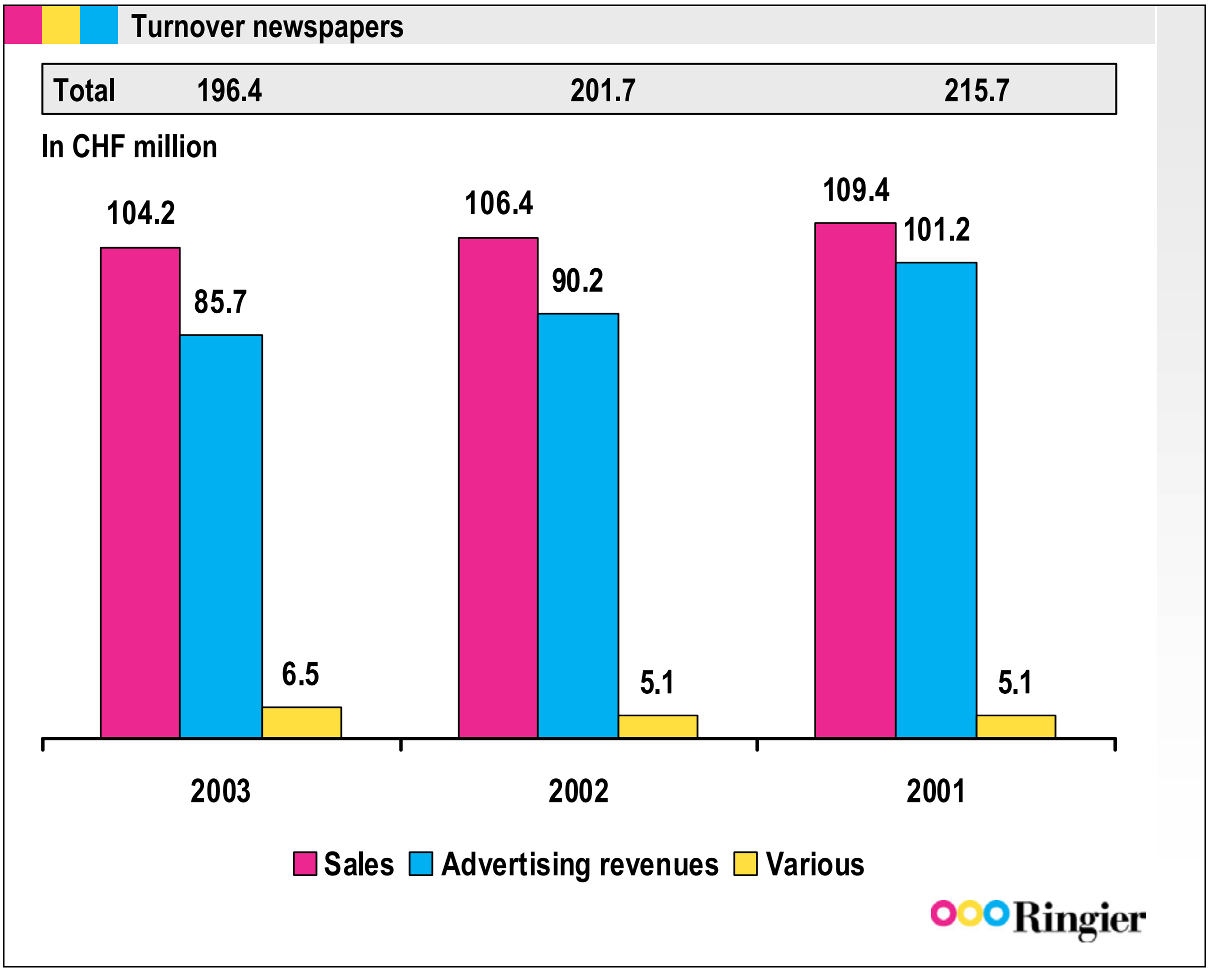
The CHF 220.2m in investment volume is almost three times that of the previous year. It includes acquisitions of Gruner + Jahr's daily newspapers in Serbia, Romania and Slovakia, of the daily ProSport in Romania, and of Bolero and a share in Le Temps in Switzerland. Investments in new products or markets are not included in this figure. As in previous years, they were charged directly against the profit and loss account.



**Personnel**
Our workforce increased only slightly in the past year, by 20 employees, or 0.4 percent of the total. Not included are Gruner + Jahr personnel in Central and Eastern Europe. In Switzerland there were 298, or 9.1 percent, fewer jobs in ’03. Accounting for the decline are more hiring restraint, job cuts resulting from cost-cutting in publishing and administration in Switzerland, and to quite an extent the Winterthur plant closing. On the other hand, the workforce at most of our foreign operations increased, with acquisitions in Central and Eastern Europe accounting for a major share.



**Turnover Newspapers**
The Newspaper department comprises Blick, SonntagsBlick and Blick Online. In '03, circulation figures were unsatisfactory for both titles. Tightening our vending machine network cut into cost-intensive single newspaper sales to some extent. In the past year, the state of the economy prompted reductions in newspaper editions as fewer copies were sold. Swiss, the airline, also economized on a large part of its Ringier purchases. Blick and SonntagsBlick nevertheless did well in last year's readership survey, the former increasing its reach slightly, the latter suffering minor losses. With more than one million readers, SonntagsBlick continued to be the most popular weekly paper by far. On the other hand, our newspapers did not escape the effects of a declining advertising market. With losses within the scope of the index, our newspapers successfully defended their market positions.

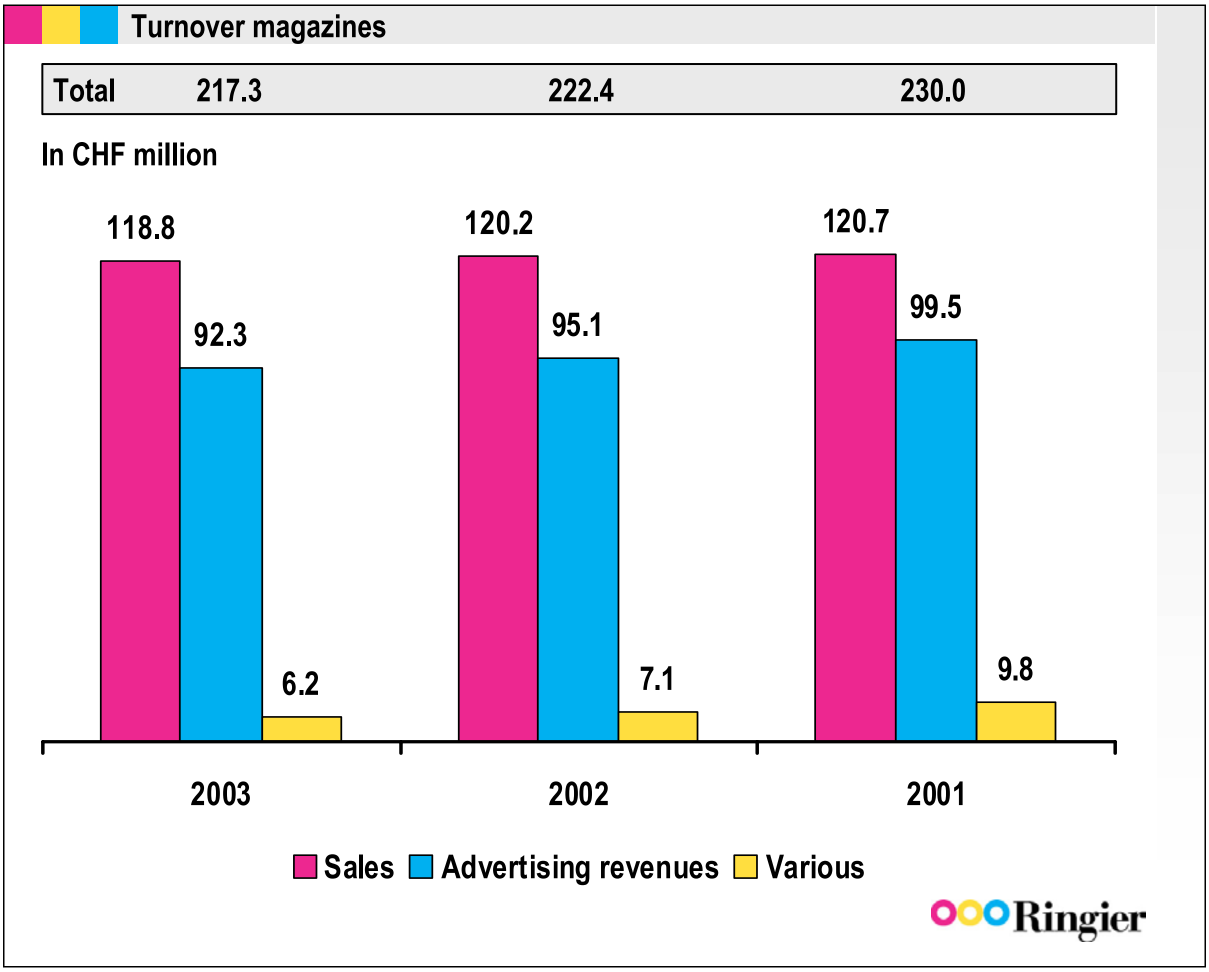


**Turnover magazines**

2003 saw major changes in our Magazine department:

- February: Launch of the Swiss-German edition of Edelweiss
- May: As part of a new format, L'Hebdo was given a face lift
- June: Sunday paper dimanche.ch ceased publication
- September: Acquisition of the internationally known fashion and lifestyle magazine Bolero
- November: The Competition Commission gave the green light to the acquisition of a 50-percent share in French-language daily Le Temps
- December: Merger of the two magazines Bolero and Edelweiss German-speaking Switzerland

The effect of these changes on sales was slight – all titles held on to their market position under difficult conditions and sustained a lower-than-average, 2.3 percent, profit decline. Sales of our titles in German-speaking Switzerland remained high and losses at most of our products in French-speaking Switzerland were minor. The 2003 readership survey showed increases at virtually all Ringier titles, Schweizer Illustrierte reaching more than one million readers weekly, making it the best-read magazine in Switzerland after Beobachter.

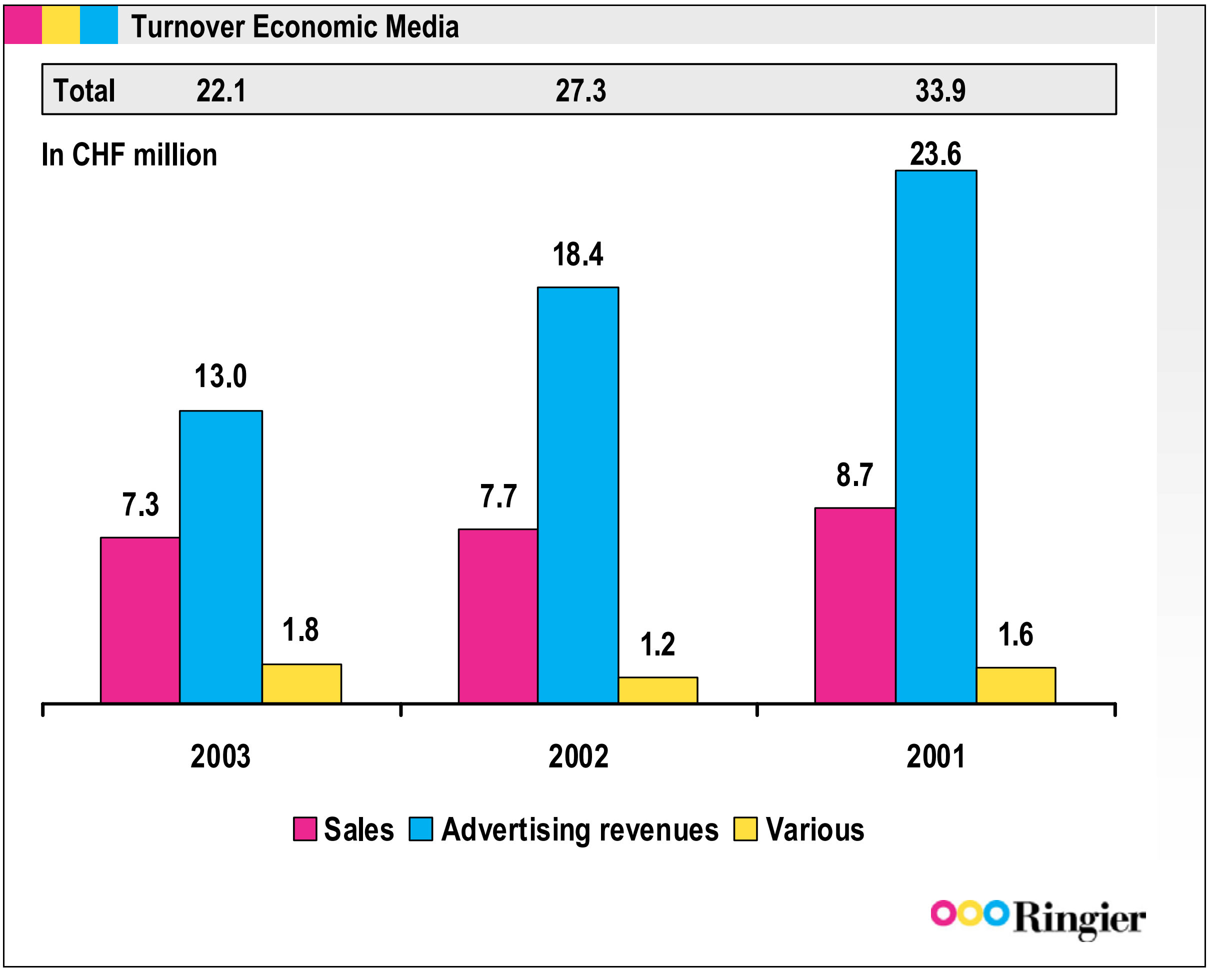


**Turnover Economic Media**
Following an extremely difficult ’02, the last financial year was again a disappointing one for our business media. The poorly performing economy depressed profit potential in general and in this market segment in particular.

Advertising sales for business titles were down 15 percent or more on the previous year, with Cash sustaining a higher-than-average drop. Weak profits again forced major cost-reduction measures.

Muted consumer confidence and economizing measures at airline Swiss translated into lower circulation at Cash, even though we managed to halt the decline in readership.

In October, Cash underwent a relaunch and changed its publishing day to Thursday morning. And we merged cash online, borsalino.ch and cashtv.ch to create the Swiss market’s biggest independent financial and business portal.

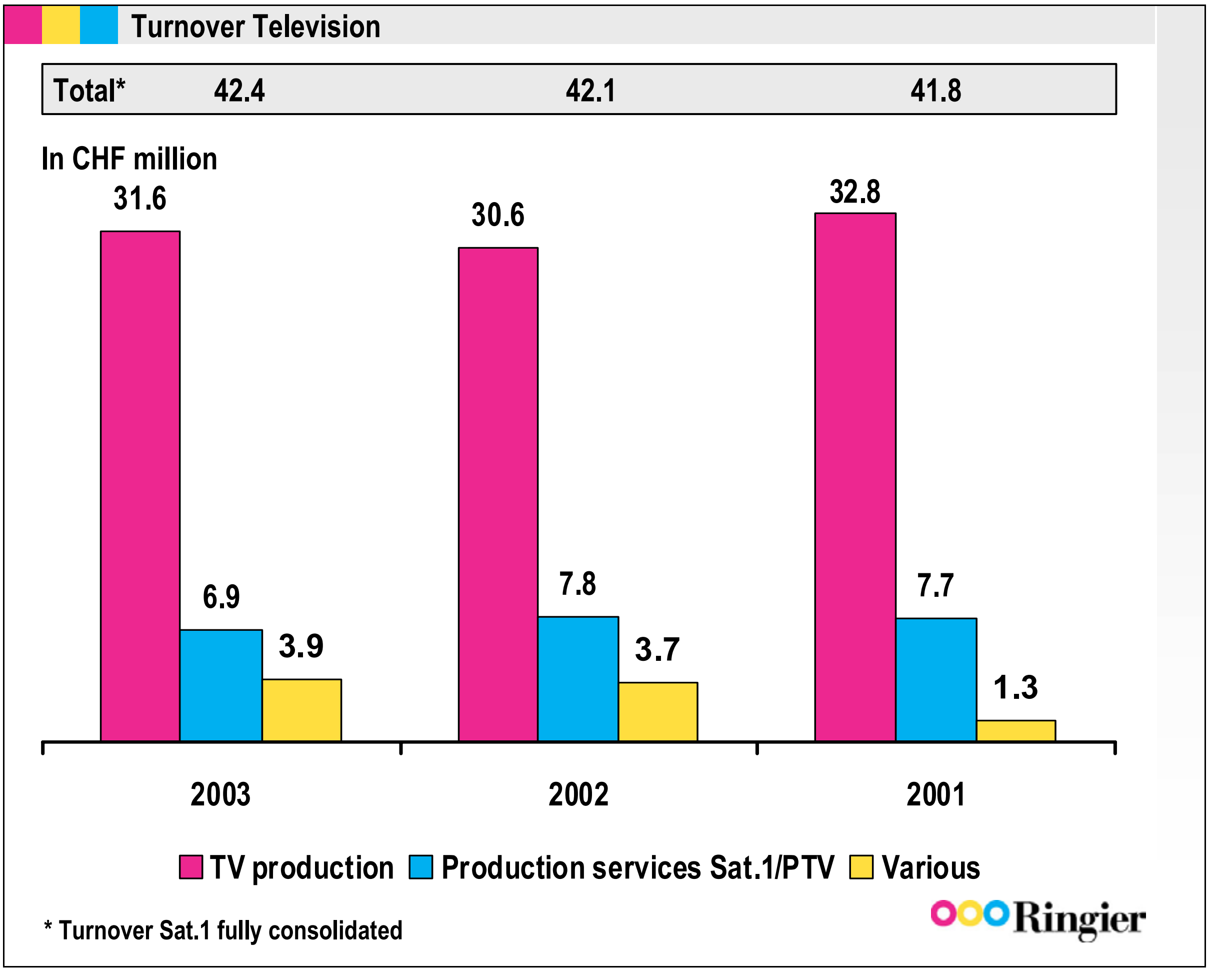


**Turnover Television**
RingierTV has been highly successful in the past year. With a full-time workforce of 70 we generated CHF 42m in turnover – something that cannot be taken for granted in Switzerland. Private television in this country is difficult to refinance, as others have found to their great chagrin. What did we do better?

Our Television Department consists of several parts and is not limited to one network. Thanks to our 50-percent share in Sat.1 Schweiz, we benefited from a shift of advertising spending to television. Teleclub, of which we are one-third owners, operated in the black – and not for the first time. SF2's three most successful programs, next to live sports, namely al dente, Gesundheit Sprechstunde with TV doctor Samuel Stutz, and the consumer magazine program konsum.tv, are all RingierTV productions. But perhaps most importantly, at Ringier, TV is more than just TV, it is the breeding ground of new business.

The Bertelsmann media group showed the way: In '03, RTL Group television supplied close to 30 percent of turnover and almost half of operational Ebitas. We still have a way to go, but we are on the right track. A media group without television simply cannot offer its customers a complete product line.

The secret is media partnerships. A television program spawns additional services that generate their own turnovers and profits. When it comes to eating and enjoyment, al dente sets the pace, and so does Gesundheit Sprechstunde in the health sector.

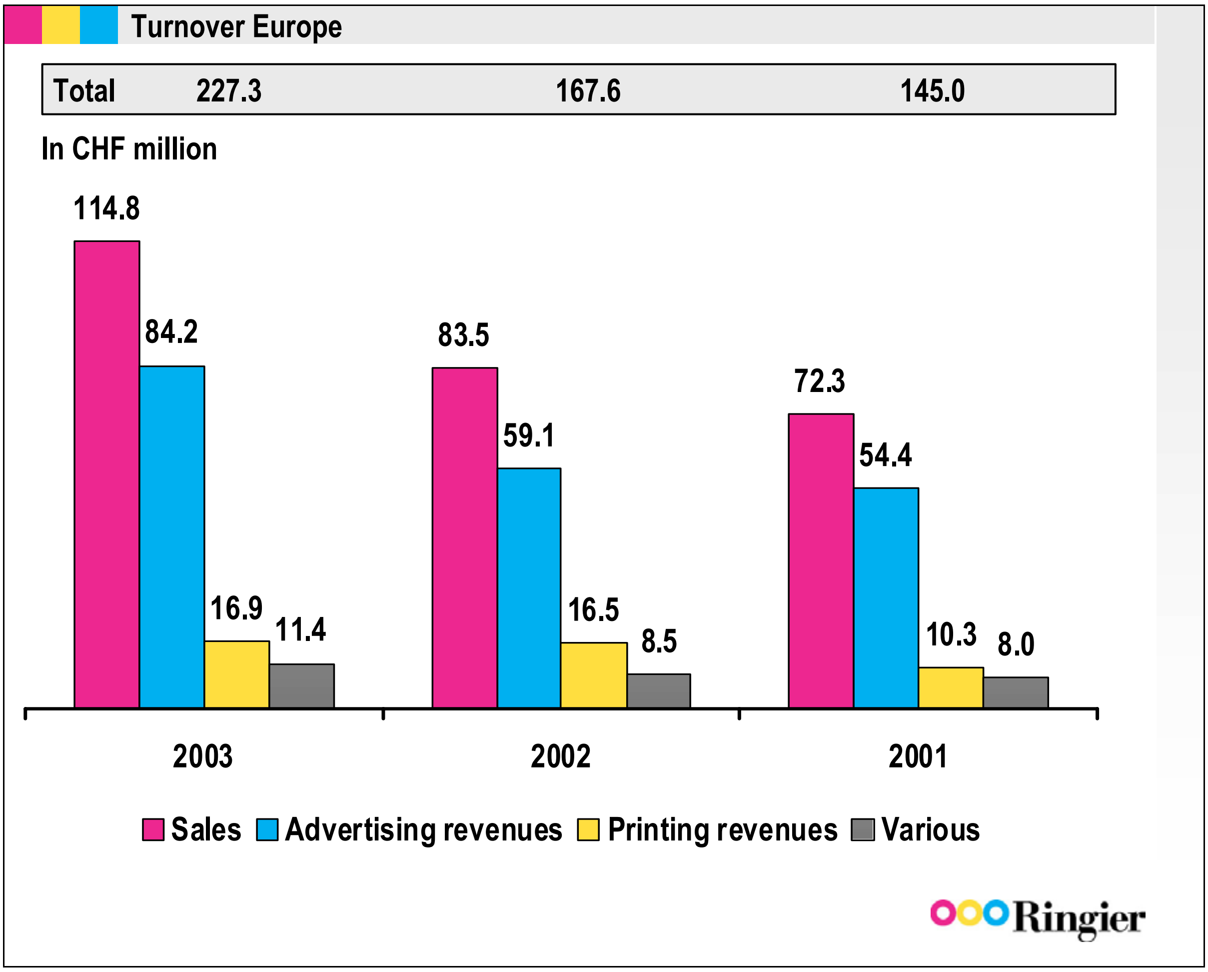


**Turnover Europa**
Publishing Europe comprises our interests in the Czech Republic, Slovakia, Hungary, Romania and, since December 30, Serbia. Growth of our long-running titles, new launches and acquisitions boosted year-on-year turnover by 35 percent. Economic development in ’03 was satisfactory in the Central and East European countries of concern to us. All EU candidates have agreed to join the Union, in most cases with overwhelming majorities.

Our long-running titles are the foundation of our sales growth, with our high-circulation tabloids expanding their market leadership in all countries.

New product launches produced significant growth. In Slovakia, the woman’s magazine Novy Cas pre Zeny had a charmed start, with a circulation figure exceeding projections on a massive scale. In Hungary, we succeeded in entering the magazine segment with Képes Sport. As of last summer and in cooperation with Heinrich Bauer Verlag we are publishing four more magazines in the Hungarian magazine market. On the other hand, Hungary’s competition authorities failed to give the green light to the acquisition of a majority holding in leading national broadsheet Nepszabadsag. The takeover of Romanian daily Pro Sport was quite turbulent: The entire workforce walked out in the space of just a few days. But excellent crisis management helped stabilize the situation in short order.

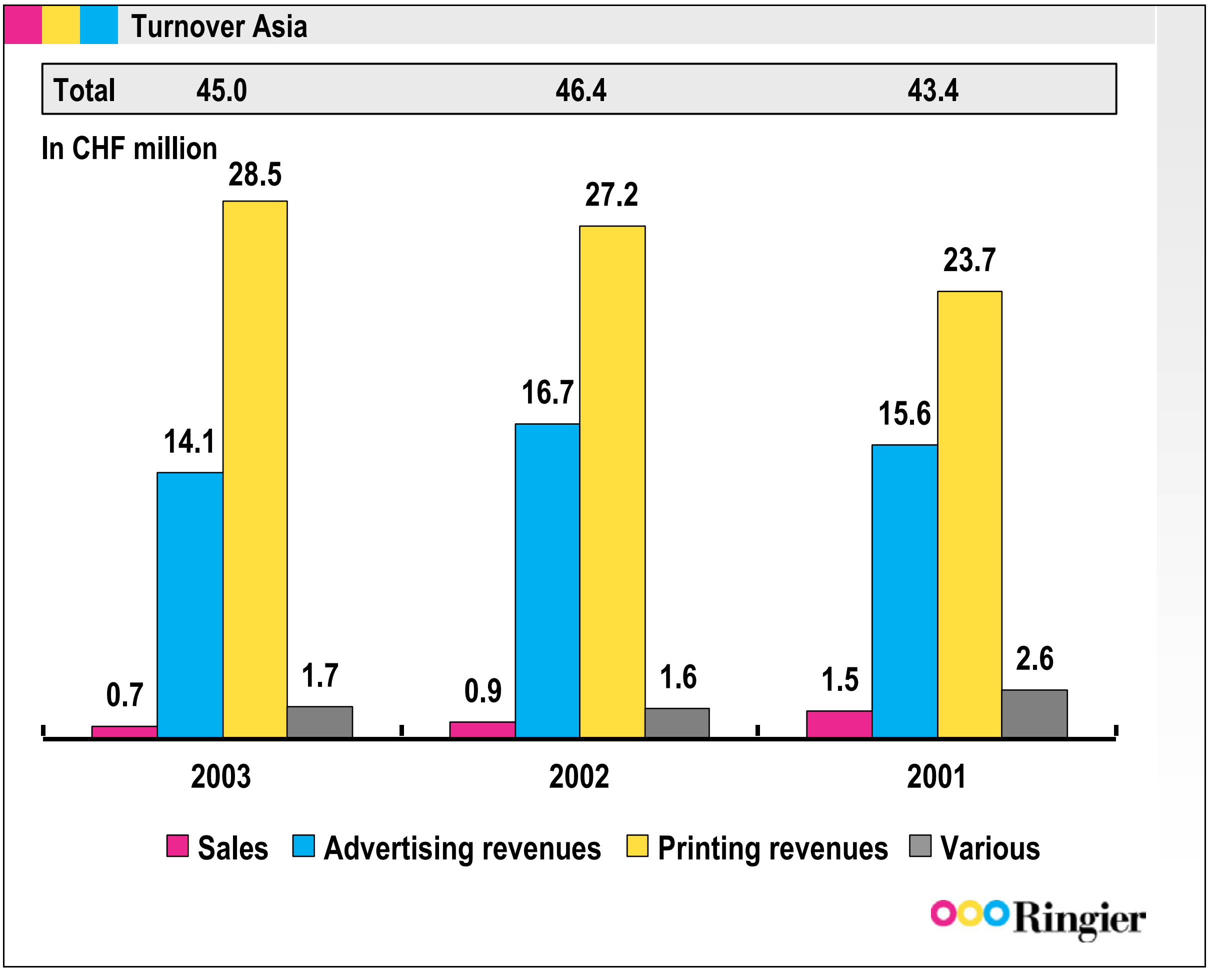
Gruner + Jahr’s retreat from publishing dailies in Central and Eastern Europe created an opportunity to expand our position in markets of importance to us. We have since received the competition authorities’ approval to acquire a majority holding in Novy Cas, Slovakia’s leading tabloid. In Romania, we purchased Expres Publishing, its daily Evenimentul Zilei, and a newspaper printing plant. At the end ’03, we took over Blic Publishing in Serbia.



**Turnover Asia**
The Iraq war and SARS even more so, did not leave our publications unscathed. In the second half of the year, China's inflight magazine failed to compensate for the massive advertising sales losses incurred during the three-month SARS crisis.

Our other titles also suffered brief setbacks, but since June were able to compensate and raise year-on-year turnover by more than 20 percent for each publication.

Printing orders in Hong Kong saw no significant recovery in '03, which kept turnover growth to a minimum.

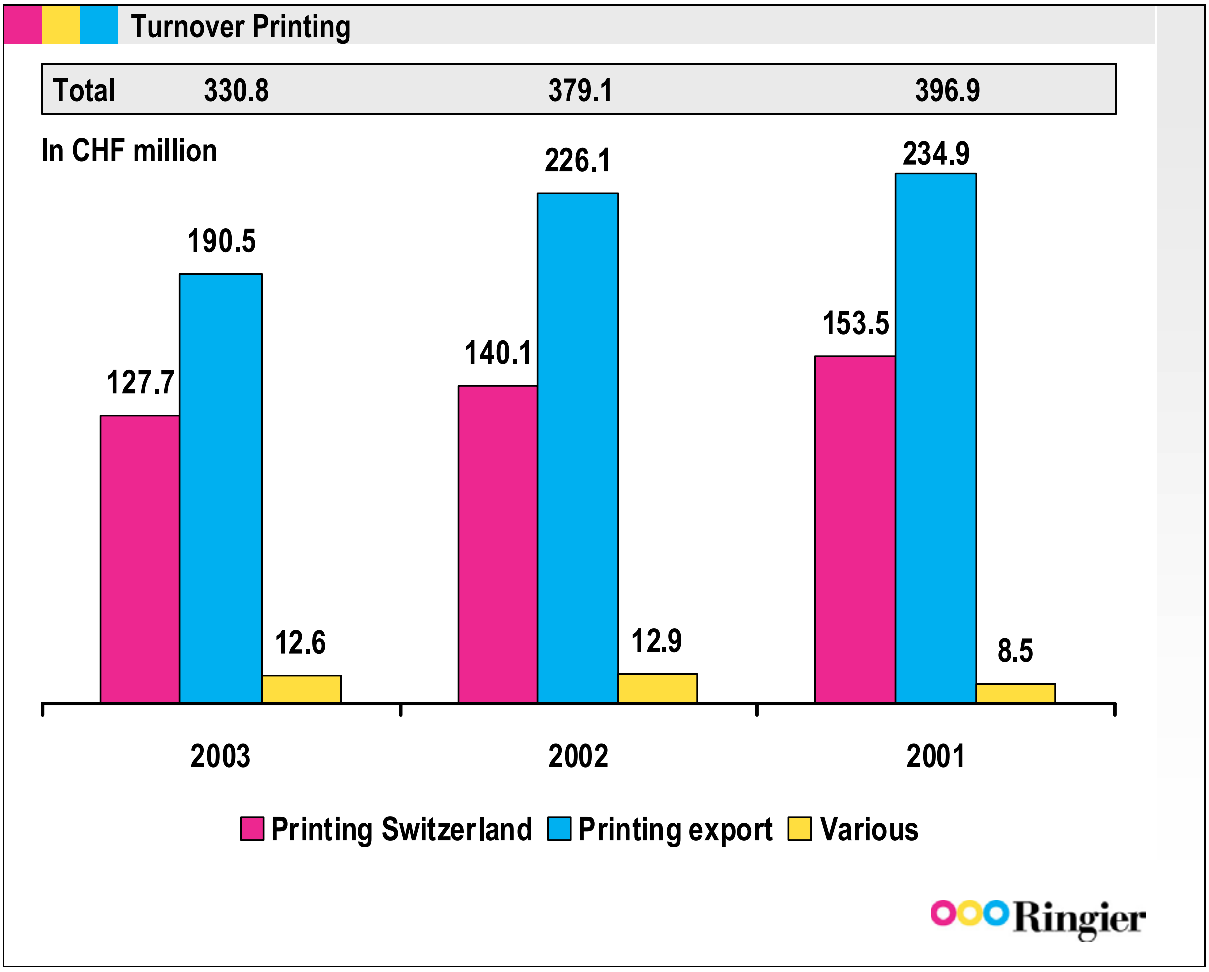


**Turnover Printing Switzerland**
Due in part to lower raw materials prices, sales at Ringier Print declined 12.7 percent, to CHF 330.8m. Job printing order volume, nationally and internationally, deteriorated significantly from March ’03 on, without recovering by year’s end. The combination of weak demand and excess capacity added to pricing pressure on our products and services. On the other hand, newspaper printing sales were satisfactory.

The weak market also triggered a decline in internal demand. Along with the effect of printing-stock prices, internal turnover was down almost nine percent.

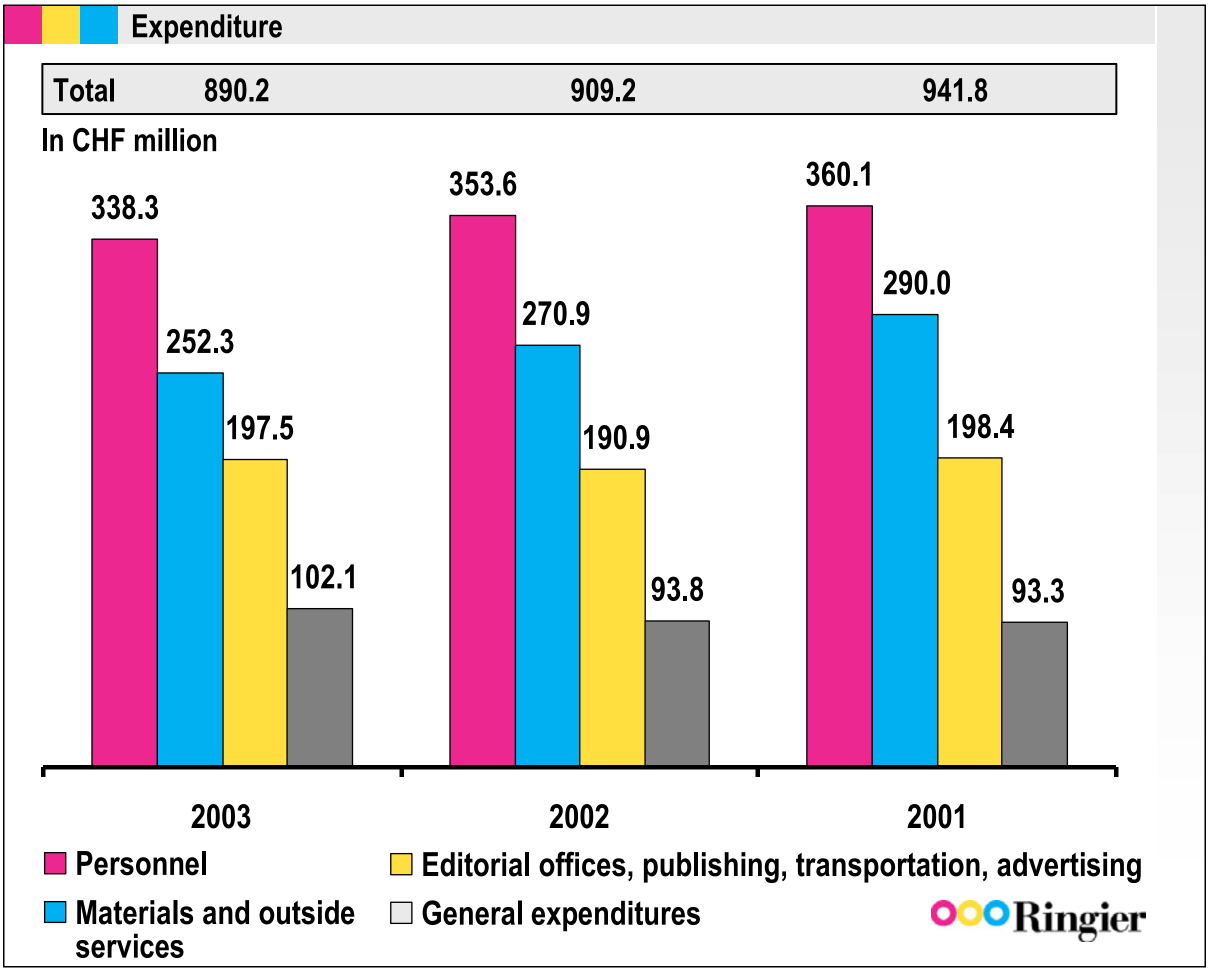
The Winterthur printing plant closing proceeded according to plan and throughout Q4, orders were successively transferred to Zofingen.

We expect no lasting improvements in the printing market and therefore decided on a restructuring program at the end of ’03 that is expected to significantly raise the competitiveness of the Zofingen plant.



**Expenditure**
Costs, not counting depreciation, were down CHF 19.0m, or 2.1 percent, to CHF 890.2m.

The reduced workforce in Switzerland caused our payroll to be more than four percent lower year on year. Next to less materials consumption due to lower printing volumes in Switzerland, lower materials costs in general made a major contribution to reducing expenditure. Accounting for the rise in outside services are newly launched or acquired titles in Central and Eastern Europe whose production is largely outsourced. The expansion of foreign business caused advertising and general publishing costs and general expenditures to grow significantly.



**Closing remarks**
We again improved our Group's earning power in '03 and did so under difficult conditions. Thanks to the unfailing pursuit of cost-cutting measures, lower expenditure more than compensated for our reduced sales in Switzerland. There were no one-time entries to affect our '03 results.

We are reluctant to forecast good results for the current year – the much-touted upswing, particularly in the advertising market, having failed to materialize. The situation in the Near East, terrorism, a tense labor market and no lasting recovery in the EU in sight, combine to restrain consumer confidence. Our Central and East European markets, on the other hand, should benefit from the momentum their new EU membership imparts. At the same time, we expect competition to stiffen in these countries. Given these circumstances, we will continue to assign top priority to cost optimization.

In the meantime, we will take advantage of opportunities as they arise – always within the limitations of our financial situation.