



*Report on Operations
as at 30th September 2002*

MEDIASET GROUP

MEDIASET S.p.A. - via Paleocapa, 3 - 20121 Milan

Share capital EUR 614,238,333.28 wholly paid-up

Taxpayer's code, VAT number and registration number in the
register of companies in Milan: 09032310154

BOARD MEMBERS

Board of directors

Chairman	(*) Fedele Confalonieri
Deputy Chairman	(*) Pier Silvio Berlusconi
Managing Director	(*) Giuliano Adreani
Directors	Franco Amigoni Tarak Ben Ammar Marina Berlusconi Pasquale Cannatelli Enzo Concina Maurizio Costa Mauro Crippa Gilberto Doni Bruno Ermolli Adriano Galliani (1) Marco Giordani Alfredo Messina Jan Mojto (*) Gina Nieri Roberto Ruozi (*) Claudio Sposito

Board of statutory auditors

Chairman	Achille Frattini
Regular Auditors	Francesco Antonio Giampaolo Riccardo Perotta
Alternate Auditors	Gianfranco Polerani Francesco Vittadini

Independent Auditors

Deloitte & Touche S.p.A.

(*) *Members of the Executive Committee*

(1) *Resigned on 10 July 2002*



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MEDIASET GROUP

Report on operations in the third quarter of 2002

Dear Shareholders,

In the third quarter of 2002, the Group heading your company achieved the following results: **consolidated net revenues** amounted to EUR 1,668.4 million, compared to EUR 1,725.6 million in the same period of 2001, showing a decrease of EUR 27.8 million net of the effect arising, in the first half-year of 2001, from the proportional consolidation of the Epsilon Group; **EBITDA** amounted to EUR 977.2 million compared to EUR 1,004.7 million in the third quarter of 2001, maintaining a largely unchanged ratio to revenues year on year (58.6% against 58.9%); **EBIT** amounted to EUR 412.2 million compared to EUR 491.2 million achieved in the third quarter of 2001, after amortisation, depreciation and write-downs of EUR 565 million which increased compared to EUR 513.5 in the first nine months of 2001. Gross operating profit recorded 24.7% over 28.5% in the same period of 2001. **EBT**, which suffered from the EUR 31.9 million negative economic effect of the write-down of the 2.28% investment in Kirch Media which occurred on 30 June 2002, totalled EUR 331.8 million compared to EUR 436.7 million in the same period of 2001, thus recording a decrease of EUR 104.9 million. This decrease is attributable not only to the general evolution of EBIT, but also to the presence in the third quarter of 2001 of an extraordinary and positive item totalling EUR 26.3 million generated by the conclusion of the operation for reconvertng the Epsilon joint-venture into the 2.28% shareholding in Kirch Media.

The economic results recorded during the first nine months of the year, even though generally lower than those of the same period of 2001, show a partial recovery compared to the performance of the past quarters, due to the third quarter's improved contribution. These results reflect a positive evolution in advertising revenues and television costs in line with the expectations for the second part of the year over 2001.

More specifically, during the **third quarter** of 2002, advertising revenues from Mediaset networks recorded 1.7% growth over the same period of 2001 while television operating costs decreased by 9.7%. Such performance has brought EBITDA to EUR 177.0 million for the period, with an increase over the EUR 158.0 of 2001, and EBIT for the period totalling EUR - 0.8 million, which is a better result than the EUR - 9.1 million recorded in 2001.

The evolution in **advertising revenues** from Mediaset networks in the third quarter of 2002 confirms the reversal of the negative trend recorded in the first five months of the year compared to the same period of 2001. Thanks to this performance, the advertising revenues from Mediaset networks in the first nine months of the year amounted to EUR 1,790.5 million, which means a variation of - 1.9% over the same period of 2001 and therefore a performance which is higher than the already exceptionally high result recorded in the first nine months of 2000, despite the generally weak situation in the Italian television advertising market. According to Nielsen data, in the first eight months of 2002, the Italian television advertising market recorded a 4.2% decrease, suffering a further slow-down in the third quarter, partly due the fact that some of the advertising campaigns were brought forward and concentrated in June, in order to be broadcast at the same time as the Football World Cup, and partly due to the persistently low consumption rates associated with the uncertain evolution of the international macro-economic situation.

The evolution in advertising revenues from Mediaset networks also reflects – especially in recent months – the high propensity to invest by the most competitive industries, mainly large consumer companies. They also profit from the structural competitive advantage represented by the continuity of network audience results which, at this stage, make it possible even for the less traditional advertisers to obtain maximum value for money thanks to an excellent cost – communication objectives ratio.

In a context characterised – both in summer and in the initial stages of the autumn television season – by a constant growth in TV consumption levels, Mediaset networks confirm and strengthen – in the third quarter of the year - the excellent **audience results** they had already recorded in the first half of 2002. In the first nine months of 2002, Mediaset networks obtained an average share in the 24 hours of 43%, substantially in line with that of 2001, despite the negative effect of the Football World Cup which was broadcast in Just 2002 by RAI networks. More specifically, Mediaset networks have strengthened their leadership in Prime Time with Canale 5 which still ranks first at national level while Italia 1 consolidates its position as third network nationwide. These results should be considered as really exceptional partly because they have been obtained despite strong pressure to reduce **television costs**. As at 30 September 2002, television costs increased by only 3.2% fundamentally due to the fact that the item “amortisation of television rights” could not be reduced during the year and to a strong decrease in operating costs by - 5.6%.

These actions will further develop in the last quarter of 2002, through the careful planning and management of schedules for autumn. These have already started from the second half of September 2002 with excellent audience shares.

FINANCIAL AND ECONOMIC RESULTS OF THE MEDIASET GROUP

Drafting criteria

According to the CONSOB Resolution no. 11971 of 14 May 1999, the economic information given below refers to the third quarter and the first nine months of 2002, compared to the same period of 2001. The balance sheet information is provided as at 30 September 2002, 30 June 2002 and 31 December 2001.

In drafting the accounting situation, the same criteria used for preparing the Annual Report and the half-year report were adopted. Tables have been prepared in order to ensure continuity and comparability, and are in line with those included in the Report on Operations, the Annual Report at 31 December 2001 and the 2002 Half Year Report.

The quarterly report has not been subject to an audit by the Independent Auditors.

Economic results

A summary of the Mediaset Group income statement is set out below including, in the first six months of 2001, the effect arising from the proportional consolidation of the Epsilon joint-venture, which was excluded from consolidation as of the third quarter of 2001:

(in EUR million)

	Mediaset Group			
	Year to Sept. 30		Third quarter	
	2002	2001	2002	2001
Revenues from sales and services	1,642.6	1,701.5	359.6	351.7
Other revenues and income	25.8	24.1	7.2	4.2
Total net consolidated revenues	1,668.4	1,725.6	366.8	355.9
Personnel expenses	228.7	218.2	71.1	68.4
Purchases, services, other costs	462.5	502.7	118.7	129.5
Operating costs	691.2	720.9	189.8	197.9
Gross operating margin	977.2	1,004.7	177.0	158.0
Amortisation, depreciation and write-downs	565.0	513.5	177.8	167.1
Operating result	412.2	491.2	(0.8)	(9.1)
Financial income / (charges)	(23.1)	(24.5)	(12.2)	(19.0)
Income/(charges) from investments	(56.8)	(55.8)	(13.0)	(12.0)
Profit (loss) before extraordinary items	332.3	410.9	(26.0)	(40.1)
Sundry and extraordinary income /(charges)	(0.5)	25.8	0.6	26.5
Pre-tax result	331.8	436.7	(25.4)	(13.6)

The effects on the income statement arising, in 2001, from the 50% proportional consolidation of the Epsilon Group are shown below:

(EUR millions)

Mediaset Group - effects arising from the consolidation of the Epsilon Group				
	Year to Sept. 30		Third quarter	
	2002	2001	2002	2001
Revenues from sales and services	-	29.6	-	-
Other revenues and income	-	(0.2)	-	-
Total net consolidated revenues	-	29.4	-	-
Personnel expenses	-	1.2	-	-
Purchases, services, other costs	-	23.2	-	-
Operating costs	-	24.4	-	-
Gross operating margin	-	5.0	-	-
Amortisation, depreciation and write-downs	-	4.0	-	-
Operating result	-	1.0	-	-
Financial income / (charges)	-	(2.1)	-	-
Income/(charges) from investments	-	(2.1)	-	-
Profit (loss) before extraordinary items	-	(3.2)	-	-
Sundry and extraordinary income /(charges)	-	-	-	-
Pre-tax result	-	(3.2)	-	-

Here follows a summary of the Mediaset Group income statement net of the effects arising, in 2001, from the 50% proportional consolidation of the Epsilon Group:

(EUR millions)

Mediaset Group net of the effects arising from the consolidation of the Epsilon Group				
	Year to Sept. 30		Third quarter	
	2002	2001	2002	2001
Revenues from sales and services	1,642.6	1,671.9	359.6	351.7
Other revenues and income	25.8	24.3	7.2	4.2
Total net consolidated revenues	1,668.4	1,696.2	366.8	355.9
Personnel expenses	228.7	217.0	71.1	68.4
Purchases, services, other costs	462.5	479.5	118.7	129.5
Operating costs	691.2	696.5	189.8	197.9
Gross operating margin	977.2	999.7	177.0	158.0
Amortisation, depreciation and write-downs	565.0	509.5	177.8	167.1
Operating result	412.2	490.2	(0.8)	(9.1)
Financial income / (charges)	(23.1)	(22.4)	(12.2)	(19.0)
Income/(charges) from investments	(56.8)	(53.7)	(13.0)	(12.0)
Profit (loss) before extraordinary items	332.3	414.1	(26.0)	(40.1)
Sundry and extraordinary income /(charges)	(0.5)	25.8	0.6	26.5
Pre-tax result	331.8	439.9	(25.4)	(13.6)

The percentage impact on consolidated net revenues of some of the main elements of the income statement is as follows:

Mediaset Group (net of Epsilon Group)	Mediaset Group		Mediaset Group		Mediaset Group (net of Epsilon Group)	
			31/12/2001	31/12/2001	30/06/2002	30/06/2001
100.0%	100.0%	Net consolidated revenues	100.0%	100.0%	100.0%	100.0%
43.3%	43.8%	Operating costs	41.4%	41.8%	41.4%	41.1%
56.7%	56.2%	Gross operating margin	58.6%	58.2%	58.6%	58.9%
31.4%	31.2%	Amortisation, depreciation and write-downs	33.9%	29.8%	33.9%	30.0%
25.2%	25.0%	Operating result	24.7%	28.5%	24.7%	28.9%
16.9%	16.5%	Profit (loss) before extraordinary items	19.9%	23.8%	19.9%	24.4%
18.1%	17.8%	Pre-tax result	19.9%	25.3%	19.9%	25.9%

It should be pointed out that, since revenues do not entirely match – especially advertising revenues (more concentrated in the first part of the year – with operating costs and amortisation/depreciation, more evenly spread throughout the year), Mediaset Group results are highly seasonal. The result of this is a higher contribution of the first months of the year to the year's result.

Here follows an analysis of the single Mediaset Group income statement elements including, in 2001, the share of results of the Epsilon Group.

Net revenues

30/09/2002	1,668.4
30/09/2001	1,725.6
var. %	-3.3%

Mediaset Group consolidated net revenues decreased as at September 30, 2002 over the same period of 2001 by EUR 57.2 million. On a like for like basis, i.e. net of the effect arising, in the first quarter of 2001, from the consolidation of the Epsilon Group, the decrease in net consolidated revenues is reduced to EUR 27.8 million, equal to a percentage change of - 1.6%.

The following table contains details of revenues:

(EUR millions)

	Year to Sept. 30		Third quarter	
	2002	2001	2002	2001
Revenues from the sale of commercials	1,496.1	1,514.8	320.1	312.1
Revenues from television sales, promotions, sponsorships	266.1	276.8	55.6	55.9
Advertising revenues from third parties	1,762.2	1,791.6	375.7	368.0
Promoservice revenues	15.3	17.1	4.5	3.2
Other revenues from television operations	87.0	92.6	22.6	21.5
Agency discounts	(265.3)	(267.8)	(56.6)	(55.5)
Total net revenues from television operations	1,599.2	1,633.5	346.2	337.2
Revenues from multimedia operations	27.3	26.2	8.8	8.2
Total net revenues from non-television operations	41.9	36.5	11.8	10.5
Total net consolidated revenues Italy	1,668.4	1,696.2	366.8	355.9
Revenues 50% Epsilon Group	-	35.9	-	-
Write-offs	-	(6.5)	-	-
Total net consolidated revenues	1,668.4	1,725.6	366.8	355.9

As at 30 September 2002, the decrease in consolidated net revenues was influenced by the overall evolution of **television revenues** (- EUR 34.3 million), which mainly reflects the trend in the first six months of the year, even though a EUR 9.0 million growth was recorded in the first quarter.

More specifically:

- **advertising revenues** from Mediaset networks from **third parties** amounted to EUR 1,762.2 million compared to EUR 1,791.6 million in the same period of 2001 (- 1.6%), thus revealing a countertrend compared to the advertising market as a whole and an improvement over the performance recorded in the first half year (- 2.6% over the same period of 2001).

Revenues from the sale of commercials recorded a lower decrease percentage corresponding to 1.2% compared to the same period of 2001, while *revenues from television sales, promotions and sponsorships* decreased by 3.9% compared to September 30, 2001;

- **Promoservice revenues** recorded a decrease of EUR 1.8 million compared to September 30, 2001, which mainly refers to advertising sales in exchange for goods;
- **other revenues from television operations** showed a slight decrease of EUR 5.6 million, mainly attributable to the lower advertising revenues from some companies belonging to the Fininvest Group.

As at 30 September 2002, **net revenues from multimedia operations** showed an increase of EUR 1.1 million over the same period of 2001. This is attributable to the greater revenues generated by proprietary Internet operations and by Mediavideo while net advertising revenues from third party portals in concession decreased, basically due to the abandonment, in 2001, of the concession on the *Excite* sites.

Net revenues from non-television operations recorded an increase of EUR 5.4 million over the third quarter of the previous year. This is attributable to Publitalia '80 revenues, for the sales of advertising space on billboards and posters and of sports sponsorships.

Operating costs

30/09/2002	691.2
30/09/2001	720.9
var. %	-4.1%

As at September 30, 2001 the operating costs of the Mediaset Group showed a EUR 29.7 million decrease with respect to the third quarter of 2001. If we exclude the effect arising from consolidation, in the first half year of 2001, of the Epsilon Group we have, in like for like terms, operating costs which are lower by EUR 5.3 million (- 0.8%).

The main items in operating costs are personnel expenses and purchases, services and other costs, which are analysed below.

Personnel expenses

30/09/2002	228.7
30/09/2001	218.2
var. %	4.8%

Personnel expenses of the companies belonging to the Mediaset Group show a EUR 10.5 million increase over the third quarter of 2001; net of the effect arising from the consolidation of the Epsilon Group, in the first half year of 2001, this increase amounted to EUR 11.7 million (+ 5.4%).

This trend reflects – together with a slight seasonal increase in average personnel – the effects of the wage policy and especially the impact of wage settlements taking effect from the second half of 2001.

The breakdown of this cost item shows a higher increase in percentage terms of Mediadigit multimedia operations, following the completion of the company's organisation, which took place in the second half of 2001.

The following table shows how the number of employees has evolved in the different periods under investigation:

31/12/2001	Workforce at period end including temporary staff	30/09/2002	30/09/2001
295	Managers	300	281
294	Journalists	309	301
616	Middle managers	639	613
3,130	Office staff	3,169	3,113
61	Manual workers	-	62
4,396	Total	4,417	4,370

31/12/2001	Average workforce including temporary staff	30/09/2002	30/09/2001
279	Managers	300	275
302	Journalists	300	303
614	Middle managers	633	613
3,124	Office staff	3,169	3,129
65	Manual workers	-	65
4,384	Total	4,402	4,385

Over 31 December 2001, the total number of employees, without including the employees of the Epsilon Group, showed an increase of 21 units.

Purchases, services and other costs

30/09/2002	462.5
30/09/2001	502.7
var. %	-8.0%

Purchases, services and other costs were EUR 40.2 million lower as at September 30, 2002 than in the third quarter of 2001; net of the effect arising from the consolidation of the Epsilon Group, in the first half of 2001, this decrease amounted to EUR 17.0 million, corresponding to a change in percentage terms of - 3.5%.

As can be seen from the figures analysed below, this change is mainly attributable to a strong decrease in **television costs**, for about EUR - 24.6 million (- 5.6% over the same period of the previous year).

(EUR millions)

	Year to Sept. 30		Third quarter	
	2002	2001	2002	2001
Selling costs	61.9	62.6	18.2	16.0
Television scheduling costs	283.4	305.5	63.6	76.5
Broadcasting costs	24.7	21.7	7.9	7.0
Other costs	43.0	47.8	14.3	15.7
Total television costs	413.0	437.6	104.0	115.2
Multimedia costs	19.1	17.8	4.9	6.1
Other non-television costs	30.4	24.1	9.8	8.2
Purchases, services and other costs	462.5	479.5	118.7	129.5
50% Epsilon Group costs	-	29.7	-	-
Write-offs	-	(6.5)	-	-
Total purchases, services and other costs	462.5	502.7	118.7	129.5

The evolution of television costs reflects the strong reduction by EUR - 22.1 million in scheduling costs over the same period of 2001, a decrease of 7.2%, in line with the efficiency objectives for the making of television products established for the current year.

Due to the strong decrease in such costs, it is worth noting that overall television costs, including those elements connected to personnel expenses and amortisation and depreciation of rights and other fixed assets, net of the income generated from the sale of television rights, showed a modest increase in the third quarter of 2002 recording 3.2% less than in the first half of 2002. This change, mainly attributable to the amortisation of television rights, shows an evolution in line with the plan to reduce the costs of television products on an annual basis.

The increase in **operating costs** regarding **multimedia operations** (+ EUR 1.3 million over the same period of the previous year) is mainly due to proprietary Internet operations, concerning higher development costs for new sites and sections (among which *Tgcom*, *Tgfin* and *Passaparola*) that did not exist in the first months of 2001. Nonetheless, in the third quarter of 2002, these costs are lower than those recorded in the same period of the previous year.

Other non-television costs increased by EUR 6.3 million over the same period of 2001 due to the growth of revenues, especially revenues from the sales of advertising space on billboards and posters and of sports sponsorships.

EBITDA

30/09/2002	977.2
30/09/2001	1,004.7
var. %	-2.7%

In the nine months, EBITDA showed a decrease of EUR 27.5 million with respect to the same quarter of the previous year. Its percentage rate on consolidated net revenues, in like for like terms, showed a modest decrease over the same period of 2001 (58.6% vs. 58.9%).

It should be noted that, due to a favorable evolution of revenues and operating costs, EBITDA was higher in the third quarter than the amount recorded for the same period of the previous year (+ EUR 19 million).

EBIT

30/09/2002	412.2
30/09/2001	491.2
var. %	-16.1%

In the first nine months of 2002, EBIT showed, in like for like terms, a decrease of EUR 78 million. With reference to the same period of the previous year, a positive change was recorded in the third quarter (+ EUR 8.3 million). The change in EBIT is to be related not only to the lower revenues from advertising on Mediaset networks, but also to overall evolution of **amortisation, depreciation and write-downs** which increased from EUR 513.5 million in 2001 to EUR 565 million in 2002. This increase (+ EUR 55.5 million, net of the effect, in the first half of 2001, of the 50% consolidation of the Epsilon Group) is mainly attributable to higher amortisation generated by the television division (+ EUR 53.9 million), almost entirely connected to television rights. This change results from the growth in investments in recent years and includes the effect of amortisation, which was still negligible in 2001, of the strategic investment in self-produced serial drama started from the end of 2000.

Its percentage of consolidated net revenues amounts to 24.7% with respect to 28.5% in the same period of the previous year. It should be noted that, on an annual basis, a result more in line with that of the previous year is expected, by virtue of the forecast results in the second part of the year that, with respect to the same period of the

previous year, will draw a greater benefit from cost containment effects and from a predictable growth in advertising revenues.

Financial income/(charges)

30/09/2002	(23.1)
30/09/2001	(24.5)
var. ml./euro	1.4

At 30 September 2002, this item was characterised by an improvement over the third quarter of 2001, despite the increase in net charges on exchange rates (- EUR 7.4 million, most of which were not realised and arose from the market evaluation of the exchange risk coverage as at 30 September 2002), but offset by lower charges from the evaluation of own shares in portfolio (as at 30 September 2002, equal to 5,650,001 shares, of which 3,130,000 for the Stock Option Plans already approved) totalling EUR 7.2 million.

Income/(charges) from investments

30/09/2002	(56.8)
30/09/2001	(55.8)
var. ml./euro	(1.0)

This item shows the economic effect of the companies consolidated with the equity method: Albacom S.p.A. (19.5% shareholding), Publiespana S.A. and Gestevisión Telecinco S.A. (40% shareholding), Fascino P.G.T. S.r.l., Titanus Elios S.p.A. (both 30% shareholding) and, from the third quarter of 2002, a 50% shareholding in Press Tv S.p.A. This item also includes the write-downs of investments entered at cost that are considered to have a permanent loss of value. The negative balance of this item (that at 30 September 2001 included the EUR 39.3 write-down of the 9% shareholding in Blu S.p.A.) can be referred to the EUR 31.9 economic effect generated in the period by the total depreciation of the 2.28% shareholding held in Kirch Media which occurred on 30 June 2002: given the ongoing bankruptcy proceedings, this reflected the fact that the investment made in this company could be considered unrecoverable (EUR 203.8 million). To compensate for this investment, a provision for risks had already been allocated at 31 December 2001 totalling EUR 171.9 million. The balance of this item, at 30 September 2002, also includes a net charge of EUR 2.5 million from the companies belonging to the Telecinco Group (EUR 12.6 million, which is the share of the result for the period, and EUR 15.1 million regarding the goodwill amortisation quota) and a EUR 18.1 million net charge regarding Albacom (EUR 16.5 million, which is the share of the result for the period, and EUR 1.6 million regarding the goodwill amortisation quota).

EBT

30/09/2002	331.8
30/09/2001	436.7
var. %	-24.0%

The reduction in EBT, compared to the first nine month of 2001, amounted to EUR 104.9 million. This is attributable not only to a lower EBIT, but also to the inclusion, in the third quarter of 2001, of a positive extraordinary item (for EUR 26.3 million) generated by the operation to convert the investment of the Epsilon joint-venture into a 2.28% shareholding in Kirch Media.

Provisions for income taxes

In accordance with article 81, clause 7 of the Regulation approved by CONSOB resolution no. 11971 of 14 May 1999 and subsequent amendments, the period result was shown gross of taxation and, therefore, no deferred tax assets or liabilities deriving from the application of the current accounting standard regarding income taxes, were accounted for.

Balance sheet and financial position

Here are the balance sheet summary and the cash flow statement of the Mediaset Group:

(EUR millions)

31/12/2001	Balance sheet summary	30/09/2002	30/06/2002
1,881.8	Television rights	1,783.7	1,848.6
430.1	Other intangible and tangible fixed assets	467.5	459.3
687.6	Investments and other financial fixed assets	480.7	471.1
(304.0)	Net working capital and other current assets /liabilities	(165.2)	37.4
(93.1)	Provision for employee severance indemnity	(98.8)	(96.6)
2,602.4	Net invested capital	2,467.9	2,719.8
(247.8)	Net financial position	(29.2)	(256.0)
2,354.6	Net Group shareholders' equity and attributable to minority interests	2,438.7	2,463.8

31/12/2001	Sources and applications	30/09/2002	30/06/2002
1,162.3	Cash flow from operations	941.4	775.5
(1,279.1)	Total investments incl.:	(477.9)	(348.1)
(776.0)	television rights	(401.3)	(310.1)
(392.6)	equity investments	(25.3)	(0.1)
(45.0)	other intangible fixed assets	(11.8)	(8.0)
(65.5)	tangible fixed assets	(39.5)	(29.9)
-	Share capital increases	-	-
(283.2)	Dividends paid	(247.8)	(247.8)
(180.8)	Other changes affecting cash flow	2.9	(187.8)
207.7	Changes in the consolidation area	-	-
(373.1)	Net cash flow	218.6	(8.2)

Below are comments to the main items of the balance sheet and the variations since 31 December 2001.

Net invested capital

30/09/2002	2,467.9
31/12/2001	2,602.4
var. ml./euro	(134.5)

The most significant element of the invested capital of the Mediaset Group is **television rights** which showed a decrease of EUR 98.1 million since 31 December 2001. This decrease reflects a higher amount of amortisation and depreciation, with respect to the investments recorded in the same period of the previous year, in line with the objective to reduce investments planned for 2002.

Other tangible and intangible assets increased by EUR 37.4 million since 31 December 2001 mainly due to the increase in intangible assets under formation and to advances for rights and self-produced serial drama.

Investments and other financial assets decreased by EUR 206.9 million since 31 December 2001 mainly due to the total write-off on 30 June 2002 of the book value of the shareholding in Kirch Media for a total of EUR 203.8 million; this was compensated, at 31 December 2001, by provisions for risks for EUR 171.9 million. During the third quarter, this item increased by EUR 24.4 million as a consequence of

the conversion into capital of the financing previously granted to the sub-holding company Albacom S.p.A.

The balance of **working capital and other current assets and liabilities** went from – EUR 304.0 million at 31 December 2001 to – 165.2 million at 30 September 2002 with a positive change of EUR 138.8 million. This change is mainly attributable to the reduction in trade payables, especially connected to the sums contractually due in the period in connection with the multiyear debt regarding Champions League rights. Other significant changes refer to:

- - EUR 105.9 million for the credit cashed and recorded as at 31 December 2001, regarding the disposal of the shareholding in Blu S.p.A.;
- + EUR 171.9 million for the utilisation of the provisions for risks established as at 31 December 2001 referring to the Kirch Media shareholding. The provisions were used with reference to the total write-off and depreciation of this shareholding which occurred on 30 June 2002.

Group shareholders' equity and shareholders' equity attributable to minority interests

30/09/2002	2,438.7
31/12/2001	2,354.6
var. ml./euro	84.1

The increase in shareholders' equity over 31 December 2001 can be attributed to the gross result of the nine months of 2002, net of the amount for dividend distribution (totalling EUR 247.8 million).

Net financial position

30/09/2002	(29.2)
31/12/2001	(247.8)
var. ml./euro	218.6

The improvement in the net financial position as at 30 September 2001 compared to the position at 31 December 2001 is mainly attributable to the positive cash flow generated by current operations and to the amount paid by British Telecom as at 31 December 2001 which counterbalanced the cash payments related to the investment in Albacom S.p.A. and the seasonal payments of taxes and dividend distribution.

Here is the breakdown of the net financial position:

(EUR millions)

31/12/2001		30/09/2002	30/06/2002
101.0	Liquid funds	334.0	273.1
215.5	Financial income and securities (which are not fixed assets)	190.7	174.9
316.5	Total financial assets	524.7	448.0
(553.0)	Due to banks	(549.2)	(698.8)
	Due to other financial institutions		
-	Factoring companies	-	-
(5.5)	Leasing companies	(4.7)	(5.2)
(5.8)	Other	-	-
(564.3)	Total financial liabilities	(553.9)	(704.0)
(247.8)	Net financial position	(29.2)	(256.0)

ANALYSIS BY DIVISIONS

Commercial television – Italy

Advertising division

A substantial portion of the Mediaset Group's revenues are generated from the sale of television advertising on Mediaset networks, over which Publitalia '80 S.p.A. has exclusive rights.

The following is the breakdown of Publitalia '80 S.p.A.'s revenues in the relevant periods:

(EUR millions)

	Year to Sept. 30		Third quarter	
	2002	2001	2002	2001
Advertising revenues from third parties	1,762.2	1,791.6	375.7	368.0
Advertising revenues from Fininvest Group and Mediolanum Group	24.1	29.5	6.1	8.2
Advertising revenues from Promoservice	3.8	4.3	1.2	0.8
Advertising revenues from other Mediaset Group companies	0.4	0.2	0.3	-
Television advertising revenues Publitalia '80 S.p.A.	1,790.5	1,825.6	383.3	377.0

In the first nine months of 2002, advertising revenues from Mediaset networks recorded a slight decrease (- 1.9%), a trend which should also be seen with respect to the positive results (+ 3.1%) obtained by Publitalia '80 in the same period of the previous year compared to 2000.

Furthermore, this evolution is in line with the period objectives since in the third quarter of 2002, a + 1.7% increase was recorded, thus confirming a growth trend in advertising revenues for Publitalia '80, a process which had already started in June 2002 and which goes against the general market trend.

Broadcasting and contents division

At the end of the third quarter of 2002, thanks to the extremely positive results obtained during the first 6 months and in the third quarter, Mediaset Networks – with Canale 5 as the leader in Prime Time – succeeded in absorbing the impact of the Football World Cup broadcast in June 2002 by RAI networks by recording an audience share on a full day basis substantially in line with the results obtained in the same period of 2001.

This same period was characterised by a decrease in the audience share of RAI networks, despite June 2002's performance when the matches of the Football World Cup were broadcast, and of La 7, to the benefit of the total of other broadcasters, due to the fact that these acquired the rights for a few quality programmes and sports events.

Total day share	Jan./Sept. 2002	Jan./Sept. 2001	Change over 2001
Mediaset networks	43.0%	43.3%	-0.3%
RAI networks	46.5%	47.0%	-0.5%
La 7 network	1.7%	2.1%	-0.4%
Others	8.8%	7.6%	1.2%
Total	100.0%	100.0%	

More specifically, if our networks succeeded in compensating a 0.7 point lower Day Time over the previous year (a decrease attributable to the World Cup) with a strongly increasing Prime Time (+ 1.0), RAI definitively lost the slight advantage acquired during the period when the World Cup was broadcast, thus combining two negative results: – 0.3 and – 2.0 in Day Time and Prime Time respectively.

It should be noted that Canale 5 obtained a 23.5% share in Prime Time, thus confirming its leading position as first network beating RAI 1, stable at 22.6%, and that Italia 1 had an excellent performance, since it recorded a remarkable growth both in Day Time (+ 0.8) and Prime Time (+ 1.1).

Here follows the detailed network analysis of Mediaset audience.



Canale 5 gets to the end of the third quarter of 2002 with a full day average lower with respect to the same period of 2001 (22.5% vs. 23.3%): this results from a Prime Time which is almost unchanged (- 0.1) and a Day Time (- 1) which, since the beginning of the year, lost ground in favour of Italia 1 in view of a greater balance between the two networks, but without giving up the strong points of its schedule.

A positive competition took place between the two major networks of Mediaset and RAI. Canale 5 confirmed its leadership both in Prime Time (23.5% vs. 22.6%) and in the audience target aged 15-64 years where it reached, in the full day, a 24.1% audience share with a difference of almost two and a half points from RAI 1.

As is shown in the table below, the increase in audience share is uniformly distributed throughout the day:

Canale 5 - Total audience	Jan./Sept. 2002	Jan./Sept. 2001	Change over 2001
Total day	22.5%	23.3%	-0.8%
Day Time	23.5%	23.6%	-0.1%
Prime Time	22.2%	23.2%	-1.0%

More specifically, in **Day Time**:

- The plots and schemes, the infidelities and the coups de theatre of *Vivere*, *Beautiful* and *Cento Vetrine*, the traditional trio of serial dramas covering lunchtime, are always very successful. These three soap operas come to the end of the third quarter of 2002 with an average share of 20.8%, 31.6% and 28.8% respectively and gaining more than 40% of women aged 20 - 24 years;
- these are followed by *Uomini e Donne* which is back as of mid-September 2002, with an average share of 27%, and renews its victory against the RAI 2 competitor *Al posto tuo* (17.6%), thus proving to be the first choice of women (30% vs. 19.1%). During the summertime pause, positive results were also obtained by the television series *Giudice Amy* (which at 2.45 p.m. recorded a 23.8% audience share) and by the TV movies in the cycle *Tante Storie* (24.2% for the general public and 30.2% for women);
- the scheduling on Canale 5 of *Saranno Famosi*, the school of aspiring actors, dancers and singers reached, in the first two weeks it was broadcast, 18.8% during the week and 25.8% on Saturdays;
- late in the afternoon, *Verissimo*, the magazine with all the facets of news, confirmed its position as the programme preferred by women aged 25-34 years with an over 40% audience share;

- the Sunday programme directed by Maurizio Constanzo still confirmed its winning formula: the first time *Buona Domenica* was broadcast on 22 September 2002 it largely prevailed over *Domenica In* (25.5% vs. 20.8%);
- TG5's growth is unstoppable: with 29.2% from the beginning of the year to the end of September 2002, the evening news set a new record, thus scoring the highest share in the last 4 years and confirming its growth trend; Midday news remains stable at a good share of 24.9%.

In Prime Time:

- extraordinary results for *Striscia la Notizia*: after closing the first half of the year with an average share of 31.4%, it was back for the fifteenth series and, on 23 September 2002, it set the record with an audience of 13 million 800 thousand people and a share of 47.6%. With these figures, *Striscia la Notizia* ranks second, after the final of the first *Grande Fratello*, among the variety shows most seen in the past five years. Also *Veline* had positive results with its 25.9% share which, in the final broadcast on 19 September 2002, totalled 37.8% with over 10 million TV viewers;
- the 35 Mondays spent watching *Filmissimi* gave the network an excellent audience share of 24.2%, thus confirming once again its leadership against RAI 1's *Lunedìfilm*, which has never obtained more than 21.1%. Among the great number of titles, it is worth mentioning: *Entrapment* (34.3%), *Out of Sight* (29.3%) *Nemico Amico* and *Se scappi ti sposo* (both 28.8%), *Vi presento Joe Black* (28.3%). Remarkable results came also from the cycle *Julia Whoopy le stelle dell'estate*, a review of the most beautiful and significant movies interpreted by Julia Roberts and Whoopy Goldberg, broadcast on a few Wednesdays/Fridays between the end of July and the end of September 2002, which reached 22%;
- Dramas, a distinctive and typical element of Canale 5, were largely appreciated by the audience who were absolutely aware of both the quality of the products - all made with high level casting – and the variety of themes (from news items to religious biographies, from crime and detective stories to novels by famous writers). Excellent results were obtained by short series or dramas in one or two parts such as *Il Sequestro Soffiantini* (29.3%), *Francesca e Nunziata* (29%), *S. Antonio di Padova* (28.3%) and *Incompreso* (26,1%), but also by longer series such as *Carabinieri* (24.1%) and *Per Amore* (25%). A very good start in autumn: in the first two Tuesdays it was broadcast, *Distretto di Polizia 3* obtained 29.8% while the second series of *Il bello delle donne*, which started on 26 September 2002, recorded 26.9%;
- productions gave an excellent contribution: on Fridays, under the insignia of slapstick and humour, there are *Maramao* (29.4%) and *Scherzi a Parte* (32%); on Saturdays, sentiment is in the limelight with *C'è posta per te* (29.2%) and the hilarious *La Corrida* (27.3%); finally, on Sundays, the challenge of *Chi vuol essere Milionario* (24.6%). In summer, *La sai l'ultima?*, the famous competition of people telling funny stories on its tenth run, obtained a remarkable 22.5%;
- in conclusion, excellent audience shares were obtained by the seasonal rendezvous traditionally given by Canale 5 to its viewers year after year. Among these: in February, *Galà della Pubblicità* (24.6%), in May *Gran Premio Internazionale della TV* (40.4%), in summer, the fashion shows *Modamare* (22.3%) and *Donna sotto le stelle* (23.9%).



Italia I

In the first nine months of 2002, Italia I obtained brilliant results. Thanks to an extraordinary mix of new products and cult programmes, this network had sustained growth in all time brackets over the same period of 2001.

In the full day, Italia I was still confirmed as the first choice for children aged 4-14 years and teenagers of 15-19 years (26.8% and 24.1% respectively); as to TV viewers aged 15-34 years, Italia I ranks third after Canale 5 and RAI 1.

Italia I - Total audience	Jan./Sept. 2002	Jan./Sept. 2001	Change over 2001
Total day	11.4%	10.5%	0.9%
Day Time	12.1%	11.0%	1.1%
Prime Time	11.2%	10.4%	0.8%

In detail, during the **Day Time**:

- in the morning, between 10.30 a.m. and 11.30 a.m., from the beginning of January to the end of May 2002, the television series *Mac Gyver* obtained an excellent result, with a good average of 14.8% which, among teenagers of 15-19 years, rockets up to 50%; in summer, the network usually changes its scheduling, thus addressing a very young audience with an extraordinary variety of television series and cartoons; between 8.30 a.m. and 11 a.m., the share of children aged 4-14 years watching Italia I unfailingly totals more than 40%;
- among the great number of titles, let's mention: *Sinbad* (18.8%), *The Real Ghostbusters* (18.0%), *Vita da streghe* (16.3%), *Mowgli, il libro della giungla* (16%);
- also the cartoons that Italia I broadcasts in the afternoon were very successful: in the time period 4.20 p.m. – 4.45 p.m., *Lady Oscar* (from mid-May to 4 July 2002) followed by *Kiss Me Licia* (from 5 July to end of August 2002) obtained an audience share of 14.5% and 18% respectively with a peak for women aged 15-34 years (27.7% and 32.9%); in September 2002 *Always Pokemon* obtained 16.3% and *Hamtaro*, the small hamster just arrived from Japan, reached 17.5% (with over 60% in the audience target aged 4-14 years for the three of them);
- both adults and children like television series and sitcoms: in the afternoon, in summer, the students of *Sweet Valley High* and *Beverly Hills 90210* recorded 26.3% and 30.2% respectively among young people aged 15-34 years; in September *Sabrina vita da strega* obtained a 46.5 share among children; in the late afternoon, *La Tata e Dharma* and *Greg* – broadcast from 17 June to 4 September 2002 in the 7 – 8 p.m. time bracket – obtained 28% and 24.5% among children and 30.6% and 26.2% among TV viewers aged 15-34 years;
- as for productions, after the extraordinary success of *Saranno Famosi* in the first half year (a 14.3% share in the afternoon from Monday to Friday and a 25.5% share in Saturdays' specials), Italia I is now broadcasting *Operazione Trionfo*. In the 2.30 p.m. time bracket, in September 2002, this programme obtained a 10.3% share and was particularly appreciated by people aged 15-19 years with a peak share of 26.9%. A positive trend for *Sarabanda* that closed the third quarter of 2002 with an average of 13.4%, that is, an increase of 2.1 points over the same period of 2001;

- also *Studio Aperto* is growing: Italia 1 news recorded a better performance both at 12.25 a.m. – which at the end of the first nine months of 2002, obtained an overall average share of 16% against 14.8% in the same period of 2001 – and at 6.30 p.m. which gained almost two percentage points in September this year (14.0% vs. 12.1%) over the average at September 2001 (in itself, already very high due to the international furore caused by the attack on the Twin Towers);
- late at night, the ruthlessly hilarious programmes *Zelig* and *Le Iene* are still successful ingredients of Italia 1 formula: in the first half of the year, these two programmes obtained a share of 18.6% and 15.7% respectively. *Le Iene*, unchanged in its formula and its presenters, was back on 26 September 2002 with a new series recording an excellent 18.3% share. The thematic evenings which characterised Italia 1 summer were very appreciated: on Wednesdays *Notte Horror* achieved 13%; the four Fridays of *Vacanze e risate* obtained 15.4%. Good results also for sports productions: *Contro Campo* and *Pressing Champions League* totalled 18.4% and 21.3% respectively in September 2002.

In Prime Time:

- a valuable contribution came from films. Among the great number of titles, a few are particularly worth mentioning: *Trappola sulle montagne rocciose* (16.2%), *Indiana Jones e il tempio maledetto* (15.4%), *Scuola di polizia 3* (15.2%) and also *The Peacemaker*, *Mowgli il libro della giungla*, *I predatori dell'arca perduta*, *Il mondo perduto di Jurassic Park*, *Selvaggi* and *Tutti gli uomini del deficiente*, all above 14%;
- among productions, after the great success of *Saranno Famosi*, which in spring achieved an excellent result with an 18.4% share, also *Festivalbar*, the well-known summer show of Italian and foreign pop music (an overall 14.1% from the *gala soirée* on 27 May to the final on 12 September 2002), was very appreciated by the Italian audience. The same goes for *Operazione Trionfo*, which was launched on 4 September 2002 achieving 13.7% and the traditional combination of Sunday evenings *Gialappa's+Iene* that, on 22 September 2002, obtained a 12.5% share with *Aspettando mai dire domenica* and *Le Iene Show*;
- as far as sport events are concerned, apart from the nine matches of the *Champions League* totalling 17.5%, also notable were the Milan-Inter match played on 1 September at the Meazza di San Siro stadium in Milan and the boxing match where L. Lewis and M. Tyson fought to win the world championship of heavy weights (14.7%);
- finally, mention should be made of *CSI: scena del crimine*, the new television series broadcast on Friday evenings that, after being very successful in the United States, is now obtaining excellent audience shares also in Italy. In the first three evenings, a 13.6% share was reached, which means almost three and a half million TV viewers.



Retequattro

The overall average in the full day for Retequattro, from the beginning of the year to the end of September 2002, slightly decreased over the same period of 2001: this decrease was attributable to an unvaried Prime Time associated with a Day Time which lost half a point in percentage terms.

The relationship of the network with an audience of women and adults is constant and unchanged: in the full day, the audience share of women reached 10% while that of people aged over 55 grew beyond 12%.

Retequattro - Total audience	Jan./Sept. 2002	Jan./Sept. 2001	Change over 2001
Total day	9.1%	9.5%	-0.4%
Day Time	8.2%	8.2%	0.0%
Prime Time	9.3%	9.8%	-0.5%

More in detail, in the **Day Time**:

- a trend to growth for soap operas and *telenovelas*: *Innamorata*, *Febbre d'amore* and *Sentieri* obtained an average share in September 2002 higher than at the beginning of the year;
- as to productions, *Forum* – though slightly on the decrease in autumn compared to the results obtained in the first half of the year (15.7% vs. 18.1%), - is still the mainstay of Retequattro's schedule since it recorded a share considerably above the average of the network. Good results also for the summer rendezvous with *Fornelli d'Italia* which slightly increased its audience share with respect to the past year (15.6% vs. 15.4%). During the weekend *Il trucco c'è* improved its results (14.4% vs. 14% in the same period of 2001). The same is true for *Melaverde* and *La Domenica del villaggio* since both obtained shares higher than in the first half-year (+ 2.0 and + 0.6 points respectively) from September 2002 when they have been re-broadcast. Finally, mention should be made of the excellent start of *Ieri e oggi in TV* (11.5% is the average of the first two times it was broadcast), a programme which on Saturdays at 6.00 p.m. tells the 20-year-long story of Italian commercial television by broadcasting sections of shows from Canale 5, Italia 1 and Retequattro;
- excellent results also for news: *TG4* at 6.55 p.m. continues with its growing trend and, after recording a 8.9% share in January 2002 and a 9.1% share at the end of the first half year, closed September 2002 with an overall average of 9.4%;
- late at night, an incredible audience share was obtained by *Pressing Champions League* on Wednesdays 18 and 25 September 2002: the programme by Massimo De Luca which analysed, commented and made an exhaustive summary of the matches played during the first part of the competition, reached an average share of 17%, thus appealing to 23% of men.

In **Prime Time**:

- the films (125 evenings were devoted to films) recorded a 0.2% increase compared to the same period of 2001 (8.3% vs. 8.1%). Among the great number of titles, the following are worth mentioning: *Robinson Crusoe* (13.7%), *Ancora 48 ore* (13.1%), *Il ragazzo di campagna*, *Fino a prova contraria*, *Omicidio nel vuoto* and *L'ultima carovana*, all above 12%;
- as to productions, musical productions seem to be particularly appreciated: *Viva Napoli*, after recording 10.9% in February 2002, went above all expectations in summer when it was broadcast once again totalling 11.6%; *Ballo Amore e Fantasia* and *il viaggio negli anni '60-'70* achieved 10%;

- finally, also in Prime Time, football provided a very valuable contribution: the three matches of the *Uefa Cup* achieved 12.3%, the *Under 21 European Championship* totalled 15% and the *Champions League* which, in the six Tuesdays in March and April 2002, had obtained an average share of 9.8%, gained Retequattro at 14 August 2002 a fabulous 16.4% with the match Milan - Slovan Liberec.

Commercial television – International

Telecinco Group

Based on currently available data, during the third quarter of 2002, television advertising investments in Spain increased by 1.8% with respect to the same period of 2001, confirming the progressive and determined tendency to investment growth, a tendency which had already been observed in the second quarter of 2002 and in line with the evolution expected for the second part of the year. Thanks to this evolution, the advertising revenues in the first nine months of 2002 showed only a modest 2.3% decrease over the same period of the previous year, at about EUR 1,404 million.

Also Publiespana's gross advertising sales for Telecinco which, starting from the second quarter, had already progressively improved, recorded a 1.6% increase in the third quarter over the same period of the previous year and, in particular, 2.1% growth in September. In the first nine months of 2002, Publiespana's advertising sales – which amounted to EUR 379.9 million – recorded an overall 7.1% decrease compared to the same period of 2001, mainly attributable to the negative impact of the first quarter. At any rate, at the end of the nine months of 2002, Telecinco confirmed its leading position in the television advertising market in Spain.

As to audience shares, Telecinco is progressively recovering with respect to the first part of the year thanks to the excellent results obtained by a few important productions, among which the third edition of *Big Brother* which was broadcast in spring and achieved audience share peaks higher than 45%. However, the overall evolution of the nine months was strongly influenced by the drop in audience share which characterised the first part of the year, mainly attributable to the extremely aggressive strategy put into effect by the state-owned networks.

In the first nine months of 2002, Telecinco achieved an audience share on the full day equal to 19.7% with a 1.7 points decrease over the same period of the previous year; while both its main private competitor, Antena 3 (which in June broadcast the matches of the Spanish football team in the framework of the World Cup) and TVE-I recorded a slight increase in audience, reaching 20.6% (20.5% as at 30 September 001) and 24.8% (24.5% as at 30 September 2001) respectively. Telecinco, however, maintained its leadership on the commercial target with an audience share of 22.9%.

The economic results obtained by the Telecinco Group in the first nine months of 2002 were influenced by the negative evolution of advertising revenues mainly concentrated in the first part of the year. More specifically, consolidated net revenues – which amounted to EUR 367.9 in the period – went down by EUR 25.7 million, equal to – 6.5% in percentage terms over the same period of 2001; the operating result for the period amounted to EUR 57.5 million against EUR 118.2 in 2001, thus recording an operating profit of 15.6%. This result is also attributable to higher scheduling costs that reflect greater effort in production with a view to countering the scheduling strategy of the main competitors. The net quarterly result amounted to EUR 31.5 million, with a EUR 41.5 million decrease with respect to 30 September 2001. Even though the third quarter is historically influenced by seasonal low results which characterise summertime, the Telecinco Group recorded a growth of net revenues equal to 1% and an operating result substantially in line with the third quarter of 2001.

According to currently available data, the advertising revenues of Telecinco are on a decisive increase: in October they showed an 11% increase with respect to the same month of 2001, a result which reduced the decrease to -4.9% in the advertising revenues from the beginning of the year with respect to the first ten months of 2001. The favourable evolution of advertising revenues went hand in hand with a progressive and sustained improvement in the audience results obtained with the launch of the new autumn schedule starting from mid-September. Excellent results were obtained in Prime Time and in October a 21.8% share was recorded in the full day.

The equity valuation of the 40% shareholding in Telecinco and Publiespana by the Mediaset Group, including the goodwill amortisation quota (equal to EUR 15.1 million in the period), meant a net charge of EUR 2.5 million for the Mediaset group as at 30 September 2002.

Multimedia and telecommunication operations

Multimedia division

The Mediaset Group is present in the multimedia market through Mediadigit S.p.A., a company that started operations in 2000, which is in charge of operations regarding theme channels, Internet and teletext operations, with the objective of developing the synergy and *brand extension* opportunities regarding the traditional *core business* focused on television products, by making services and contents that can be broadcast on various platforms (Pay TV, Internet and Telecoms). Multimedia operations include the specialist magazine *MT La Macchina del Tempo* (published by R.T.I. S.p.A. and distributed since November 2000) and editorial operations managed in joint-venture with Mondadori by Press TV, a company founded on 8 July 2002. These operations are supported by Publitalia '80 S.p.A. as exclusive concessionary of Internet and theme channels related advertising sales (the latter starting from the second half of 2001).

With reference to **theme channels**, the channels *Duel Tv*, *Comedy Life* (both starting from April 2000) and *MT Channel* (from January 2001), are distributed by Stream, while *Happy Channel* has been distributed on D+ since March 1998. At 30 September 2002 the overall number of subscribers to the bouquet of satellite broadcasters distributing Mediadigit channels amounted to 1,661,700, of which 825,000 subscribers of which regarding the three channels distributed on the Stream platform and 836,700 subscribers to the Basic package by Telepiù. Overall **revenues** generated by the distribution to these two digital platforms of these channels amounted in the first nine months of 2002 to **EUR 15.5 million**, an increase on the EUR 14.7 million in the first nine months of 2001.

As to **Internet** based operations, it should be noted that in the first nine months of 2002 all the sites owned by the Group totalled an average of about 100 million page views per month, with a daily average of 3.3 million page views, 30% of which were generated by Jumpy.

Sites regarding the MOL vertical portal and network sites contributed with 41 million of page views. The News area (*Tgcom*, *TG5.it* and *TgFin*) totalled around 27.5 million page views in the first nine months of the year. In this area, it is worth noting *Tgcom*'s performance which, in September 2002, reached about 1 million page views per day; the online news of the Group, which has benefited from graphic restyling since October, contributed for about 70% to the total page views of this area.

It should also be noted that, since September 2002, in the framework of the content provider operations of the online magazine of the Group devoted to mobile phone users, a new SMS service of *TgCom* has been launched making it possible to receive all the main updated news on mobile phones.

Total **revenues** from the Group Internet operations amounted in the first nine months of 2002 to EUR **5.3 million**, an increase from the EUR 3.5 million in the same period of 2001.

With reference to **Teletext** operations (Mediavideo and interactive services), **revenues** in the first nine months of the year amounted to **EUR 4.8 million**: therefore, an increase compared to EUR 3.6 million of the same period of previous year. In 2002, the graphic restyling of the Mediavideo brand was carried out and completed, as well as that of contents layout, in order to make the product more appealing to television users and commercial customers.

The company **Press TV S.p.A.**, a fifty-fifty joint-venture between R.T.I. S.p.A. and Arnoldo Mondadori Editore S.p.A., set up in July with a share capital of EUR 1.5 million, will develop several multimedia publishing projects, among which the publication of periodicals strictly connected with successful television programmes. The first project consisted in the creation of a sports weekly magazine, *Controcampo*, whose distribution started with the beginning of the 2002/2003 Italian Football Championship. *Controcampo* is an innovative magazine as far as the product concept is concerned, with publishing and technical characteristics as well as methods of production and distribution which recall those of daily newspapers. It is published on Mondays and distributed all over Italy. Sales have already exceeded all expectations, with a circulation average of 385,000 copies for the first two issues in September. Subsequent issues confirmed these extraordinary sales levels.

Telecommunications

At present, the Mediaset group is active in the field of telecommunications through the stakes held by Mediaset S.p.A. in Albacom S.p.A. (19.5%) and Olivetti S.p.A. (0.45%). As is stated in the section referring to significant events after 30 September 2002, the Olivetti S.p.A. shareholding will be transferred to Hopa S.p.A. as part of the agreement reached between Mediaset and Fingruppo Holding according to which Mediaset will enter the capital of Hopa S.p.A., which is one of the main shareholders of the Olivetti/Telecom Group. This operation will reassert and strengthen Mediaset's strategic position in this area.

As to fixed telephony services, in the first half of the fiscal year, which will close at 31 March 2003, **Albacom S.p.A.** confirmed and strengthened the positive results already achieved last year. It showed an over 34% increase in revenues with respect to the same period of the previous year as well as a further improvement in EBITDA which is still positive, meeting corporate plans.

The positive results are the reward for the actions by the management and corporate organisation both in terms of a careful operating cost management policy and of the development of a customer-oriented policy, also through the constant enlargement of the product and service portfolio. In this connection, mention should be made of the agreement with Canon both for the marketing of Albacom products through the *Canon Solution Center* network and the development of joint solutions for small and medium-sized companies.

Due to the results recorded between April and September 2002, to the performance of the last three months of the fiscal year closed as at 31 March 2002 (first quarter of 2002) and to the goodwill amortisation quota (EUR 1.6 million), the equity valuation of the Albacom S.p.A. shareholding led to a total charge of EUR 18.1 million for the Mediaset Group as at 30 September 2002, with a EUR 10.2 million decrease with respect to the charge recorded in the same period of the previous year (EUR 28.3 million).

It should finally be noted that, on 3 July 2002, the shareholders' extraordinary meeting of Albacom S.p.A. approved a capital increase of EUR 125 million, wholly underwritten and paid up by the shareholders proportionally to their stakes, thus meeting the obligation to cover the company's financial needs that the shareholders had already assumed during the year. The implementation of the capital increase was made by ascribing to capital the amounts previously paid as non-interest bearing financing. The share of the

Mediaset Group totalled EUR 24.4 million, of which EUR 18.9 million was paid up in the first six months of 2002 to cover the financial need of that period, while EUR 5.5 million had already been paid up in November 2001.

SIGNIFICANT EVENTS AFTER 30 SEPTEMBER 2002

- As part of the **project for the evolution of the Group organisation**, which was launched on 2 July by the Board of Directors of Mediaset S.p.A., it was pointed out that on **3 October 2002** the shareholders' extraordinary meetings of R.T.I. S.p.A. and Mediatrade S.p.A. approved the merger project for incorporating Mediatrade S.p.A. into the holding company R.T.I. S.p.A. and that on **29 October 2002** the Board of Directors of R.T.I. S.p.A. and Mediadigit S.p.A. approved an operation for the disposal by Mediadigit S.p.A. of the activities related to theme channels and new media which will be transferred to R.T.I. S.p.A. This operation will be submitted for approval to the shareholders' meeting of Mediadigit S.p.A. which will be held next 21 November. The above operation will be concluded by the end of the current fiscal year. The same goes for the transfer by R.T.I. S.p.A. to the subsidiary company Elettronica Industriale S.p.A of the branch dealing with "the management and development of Technological Towers".
- On **15 October 2002**, **Mediaset S.p.A.** and **ICE Finance B.V.** (a Dutch company belonging to JP Morgan) – which, either directly or indirectly through their subsidiaries, hold 40% and 10% respectively of Gestevisión Telecinco S.A. and Publiespana S.A. capital – signed a final contract to ratify the general conditions of the preliminary agreement reached on 6 August. With the consensus of the Correo Group (which holds a 25% stake in Telecinco S.A. and Publiespana S.A.), a project has been launched for the listing at the Stock-Exchange of the Telecinco Group which should be performed within 31 December 2004, a date that can be postponed to 31 December 2007 should it be necessary. Based on this agreement, ICE Finance granted Mediaset a right of pre-emption on its stake and Mediaset S.p.A. gave ICE Finance B.V. the option to sell its own stake to Mediaset for either EUR 200 million or the market value established through an independent evaluation, whichever higher. ICE Finance will only be entitled to exercise this option if Spanish legislation makes it possible to exceed the current 49% shareholding limit.
- On **29 October 2002**, Mediaset S.p.A. granted **Albacom S.p.A.** interest-bearing finance which includes the payment of EUR 12.5 million (of which EUR 4.2 million were already paid in October) for the pro-quota coverage of the financial needs of the company for the remaining part of the fiscal year which will close at 31 March 2003.
- On **29 October 2002**, Mediaset S.p.A. reached an agreement with Fingruppo Holding S.p.A., leading shareholder of **Hopa S.p.A.**, for the acquisition by Mediaset of a 2.8% stake in the share capital of this company at the end of the implementation of the capital increase deliberated by the Board of Directors of Hopa S.p.A. on 31 October 2002. Mediaset will purchase the above stake from Fingruppo for EUR 96.4 million, equal to an average investment per share of EUR 2.58, corresponding to the subscription price of the shares issued in the framework of the above capital increase. According to the agreement reached, Mediaset will have the option to nominate a member of the Board of Directors of the company who will also participate in the Executive Committee as well as a regular auditor. Through this operation, Mediaset will strengthen its strategic position in the telecommunications area, which is considered as crucial in view of the terrestrial digital broadcasting systems, especially in terms of interactivity and access to customers. Hopa S.p.A., which is now one of the main holding companies in Italy, is directly and indirectly one of the main shareholders of the Olivetti-Telecom group. According to the agreement, Mediaset S.p.A. will also transfer to Hopa

S.p.A. the 0.45% stake it holds in Olivetti S.p.A. for EUR 96.4 million. These operations will produce no economic or financial effects for the Mediaset Group.

- On **29 October 2002**, Mediaset S.p.A., Lehman Brothers, Kingdom Holding and Commerzbank presented a conditional offer in the terms and modes requested by UBS Warburg, the advisor in charge of coordinating and managing the bankruptcy proceedings of **Kirch Media & Co. KgaA**. The object of this offer was the 52.5% shareholding in ProSiebenSAT1MediaAG, the company in charge of all the television operations of the Kirch Group as well as television rights library. After assessing all the offers received, on 30 October 2002 Kirch Media communicated they had opted for the Consortium created by the German publisher Bauer Verlag and the bank Hypo Vereinsbank as an interlocutor to start the exclusive final negotiations, until 15 December 2002, for the disposal of these business areas based on the price offered by this consortium that, according to what was communicated, should be around EUR 2 billion.
- On 4 November 2002, **Mediaset S.p.A.** signed a five year **financing contract** with a pool of primary Italian credit banks for a total amount of EUR 300 million which will enable Mediaset, thanks to the terms that were negotiated for interest rates and maturity, to optimise the current financial structure while simultaneously guaranteeing an extension of the Group's total borrowing capacity.

FORESEEABLE DEVELOPMENTS

- Advertising revenues from Mediaset networks in October 2002 amounted to EUR 256 million, showing a 4.7% increase with respect to the same month of the previous year (+ 5.2% from third parties), thus confirming the growth trend started in June. Thanks to this result and to the current evidence referring to advertising revenues in November, expectations to reach an amount of television advertising revenues this year in line with that recorded in 2001 and 2000 should be met, despite the general decreasing evolution of the specific Italian market, in a context which is still characterised by an uncertain prospect for international economic recovery.
- In the first ten months of 2002, Mediaset networks as a whole recorded an average share of 42.9% in the full day, substantially in line with that of the same period of 2001, and a total share of 43.9% in Prime Time, with a 0.7% increase. More specifically, the beginning of the 2002-2003 television season, which started on 22 September, is confirming the leadership of Canale 5 at a national level and the third position for Italia 1 in Prime Time.
- Based on the evolution of advertising revenues in the last months of 2002 and due to the further major reduction in operating costs expected for the last part of the year, it can reasonably be expected that, in the last quarter of the current year, EBITDA and EBIT will be higher than those recorded in the same period of 2001. Due to these evolutions, despite the fact that advertising revenues are practically unchanged over 2001, the current year should record an EBITDA higher than that of the previous year. In absolute value, because of the increase of amortisation, depreciation and write offs, EBIT should be lower than that of the previous year, while maintaining an operating profit only slightly decreased with respect to that of 2001. The net result of the year, though influenced by a depreciation for EUR 31.9 million referring to the Kirch Media shareholding, will benefit – over 2001 – from the remarkable increase in the result generated by subsidiary companies which had been low in 2001 due to extraordinary provisions for EUR 171.9 million allocated for the Kirch Media shareholding.

for the board of Directors
the Chairman