



*Report on operations
in the first quarter of 2003*

MEDIASET GROUP

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

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

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

Internet Site: www.gruppomediasset.it

BOARD MEMBERS

Board of Directors

Chairman	(*) Fedele Confalonieri
Deputy Chairman	(*) Pier Silvio Berlusconi
Managing Director	(*) Giuliano Adreani
Directors	Franco Amigoni Marina Berlusconi Pasquale Cannatelli Paolo Andrea Colombo Enzo Concina Maurizio Costa Mauro Crippa Bruno Ermolli Marco Giordani Alfredo Messina (*) Gina Nieri Roberto Ruozi

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*



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MEDIASET GROUP

Report on operations in the first quarter of 2003

Dear Shareholders,

The consolidated financial statements of the Group heading your company, by virtue of the controlling stake held following the acquisition of 12% from Correo Group, includes for the first time, in the first quarter 2003, the effects arising from the line-by-line consolidation of the companies belonging to the Telecinco Group. The following results have been achieved: **consolidated net revenues** amounted to EUR 777.1 million (EUR 142.3 million of which regarding the consolidation of the Telecinco Group) compared to EUR 633.6 million in the first quarter of 2002, which shows on a like-for-like basis a slight increase over the first quarter of 2002 (+0.2%); **EBITDA** amounted to EUR 468.0 million (the contribution of the Telecinco Group amounted to EUR 76.9 million) compared to EUR 384.9 million in the same quarter of the previous year; gross operating profitability amounted to 60.2% , growing in like-for-like terms (61.6%) compared to that recorded in the same quarter of the previous year (60.7%). **EBIT** (which includes the result generated in the quarter by the Telecinco Group, equal to EUR 27.9 million) amounted to EUR 208.6 million compared to EUR 196.4 million in the same quarter of the previous year, after amortisation, depreciation, write-downs for EUR 259.4 million, including goodwill generated in the quarter by the consolidation of the Telecinco Group for EUR 10.8 million. Operating profitability amounted to 26.8% (30.2% net of the effect arising from the consolidation of the Telecinco Group) compared to 31.0% in the first quarter of 2002. **Earnings before taxes and the amount attributable to minority shareholders** amounted to EUR 191.1 million (EUR 173.6 million net of the effect arising from the consolidation of the Telecinco Group) compared to EUR 180.6 million in the first quarter of 2002.

The Group's **net financial position**, which was affected in this quarter by the payment of EUR 276 million made for the acquisition of the 12% shareholding in Telecinco and Publiespana went from EUR-170.8 million at December 31st, 2002 to EUR -59.5 million at March 31st, 2003, including net liquid assets of the Telecinco Group equal to EUR 185.8 million.

In a market situation that was dominated also in the first months of 2003 by general caution in investment decisions by most economic players, especially because of the uncertain development of the international political situation, which resulted in the Anglo-American military intervention in Iraq, both Mediaset Networks and Telecinco managed to achieve in this quarter their commercial and audience objectives, and protected the usual programme schedule while at the same time ensuring appropriate and appreciated coverage to this dramatic events.

Specifically, **advertising sales on Mediaset networks** in the first three months of 2003 equalled those recorded in the same quarter of the previous year, reaching an even higher level than sales recorded in the same quarter of 2000. This result confirms the ability already proven by Mediaset in the last two years, to achieve, in spite of a prolonged contraction of economic operations and against the trend of the main Italian and European competitors, performances in line with those of the last year that was marked by an exceptional expansion of advertising sales.

In the same period, also the growth of **audience results of Mediaset network** continued, after an all-time high 2002. Canale 5 confirmed to be the leading network in prime time, while Italia 1 consolidated its third position and Rete 4 started, without affecting its audience shares, the process of repositioning towards an adult male audience by means of programmes more oriented to *info-tainment*. Growth in audience shares was accompanied also in the first months of 2003 by a careful policy of containment of

television costs, which rose only by 1.7% compared to the same quarter of the previous year, mainly because, in presence of lower operating costs, of the trend of amortisation of rights whose growth, as is also expected on an annual basis, has still been lower than that recorded in the same period of recent years.

Also **Telecinco** recorded excellent performance in the first three months of 2003, and confirmed the proven ability to maximise commercial returns of its publishing positioning. In particular, advertising sales grew markedly in the period, by 28.2% compared to the first quarter of 2002, a period that was particularly negative for the network, especially because of the aggressive competition on prices and a strong reduction in audience shares due to the success of some new formats broadcast by the government television. The revision of the publishing strategy, that had been started in the second half of 2002, made it possible in the first quarter of 2003 to Telecinco to effectively counter the offer of its main competitors and to achieve in the full day average a 21.4% share (18.4% in the same quarter of 2002), consolidating the unquestioned leadership held at domestic level on the commercial target, which reached 24.7%, markedly rising compared to 20.8% of the first three months of 2002.

FINANCIAL AND ECONOMIC RESULTS OF THE MEDIASET GROUP

Drafting criteria

According to the CONSOB deliberation no. 11971 of May 14th, 1999, the economic and balance sheet information given below refers to the first quarter of 2003, the first quarter of 2002 and December 31st, 2002. In drafting the accounting situation, the same criteria used for preparing the balance sheet for the year and the consolidated balance sheet at December 31st, 2002 were utilised.

Starting from the first quarter 2003, because of the acquisition of a 12% shareholding from the Correo Group, which occurred on March 31st, 2003 after obtaining the authorisations from the relevant Spanish and European authorities, the Mediaset Group holds a controlling stake (52%) in Gestevisión Telecinco S.A. the parent company of the Spanish private advertising based television with the same name and of Publiespana S.A. the exclusive advertising concessionary of Telecinco. The two companies, by means of their subsidiary and associated companies, are in actual fact the leading private television Group in Spain, integrated in all the typical stages of the production process of commercial television. These equity investments had been consolidated by means of the equity method until December 31st, 2002 based on the 40% stake held, and are now consolidated starting from January 1st, 2003 on a line by line basis.

In order to ensure continuity in the description and to make it possible to compare economic and balance sheet results in like-for-like terms with respect to the compared periods recorded, the accounting tables, consistent in terms of structure with those included in the Report on Operations of the Half Year Report and the Annual Report, have been drafted by pointing out the differential effects generated in 2003 by the line-by-line consolidation of the companies belonging to the Telecinco Group.

The analysis of the income statement and the consolidated balance sheet and financial situation, regarding the first quarter of 2003, was also carried out, in line with the provisions of Consob Communication no. 98084143 of October 27th, 1998 regarding information by divisions, by pointing out separately the contribution to the Group economic and financial results generated by television operations in the two geographical areas, Italy and Spain which, due to the significance of the main economic and balance sheet parameters, organisational independence and features of the reference markets, now represent the two main sectors of operation of the Mediaset Group. To this purpose, it should be noted that economic and balance sheet data regarding the Spain Area match with “pro-forma” consolidated data of the Telecinco Group which have been appropriately reclassified in order to make homogeneous the accounting tables envisaged by Spanish Civil Code rules and those envisaged by Italian regulations.

It is worth noting however that, consistently with the criteria already adopted for the consolidated economic and balance sheet situations of the Mediaset Group until December 31st, 2002, on the consolidated accounting reports of the equity investments above, no adjustments were made to the evaluation criteria usually utilised to draft balance sheets under the application of local accounting principles, when in line with Italian regulations and when deemed to be more appropriate with a view to a true and fair representation of the economic and balance sheet situation of the Group. In particular, with reference to acquired television rights in the hands of the Spanish television, the amortisation criteria was maintained determined on the basis of actual television screenings, instead of the one applied to television rights available for broadcasting on the three Italian networks, for which amortisation is entirely made based on the duration envisaged by the contract. By adopting such different criteria it is possible to take into account, in line with the practice adopted in the media industry in Europe, of the different ways of using the rights and the correlation between costs, audience and advertising sales typical of single-channel (Telecinco) and multi-channel (Mediaset networks) commercial structures of television offer.

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

Economic results

A summary of the reclassified Mediaset Group income statement is set out below which, with respect to the first quarter of 2003, includes the contribution to the single lines deriving from the line-by-line integration of Spanish equity investments. In particular, because of such consolidation, the Group operating result includes both the amortisation quota of differences arising from consolidation generated both on the stakes of such investments already held at December 31st, 2002 (included until that date in *income/charges from equity investments* with respect to the consolidation by means of the net equity method of these investments), and on the ones generated for the new stake acquired in 2003. In order to adequately appreciate the result generated by current operations, the Group operating result regarding the first quarter of 2003 is therefore also recorded gross of the amount represented by the amortisation of such goodwill.

In line with the faculty envisaged by article 81 clause 7 of the Regulation approved by means of CONSOB deliberation no. 11971 of May 14th, 1999 and subsequent modifications, the economic result for the period is shown before tax. This result is also adjusted in order to highlight for 2003 the amount belonging to minority shareholders in Gestevisión Telecinco and Publiespana; in the annual report, this adjustment will be determined based on the net result for the year of these investments.

(EUR millions)

Mediaset Group			
2002		First Quarter 2003	First Quarter 2002
2,280.0	Sales of goods and services	771.0	628.3
36.1	Other revenues and income	6.1	5.3
2,316.1	Total consolidated net revenues	777.1	633.6
300.2	Personnel expenses	93.7	76.2
662.3	Purchases, services, other costs	215.4	172.5
962.5	Operating costs	309.1	248.7
1,353.6	Gross operating profit (loss)	468.0	384.9
795.1	Amortisation, depreciation and write-downs	248.6	188.5
558.5	Operating profit (loss) before amortisation goodwill		
558.5	Telecinco	219.4	196.4
-	Amortisation goodwill Telecinco	10.8	-
558.5	Operating profit (loss)	208.6	196.4
(5.7)	Financial income/(charges)	(6.0)	(6.0)
(47.8)	Income/(charges) from equity investments	(11.0)	(10.1)
505.0	Profit (loss) before extraordinary items	191.6	180.3
(7.9)	Sundry and extraordinary income/(charges)	(0.5)	0.3
497.1	Profit before taxation and third parties' shares	191.1	180.6
-	Third parties' profit before taxation	(13.6)	-

The effects on the income statement arising, in 2003 by the line-by-line integration and in 2002 by the consolidation with the equity method, of the companies belonging to the Telecinco Group are shown below:

(EUR millions)

Mediaset Group - effects erasing from the consolidation of the Telecinco Group			
2002		First Quarter 2003	First Quarter 2002
-	Sales of goods and services	141.7	-
-	Other revenues and income	0.6	-
-	Total consolidated net revenues	142.3	-
-	Personnel expenses	16.1	-
-	Purchases, services, other costs	49.3	-
-	Operating costs	65.4	-
-	Gross operating profit (loss)	76.9	-
-	Amortisation, depreciation and write-downs	49.0	-
	Operating profit (loss) before amortisation goodwill		
-	Telecinco	27.9	-
-	Amortisation goodwill Telecinco	10.8	-
-	Operating profit (loss)	17.1	-
-	Financial income/(charges)	1.5	-
14.3	Income/(charges) from equity investments	(0.7)	(4.4)
14.3	Profit (loss) before extraordinary items	17.9	(4.4)
-	Sundry and extraordinary income/(charges)	(0.4)	-
14.3	Profit before taxation and third parties' shares	17.5	(4.4)
-	Third parties' profit before taxation	(13.6)	-

It should be noted that, without the accounting effect regarding the amortisation quota of goodwill, equal in the quarter to EUR 10.8 million, the contribution deriving from the line-by-line consolidation of the Telecinco in the first three months of 2003 to the Group consolidated gross result for the period amounted to EUR 28.3 million, i.e. EUR 14.7 million net of the amount attributable to minority shareholders.

In the same quarter of the previous year the economic effect generated on the whole by the consolidation by means of the equity method of the 40% stake held in the Telecinco Group, included in the income statement of the Mediaset Group in the line of *(charges)/income from equity investments*, included EUR 5.0 million regarding the amortisation quota of goodwill.

The percentage impact on net consolidated revenues of some of the main elements in the income statement is set out below.

It should be noted that, with respect to 2003, in order to appreciate more appropriately the profitability generated in the two different geographical areas of operations of the Group, amortisation quotas of goodwill generated by the consolidation of Telecinco are solely taken into consideration with respect to the Group on the whole, by pointing out separately the contribution of the two main geographical areas of operations including domestic operations and Spanish operations belonging to the Telecinco Group.

31/12/02		First Quarter 2003			First Quarter 2002
Mediaset Group		Mediaset Group	Italy	Spain	Mediaset Group
100.0%	Total consolidated net revenues	100.0%	100.0%	100.0%	100.0%
41.6%	Operating costs	39.8%	38.4%	46.0%	39.3%
58.4%	Gross operating profit (loss)	60.2%	61.6%	54.0%	60.7%
34.3%	Amortisation, depreciation and write-downs	32.0%	31.4%	34.4%	29.8%
	Operating profit (loss) before amortisation goodwill				
24.1%	Telecinco	28.2%	30.2%	19.6%	31.0%
24.1%	Operating profit (loss)	26.8%	30.2%	19.6%	31.0%
21.8%	Profit (loss) before extraordinary items	24.7%	27.4%	12.6%	28.5%
21.5%	Profit before taxation and third parties' shares	24.6%	27.3%	12.3%	28.5%

It should be pointed out that, due to the highly seasonal character of television operations, mainly with respect to advertising revenues (more concentrated in the first part of the year), period results may not fully match with the likely annual trend.

Here follows an analysis of the single Mediaset Group income statement elements; the analysis is carried out by pointing out separately, with respect to current operations, the economic contribution generated by television operations in the two different geographical areas.

Analysis of results by geographical areas: Italy

Here follows the income statement regarding domestic operations, which corresponds, for the quarters being compared in 2002, with the income statement of the Mediaset Group without the effects, previously pointed out, arising from the consolidation by means of the equity method of the 40% stake held in such periods in the Telecinco Group.

(EUR millions)

		Italy		
2002 pro-forma		First Quarter 2003	First Quarter 2002 pro-forma	
2,280.0	Sales of goods and services	629.3	628.3	
36.1	Other revenues and income	5.5	5.3	
2,316.1	Total consolidated net revenues	634.8	633.6	
300.2	Personnel expenses	77.6	76.2	
662.3	Purchases, services, other costs	166.1	172.5	
962.5	Operating costs	243.7	248.7	
1,353.6	Gross operating profit (loss)	391.1	384.9	
795.1	Amortisation, depreciation and write-downs	199.6	188.5	
558.5	Operating profit (loss)	191.5	196.4	
(5.7)	Financial income/(charges)	(7.5)	(6.0)	
(62.1)	Income/(charges) from equity investments	(10.3)	(5.7)	
490.7	Profit (loss) before extraordinary items	173.7	184.7	
(7.9)	Sundry and extraordinary income/(charges)	(0.1)	0.3	
482.8	Profit before taxation	173.6	185.0	

Net revenues

Ist Quarter '03	634.8
Ist Quarter '02	633.6
% change	0.2%

Consolidated net revenues of domestic operations slightly increased in the first quarter of 2003 over the same period of 2002 by EUR 1.2 million, mainly attributable to television revenues.

The following table contains details of revenues:

(EUR millions)

2002		First Quarter 2003	First Quarter 2002
2,066.9	Revenues from the sales of advertising slots	579.7	576.9
364.9	Revenues from television sales, promotions, sponsorships	105.4	108.6
2,431.8	Advertising revenues from third parties	685.1	685.5
156.0	Other revenues from television operations	32.0	29.4
(365.1)	Agency discounts	(102.2)	(102.7)
2,222.7	Total net revenues from television operations	614.9	612.2
93.4	Total net revenues from non-television operations	19.9	21.4
2,316.1	Total consolidated net revenues from Italy	634.8	633.6

In particular with respect of revenues from television operations:

- **advertising revenues** regarding Mediaset networks from **third parties** amounted to EUR 685.1 million and were substantially unchanged compared to those in the same quarter of the previous year. In particular, *revenues from the sale of commercials* increased by 0.5% over the first quarter of the previous year, while *revenues from television sales, promotions and sponsorships* decreased by 2.9% over the first quarter of 2002;
- **other revenues from television operations** showed an increase of EUR 2.6 million, mainly attributable to higher income generated by the resale of sports rights regarding the Champions League and entertainment.

Revenues from non television operations decreased slightly (- EUR 1.5 million) over the first quarter of 2002. This change is mainly connected to the decrease in advertising revenues from concessions in some Italian stadiums and the sale of sports sponsorships, mainly attributable to the new agreement for the sale of sponsorships regarding the Soccer National Team which envisaged as from 2003 the payment to Publitalia '80 of already net revenues with respect to generated sales. It should also be noted that, in the same period, income for EUR 1.3 million was obtained by some significant commercial agreements for *content-providing* e multimedia publishing contents *packaging* with respect to cellular telephone companies, also of the new generation kind (UMTS), which were not present in the same quarter of the previous year.

Operating costs

Ist Quarter '03	243.7
Ist Quarter '02	248.7
% change	-2.0%

Operating costs relating to domestic operations showed in the first quarter of 2003 an EUR 5.0 million decrease with respect to the first quarter of 2002. The main items in operating costs are personnel expenses and purchases, services and other costs, which are analysed below.

Personnel expenses

Ist Quarter '03	77.6
Ist Quarter '02	76.2
% change	1.8%

Personnel expenses showed, over the first quarter of 2002, a slight EUR 1.4 million increase, exclusively attributable to the effects of the remuneration policy, with an average number of staff which is on the whole lower compared to the same quarter of the previous year, as can be seen in the table below:

31/12/2002	Number of employees (including temporary staff)	31/03/2003	31/03/2002
301	Managers	300	298
296	Journalists	304	297
650	Middle managers	651	625
3,146	Office staff	3,123	3,177
4,393	Total	4,378	4,397

2002	Average workforce (including temporary staff)	First Quarter 2003	First Quarter 2002
298	Managers	300	295
300	Journalists	300	298
638	Middle managers	651	628
3,163	Office staff	3,128	3,174
4,399	Total	4,379	4,395

Purchases, services and other costs

Ist Quarter '03	166.1
Ist Quarter '02	172.5
% change	-3.7%

The overall costs incurred for purchases, services and other costs were EUR 6.4 million lower in the first quarter of 2003 than in the first quarter of the previous year. In particular, as can be seen from the data below, this decrease is attributable for EUR 3.4 million to the trend of television costs, which decreased by 2.2%.

(EUR millions)

2002		First Quarter 2003	First Quarter 2002
88.9	Selling costs	19.8	19.2
403.8	Television scheduling costs	111.0	115.9
32.6	Broadcasting costs	7.9	8.4
66.3	Other costs	14.1	12.7
591.6	Total television costs	152.8	156.2
70.7	Other non-television costs	13.3	16.3
662.3	Purchases, services and other costs	166.1	172.5

The decrease in **television costs**, was mainly affected by the reduction recorded in the quarter by programme schedule operating costs, equal to EUR 4.9 million (-4.2%) compared to the same quarter of the previous year, mainly attributable to the different programme schedules in the various quarters under examination.

However, it is worth noting that overall television costs, including those elements connected to personnel expenses and amortisation and depreciation or rights and other fixed assets, net of the income generated from the sale of television rights, showed a modest 1.7% increase in the first quarter of 2003, in line with the objectives of containment of television costs envisaged also for the current year. This change was mainly attributable, as is described below, to the increase (+6.0%) in amortisation, depreciation and write-downs (mostly for the item regarding television rights), whose growth was lower than that (+13.2%) recorded in the same quarter of the previous year.

The reduction in **operating costs** regarding **non-television operations** with respect to the first quarter of 2002 is mainly attributable, as previously noted, to the different way of attributing revenues from the sale of sponsorships for the Football Italian Team which, in 2002, envisaged Publitalia '80 should pay back a quota of revenues to the owners of such rights.

EBITDA

Ist Quarter '03	391.1
Ist Quarter '02	384.9
% change	1.6%

The reduction in operating costs determined, in the presence of basically stable net revenues, an increase in quarter EBITDA equal to EUR 6.2 million and a subsequent increase of its percentage rate on consolidated net revenues from 60.7% to 61.6%.

EBIT

Ist Quarter '03	191.5
Ist Quarter '02	196.4
% change	-2.5%

The EBIT regarding domestic operations recorded in the first quarter of 2003 a slight reduction (- EUR 4.9 million) compared to the same quarter of 2002. This change is to be related to higher amortisation of television rights (+ EUR 11.7 million) which, as was already noted, rose less than in the same quarter of the previous year, also because of the reduction in investments started from 2002. The percentage of EBIT on consolidated net revenues was equal to 30.2% with respect to 31.0% in the same quarter of the previous year.

Analysis of results by geographical areas: Spain

Here follows the income statement of Spanish operations, consolidated on a line-by-line basis in the Mediaset Group for the first time starting from the first quarter of 2003.

In order to make a comparison with the previous year possible, "pro-forma" consolidated data of the Telecinco Group are provided, regarding the first three months of 2002 and at December 31st, 2002. Such data, as was already pointed out in the section regarding "Drafting criteria", match with consolidated data of the Telecinco Group on which appropriate adjustments were made, in order to make accounting tables envisaged by the Spanish Civil Code rules consistent with those envisaged by Italian regulations.

(EUR millions)

		Spain	
2002 pro-forma		First Quarter 2003	First Quarter 2002 pro-forma
570.8	Sales of goods and services	141.7	112.1
16.5	Other revenues and income	0.6	-
587.3	Total consolidated net revenues	142.3	112.1
63.7	Personnel expenses	16.1	14.8
220.5	Purchases, services, other costs	49.3	39.8
284.2	Operating costs	65.4	54.6
303.1	Gross operating profit (loss)	76.9	57.5
179.7	Amortisation, depreciation and write-downs	49.0	58.8
123.4	Operating profit (loss)	27.9	(1.3)
5.5	Financial income/(charges)	1.5	1.0
(5.6)	Income/(charges) from equity investments	(0.7)	(0.9)
123.3	Profit (loss) before extraordinary items	28.7	(1.2)
(1.9)	Sundry and extraordinary income/(charges)	(0.4)	0.3
121.4	Profit before taxation and third parties' shares	28.3	(0.9)

Net revenues

In the first three months of 2003 consolidated net revenues from the Telecinco Group amounted to EUR 142.3 million, growing by 26.9% over the same quarter of the previous year.

The following table shows the detailed revenues of the Telecinco Group with the most significant items:

(EUR millions)

2002		First Quarter 2003	First Quarter 2002
516.9	Revenues from the sales of advertising slots	126.6	100.4
50.2	Revenues from television sales, promotions, sponsorships	13.3	8.7
567.1	Advertising revenues from television operation	139.9	109.1
66.7	Other revenues	13.8	11.9
(46.5)	Agency discounts	(11.4)	(8.9)
587.3	Total consolidated net revenues from Spain	142.3	112.1

The main revenue item is **television advertising sales** regarding the activity of sales of advertising slots carried out exclusively for Telecinco by Publiespana. The trend of advertising revenues recorded an extremely rapid pace in the first months of 2003, growing by 28.2% with respect to the same period of the previous year, reaching EUR 139.9 million, a figure which after the significant decrease that had been recorded in the first quarter of 2002, brings back advertising sales more or less at the same level recorded in the first three months of 2001 (EUR 139 million). In particular, in the first three months of 2003, *revenues from the sale of commercials* increased by 26.1% compared to the first quarter of the previous year; while *revenues from television sales, promotions and sponsorships* grew by 52.9% with respect to the first quarter of 2002. This positive trend, considering the extremely positive audience shares which grew with respect to the same period of the previous year, reflect both the significant increase of unitary average revenue of contracts generated and of the volumes of slots sold.

Other revenues from television operations include different kinds of income which are by nature complementary and ancillary with respect to the typical television operations which are mainly attributable to two types:

- revenues from the *marketing of television contents* and from the *distribution of cinema rights*, the latter operation is the residual exploitation of products mainly purchased for television broadcasting;
- revenues connected to the activity of *content extension*, i.e. merchandising, telephone traffic originated by the sms interaction with some television productions and other, also advertising, revenues from the utilisation on other media of successful television formats.

These revenues reached in the quarter EUR 13.8 million, with a 13.8% increase compared to the first quarter of 2002.

Agency discounts represent commissions directly retained by media centres on advertising sales. Their percentage on advertising sales remained constant in the two periods at 8%, in line with the percentage that can be recorded on average in the Spanish advertising market also on an annual basis.

Operating costs

Operating costs of the Telecinco Group amounted in the first quarter of 2003 to EUR 65.4 million, increasing compared to EUR 54.6 million in the first quarter of 2002. The main items in operating costs are personnel expenses and purchases, services and other costs, which are analysed below.

Personnel expenses

Personnel expenses of the companies belonging to the Telecinco Group, which in the first three months of 2003 amounted to EUR 16.1 million, showed over the same period of the previous year a EUR 1.3 million increase; this amounted to an 8.8% growth. This change is mainly attributable to lower variable remunerations with respect to company objectives accounted for in the first quarter of 2002 and to the effects arising from the reorganisation of the Group management structure carried out after the first quarter of 2002.

At March 31st, 2003, the Telecinco Group workforce amounted to 1,125 employees (1,137 employees in the same quarter of 2002) while average workforce amounted to 1,118 employees in 2003 (1,136 employees in the same quarter of 2002).

Purchases, services and other costs

Overall purchases, services and other costs were EUR 9.5 million higher in the first quarter of 2003 than in the first quarter of 2002 (+23.9%). Similarly to domestic television operations, these costs can be broken down in the following functional areas:

(EUR millions)

2002		First Quarter 2003	First Quarter 2002
7.1	Selling costs	1.5	1.6
149.9	Television scheduling costs	35.3	26.9
16.7	Broadcasting costs	4.5	4.1
46.8	Other costs	8.0	7.2
220.5	Purchases, services and other costs	49.3	39.8

Commercial operating costs, equal to EUR 1.5 million (EUR 1.6 million in the first quarter of 2002), include operating costs of concessionary company Publiespana and its subsidiary companies *Publimedia Gestion* and *Advanced Media*.

Programme schedule operating costs reached in the quarter EUR 35.3 million (EUR 26.9 million in the first quarter of 2002). The increase recorded in the quarter is affected, with respect to the same quarter of the previous year, by the publishing choices made by Telecinco which, showing a continuity with the programme schedules of last Autumn, made greater use of self-produced contents (entertainment, *talk shows*, *reality shows*) with respect to broadcasting television rights regarding cinema events, international and domestic series mainly scheduled for some *prime times*. The increase in operating costs of productions is more than offset in the quarter by the decrease of the cost item represented by the amortisation of television rights. During the quarter, the trend of programme schedule operating costs was also affected by charges from the news coverage of extraordinary international events connected to the beginning of military operations in Iraq.

Broadcasting costs regard costs incurred for the lease from the government operator *Retevisión* of the network and television signal broadcasting services. Such costs amounted to EUR 4.5 million in the first quarter of 2003 with respect to EUR 4.1 million in the same quarter of the previous year; this increase is mainly attributable to the start of digital broadcasting in *simulcast* which was started from April 2002.

Other costs include overhead of staff central facilities, provisions and production costs directly attributable to *other television operations*, the latter mainly regarding *content extension* projects. Overall, these costs resulted in the quarter slightly higher than those recorded in the same quarter of 2002.

EBITDA

Because of the strong increase in net revenues, EBITDA recorded in the first quarter of 2003 an EUR 19.4 million increase with respect to the same period of the previous year; the percentage rate on consolidated net revenues went from 51.3% to 54.0%.

EBIT

In the first quarter of 2003, the EBIT of the Spanish Area amounted to EUR 27.9 million, with a 19.6% percentage on net revenues. In the same quarter of the previous year, EBIT had been affected by a particularly negative trend of advertising sales and had been negative by EUR 1.3 million. EBIT in the first three months of 2003 was also positively affected by the reduction of amortisation, depreciation and

write-downs, which decreased from EUR 58.8 million in the first quarter of 2002 to EUR 49.0 million in the first quarter of 2003, especially because of the already mentioned reductions of amortisation quotas of television rights. In order to have a more appropriate appreciation of period results, it is pointed out that with respect to a growth of net television advertising revenues of 28.2%, overall costs of the Telecinco Group, including also the items connected to personnel expenses and amortisation, depreciation and write-downs, showed in the relevant quarter an extremely modest growth, equal to 0.9%, in line with the objective of containment of the costs envisaged for the current year.

Below, the analysis of the other items of the income statement is made with reference to the whole Mediaset Group, highlighting, with respect to the first three months of 2003 for each of the items commented, the contribution from the line-by-line consolidation of the Telecinco Group.

EBIT (after amortisation of Telecinco goodwill)

Ist Quarter '03	208.6
Ist Quarter '02	196.4
% change	6.2%

As has already been noted, starting from 2003, Group EBIT includes the amortisation quota of goodwill recorded on stakes held in Gestevisión Telecinco and Publiespana, equal, in the first quarter of 2003, to EUR 10.8 million. In particular, EUR 5.0 million is attributable to the 40% stake already held by the Mediaset Group at December 31st, 2002 (and included until that date in income/charges from equity investments) and EUR 5.8 million relates to the amortisation quota of goodwill arising as difference between the price paid for the 12% stakes purchased in 2003 and the value of the corresponding quota of consolidated net assets of Telecinco Group at December 31st, 2002.

Financial income/(charges)

Ist Quarter '03	(6.0)
Ist Quarter '02	(6.0)
EUR millions change	-

The balance of this item includes net financial income regarding the period attributable to the Telecinco Group for EUR 1.5 million and regarding domestic operations a negative balance of EUR 7.5 million which can be broken down into:

- charges regarding negative exchange rate differences for EUR 4.6 million (EUR 2.1 million in the first quarter of 2002);
- other net financial charges amounting to EUR 2.9 million (EUR 3.8 million in the same quarter of the previous year).

Income/(charges) from investments

Ist Quarter '03	(11.0)
Ist Quarter '02	(10.1)
EUR millions change	(0.9)

This item shows in 2003 the economic effect of the equity valuation of Albacom S.p.A. (19.5% shareholding), Press Tv (50% shareholding), Fascino P.G.T. S.r.l. (30% shareholding), Titanus Elios S.p.A. (30% shareholding) and of some investments held by the Telecinco Group.

The negative balance at March 31st, 2003, equal to EUR 11.0 million, mainly related for EUR 10.3 million to the adjustment of the stake held in Albacom S.p.A. determined pro-quota on the basis of the most recent estimate of the expected result for the fiscal year which ended at March 31st, 2003, including the goodwill amortisation quota.

It is worth noting that in the same quarter of the previous year the overall balance of this item, equal to –EUR 10.1 million, included a

negative economic effect of EUR 4.4 million regarding the evaluation of the companies belonging to the Telecinco Group which, as has been previously mentioned, in 2002 had been consolidated by the equity method for the 40% stake held.

EBT and earnings attributable to minority interests

Ist Quarter '03	191.1
Ist Quarter '02	180.6
% change	5.8%

The increase in EBT and earnings attributable to minority interests amounted to EUR 10.5 million, EUR 17.5 million of which attributable to the effects arising from the line-by-line consolidation of the Telecinco Group.

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)

Mediaset Group			
31/12/2002	Balance sheet summary	31/03/2003	31/03/2002
1,834.0	Television rights	2,027.2	1,828.3
443.4	Other intangible/tangible fixed assets	565.3	444.8
-	Adjustment from Telecinco net consolidation	332.6	-
470.3	Equity investments and financial fixed assets	194.8	677.5
(7.7)	Net working capital and other assets/liabilities	(100.6)	(273.0)
(100.5)	Allocation for severance indemnities	(102.5)	(95.1)
2,639.5	Net investments	2,916.8	2,582.5
(170.8)	Net financial position	(59.5)	(47.3)
2,467.2	Group shareholders' equity	2,644.6	2,533.6
1.5	Shareholders' equity attributable to minority interest	212.7	1.6
2,468.7	Group shareholders' equity and shareholders' equity attributable to minority interests	2,857.3	2,535.2

The group's balance sheet at March 31st, 2003 includes the line-by-line consolidation of the 52% stakes held in Gestelevision Telecinco and Publiespana; in order to make it possible to immediately compare tables with those regarding the same quarter of 2002 and at December 31st, 2002, in the following table the reclassified balance sheet summary at March 31st, 2003 is broken down and highlights separately the balance sheet results of the two geographical areas, Italy (including the stakes held in these companies) and Spain, and also points out the effects arising from the line-by-line consolidation of the above stakes.

(EUR millions)

Balance sheet summary 31/03/03	Italy	Spain	Eliminations/ Adjustments	Mediaset Group
Television rights	1,779.3	247.9	-	2,027.2
Other intangible/tangible fixed assets	446.7	118.6	-	565.3
Adjustment from Telecinco net consolidation	-	-	332.6	332.6
Equity investments and other financial fixed assets	721.0	8.7	(534.9)	194.8
Net working capital and other assets/liabilities	28.0	(128.6)	-	(100.6)
Allocation for severance indemnities	(102.5)	-	-	(102.5)
Net investments	2,872.5	246.6	(202.3)	2,916.8
Net financial position	(245.3)	185.8	-	(59.5)
Group shareholders' equity	2,625.7	432.0	(413.1)	2,644.6
Shareholders' equity attributable to minority interest	1.5	0.4	210.8	212.7
Group shareholders' equity and shareholders' equity attributable to minority interests	2,627.2	432.4	(202.3)	2,857.3

Similarly, in the Group's cash flow statement, shown below, there is highlighted separately, with respect to the first quarter 2003, the contribution to the financial results for the period given by the two

geographical areas, Italy (including the equity investment equal to EUR 276 million regarding the purchase of 12% stakes in Gestevisión Telecinco and Publiespana) and Spain. It should be noted that such equity investment is included in the Group's overall cash flow statement, as is the effect arising from the consolidation of Telecinco financial position at December 31st, 2002 (equal to EUR 142.3 million) in item **changes to the consolidation area**.

(EUR millions)

31/12/02	Sources and applications	31/03/03			31/03/02
		Mediaset Group	Italy	Spain	Mediaset Group
1,213.4	Operating cash-flow	458.8	388.7	70.1	380.8
102.4	Total disinvestments in fixed assets	-	-	-	-
(849.3)	Total investments of which:	(186.4)	(409.8)	(52.6)	(120.5)
(648.6)	investments in television rights	(173.6)	(123.0)	(50.6)	(112.1)
(121.7)	equity investments	-	(276.0)	-	-
(22.8)	other intangible investments	(8.1)	(8.1)	-	(1.4)
(56.2)	tangible investments	(4.7)	(2.7)	(2.0)	(7.0)
-	Share capital increases	-	-	-	-
(247.8)	Dividends paid	-	-	-	-
(141.7)	Other monetary variations	(27.4)	(53.4)	26.0	(59.8)
-	Change in the consolidation area	(133.7)	-	-	-
77.0	Net cash flow	111.3	(74.5)	43.5	200.5

Below are comments to the main items in the balance sheet at March 31st, 2003 and the variations since December 31st, 2002. For each of those changes, the effects arising from the line-by-line consolidation of the Telecinco Group are shown.

Net invested capital

31/03/2003	2,916.8
31/12/2002	2,639.5
EUR millions change	277.3

The most significant element of the invested capital of the Mediaset Group is television rights, which includes EUR 247.9 million regarding the net value of Telecinco Group's library. On a like-for-like basis, this item shows in the quarter a EUR 54.7 million decrease with respect to December 31st, 2002 which reflects for the specific period a higher amount of amortisation and depreciation, with respect to the investments recorded in the period.

Other tangible and intangible assets include EUR 118.6 million regarding the Telecinco Group; on a like-for-like basis this item, equal to EUR 446.7 million, remained basically unchanged compared to December 31st, 2002.

The item difference from consolidation appears starting with the first quarter of 2003 and reflects the effect arising from the line-by-line consolidation of equity investments held in the Telecinco Group net of period amortisation quotas. In particular, EUR 107.5 million refers to residual net goodwill regarding the 40% stake already held at December 31st, 2002, while EUR 225.1 million refers to the difference recorded for the price paid for the purchase of the 12% stakes with re

spect to the corresponding amount of consolidated net shareholders' equity of Telecinco at December 31st, 2002.

Investments and other financial assets decreased by EUR 275.5 million, EUR 274.1 million of which regarding the value of the 40% stake held at December 31st, 2002 in the Telecinco Group because of the mentioned line-by-line consolidation in 2003 of this Group, after the purchase of the 12% stake. Net of this effect, changes in the period refer to the adjustment of the value of equity investments held in Albacom, Press Tv, Fascino P.G.T. and Titanus Elios, consolidated by the net equity method, and include EUR 8.7 million regarding the recording of equity investments held by the Telecinco.

The balance of **working capital and other current assets and liabilities** equal to EUR 100.6 million includes, with respect to that at December 31st, 2002, EUR 128.6 million regarding the Telecinco Group. On a like-for-like basis no substantial changes were recorded in the quarter with respect to the balance of this item at December 31st, 2002.

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

31/03/2003	2,857.3
31/12/2002	2,468.7
EUR millions change	388.6

The increase over December 31st, 2002 can be attributed to the gross profit for the period and the Telecinco Group shareholders' equity, for the equity attributable to minority interests.

Net financial position

31/03/2003	(59.5)
31/12/2002	(170.8)
EUR millions change	111.3

The net financial position at March 31st, 2003, compared with that at December 31st, 2002 is broken down in order to highlight separately the contribution of the two geographical areas.

(EUR millions)

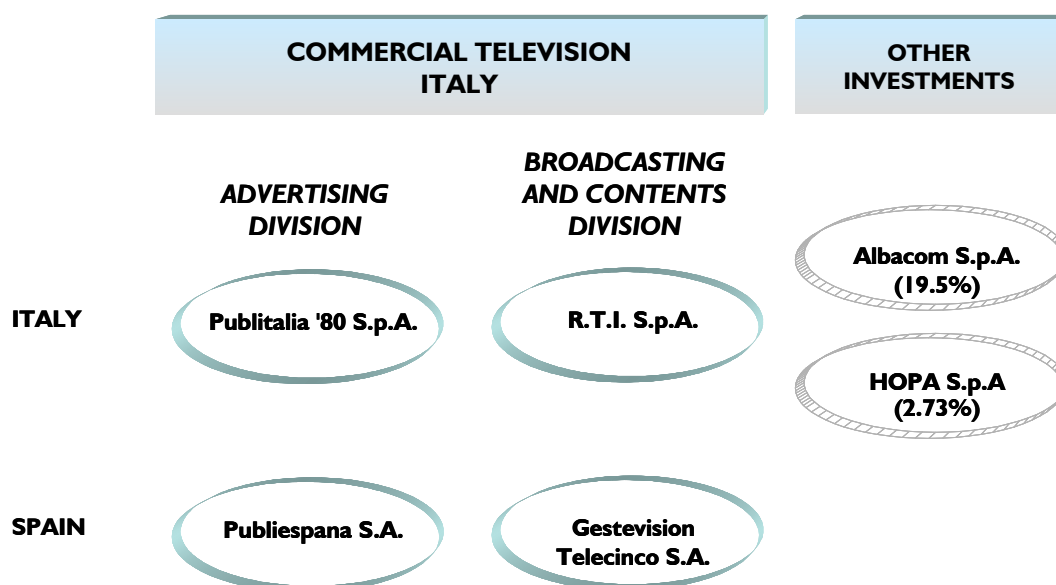
	31/03/03			31/12/2002
	Mediaset Group	Italy	Spain	Mediaset Group
Liquid funds	353.9	175.6	178.3	203.8
Financial income and securities (which are not fixed assets)	201.4	189.4	12.0	189.8
Total financial assets	555.3	365.0	190.3	393.6
Due to banks	(599.3)	(598.0)	(1.3)	(559.7)
Due to other financial institutions				
Factoring companies	(6.4)	(6.4)	-	-
Leasing companies	(4.5)	(4.5)	-	(4.6)
Other	(4.6)	(1.4)	(3.2)	(0.1)
Total financial liabilities	(614.8)	(610.3)	(4.5)	(564.4)
Net financial position	(59.5)	(245.3)	185.8	(170.8)

It should be noted in particular that the change in the net financial position which occurred in the quarter with respect to Italian operations, net of the payment of EUR 276 million, connected with the purchase of the 12% stake in Telecinco Group, shows a significant positive cash flow from current operations for

around EUR 202 million. This flow is significantly higher than the one generated in the same quarter of the previous year which, net of the amount received from the sale of the shareholding in Blu S.p.A. (equal to EUR 105.9 million) amounted to around EUR 95 million.

ANALYSIS BY DIVISIONS

Mediaset Group's operations are mainly in the field of Commercial Television; starting from 2003, because of the acquisition of the controlling stake in the Telecinco Group, these operations are to be found in two main geographical areas: Italy and Spain. The structure of the operations of the Group, which is also present in the telecommunications industry, by means of minority shareholdings held in Albacom and Hopa, can be sketched as follows:



Below is a description of the main events which occurred in the above divisions in the first months of 2003:

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

(EUR millions)

	First Quarter 2003	First Quarter 2002
Advertising revenues from third parties	685.1	685.5
Advertising revenues from Fininvest Group, Mediolanum Group and Mediaset Group	7.5	6.7
Television advertising revenues Publitalia '80 S.p.A.	692.6	692.2

As already mentioned previously, advertising sales remained on the whole at the same level of those recorded in the same quarter of the previous year; this result is even higher than that recorded in the same quarter of 2000, the last year marked by exceptional growth in advertising sales, and must be

therefore considered as extremely positive since it was achieved in a still unfavourable economic situation, which was affected internationally by the events connected with the Iraqi war.

Publitalia '80 therefore confirmed its ability to effectively counter difficult market conditions by finding new advertising investors and by maximizing the competitive advantage given by the lead in audience shares of Mediaset networks.

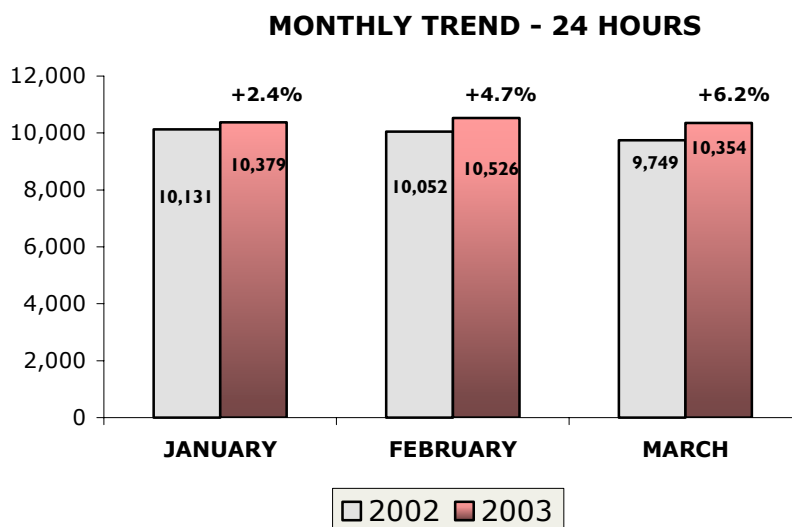
In the first months of 2003 significant television advertising campaigns were also made by some companies belonging to the telecommunications industry; the return to advertising investments by this industry may contribute, together with other factors and in presence of a greater stability of the international political framework, to a desirable greater dynamic of the market, expected for the remaining part of the year.

Broadcasting and contents division

Mediaset Network Audience Shares

In the first three months of 2003 Total Audience Shares on a full day basis were largely above 10 million people, with a 4.3% increase compared to the same quarter of last year.

The analysis of monthly trends shows that February was the month when Total Audience Shares reached their highest value in terms of absolute values and March was the month with the highest difference from 2002.



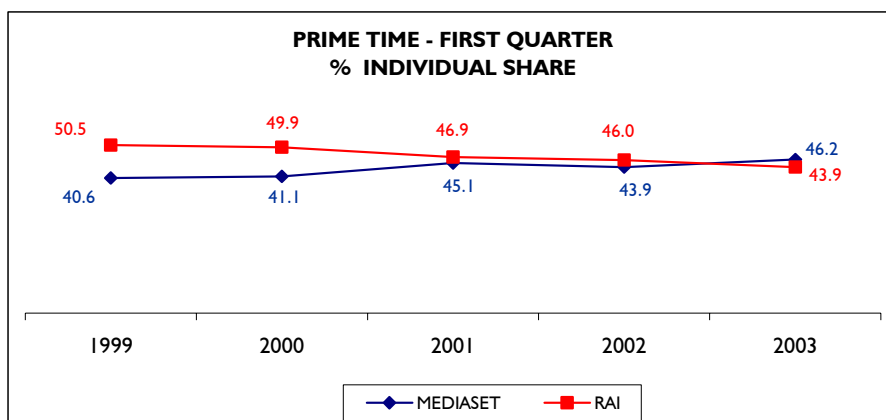
The full day audience share is the result of a growth that, as is shown in the table below, was present in all time brackets.

Full day share	Jan./Mar. 2003	Jan./Mar. 2002	Change
07:00 - 20:30	11,334	10,869	4.3%
Prime Time	28,058	26,817	4.6%
Late at night	10,368	10,042	3.2%
Total	10,417	9,990	4.3%

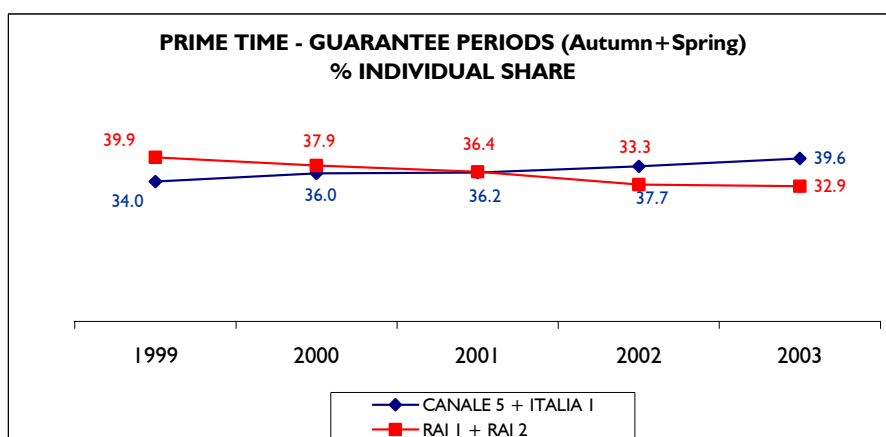
In particular, there was a great increase in coverage (over one million new contacts in Day Time and Late Night and one million and seven hundred thousand in Prime Time), while television consumption remained substantially unchanged.

In the full day of the first quarter of 2003, Mediaset achieved an audience share of 43.7%, a half point more than the same period of 2002. Our privileged relationship with the 15-64 year-old commercial target was also confirmed (45.4% vs. 43.1% for Rai 1) and with children aged 4-14 years (51.8% vs 36.1% for Rai).

The contribution of Prime Time was fundamental. With 46.2% (+2.3 points more than last year) our networks ranked first before Rai, blocked at 43.9%. In this time Canale 5 and Italia 1 continue to remain well positioned as first and third domestic network, with 24% and 14.3% respectively (vs. 23.4% of Rai 1 and 10.9% of Rai 2).



The beginning of the guarantee period also proved positive: Spring 2003 (January 26th - May 31st, without the week with the Sanremo Festival) came at the end of March with Mediaset even stronger and closer to its competitor. In Prime Time our Networks leave Rai behind by almost 5 points with 47.4% vs 42.5%. Growth is recorded in both Canale 5 and Italia 1 which, working in synergy, increased their visibility to the detriment of Rai 1 and Rai2.



The list of nights won is also noteworthy: 39 Canale 5, 12 Rai 1 and 5 Italia 1

Here is the situation over the full day:

Total Mediaset	24 Hours	Prime Time	Day Time 7:00-2:00
Canale 5	23.0	24.0	22.7
Italia 1	12.0	14.3	11.3
Retequattro	8.7	7.9	8.8
Total	43.7	46.2	42.8



The first quarter of 2003 confirmed the positive results obtained by the network in 2002: in Prime Time it ranked first before Rai 1 (24% vs 23.4%) on the general audience target, in the full day, it was the first choice for the audience aged 15-64 and second – after Italia 1 – for children.

The beginning of the guarantee season offered also Mediaset flagship the opportunity of increasing its advantage in Prime Time (24.7% vs 22.2% of Rai 1) and reduced, as a consequence, its gap in the full day.

Also in the first months of 2003 Canale 5 offered rich and diverse programmes, in order to meet the needs and expectations of an increasingly larger audience.

The return was appreciated, in the entertainment area, of historical productions such as *La Corrida* (30.1%) anchored for the second year in a row by Gerry Scotti together with conductor Pregadio and Vincenza Cacace, *Miconsenta*, the ever present show of political satire made by Bagaglino (25%), *Grande Fratello3* (31.7% the average share on Thursday nights and 26.3% late in the afternoon) which, in spite of being in its third year, continues to spur curiosity and to be the talk of the town and, last, *Ciao Darwin 4* (29.7%), the “anthropological” show which started on March 28th with the fierce competition between showgirls and academics.

More specifically:

- in the **Day Time**, *Uomini e Donne* reached 25.4% and clearly retained its leadership on the female audience (36.2% on women aged 15-44); after it, *Amici di Maria De Filippi* achieved 20.3% in the 16:20 recorded screening broadcast from Monday to Friday, and 31.4% in the studio live show on Saturday afternoon, with very high shares among young adults aged 15-34 (38.6% and 42.9%, respectively).

In the **Day Time**, self produced soap operas did well: *Vivere* and *Cento Vetrine* reached 19.9% and 28.6%, respectively, and confirmed to be, in their time bracket, the first choice for young women aged 15-34 (with 34.8% and 44.2%, respectively).

Already starting from these first months, Canale 5 dramas offered viewers very high quality products.

- In the **Prime Time**, it is worth mentioning the biographies in two screenings of extraordinary people, like *Papa Buono* (34.9%), the touching story of Pope John XXXIII and Enzo Ferrari (28.8%), a man who managed to make his dream come true and make this Italian brand famous throughout the world, and the funny stories of *Carabinieri 2*, the second series of this much beloved drama which, in the first three shows broadcast, conquered 27.2% of the general audience and over 40% of children.

TG5 obtained always positive results: the news headed by Enrico Mentana came at the end of the first quarter 2003 with an average of 25.1% in the 1 p.m. slot, and 27% in that of 8 p.m. Excellent results

were also reached by the extraordinary 6.10 p.m. news broadcast starting from March 20th to provide further updates on the war in Iraq (22.8%).

Constantly at the top of the lists of the most successful programmes, *Striscia la Notizia* achieved, in the first three months of 2003, 31.7%. An excellent debut, after the Sanremo week, was made by the couple from Rome Bonolis-Laurenti, who for the fourth year in a row replaced the Greggio-Iacchetti couple and made the 2003 high, with a 39.2% share and over twelve million viewers.



Italia 1

The gold season of the young Mediaset network carries on. In the first quarter 2003 Italia 1 increased, over the first three months of 2002, its audience shares in all times (one point more in the full day, thanks to +0.6 in Day Time and +2.6 in Prime Time) and remained third in Prime Time with a large margin on Rai 2.

There is perfect matching between the network and its target audience: in the full day, it ranks first among children aged 4 to 14 years (27.9%), and second – after Canale 5 – among young adults aged 15-24 (20.8%).

In the current guarantee season Italia 1 is ahead of Rai 2 also in the full day, besides Prime Time, where its margin increases (14.9% vs 10.7%).

The programmes which contributed to the network's success are many and belong to the most diverse types:

Viewers liked *Zelig Circus* enormously: the ten shows broadcast in Prime Time totalled an overall average of 26.5% with a growing trend (20.8% the result at the debut, 24.8% at the seventh show broadcast simultaneously with the Sanremo Festival, 30.8% for the last show) which was not affected at all by the move from Tuesday to Wednesday.

Double bills confirm to be a winning formula – in Prime Time and late at night – of the two most irreverent trios of TV: Alessia Marcuzzi, Luca Bizzarri and Paolo Kessisoglu reached 15.1% on Sunday night (*Le Iene Show*) and 15.9% on Thursday (*Le Iene*) while Gialappa's (i.e. Giorgio Gherarducci, Marco Santin and Carlo Taranto) reached an average 16.4% on Sunday (*Mai dire domenica*) and 21.1% on Friday (*Mai dire Grande Fratello*).

The beginning of the final series of *Amici di Maria De Filippi* was very promising: the first show in Prime Time broadcast on March 25th was followed by over 4½ million viewers, equal to a 19.8% audience share and gained the attention of 40.6% of young adults aged between 15 and 24 years of age.

At the start also *Oblivious* (11.5%) and *Papirazzo* (15.5%), two new Saturday afternoon programmes for Italia 1. The former is a travelling game show with hidden cameras run by the “fabulous four ones” of La Premiata Ditta, and the latter is a gossip programme that can count on a team of paparazzis looking for scoops, headed by Enrico Papi. As to him, the result of *Sarabanda la sfida* was really excellent, the special edition of the musical game show which, on March 5th, reached a share above network average (16.3%) and took viewers away from the Sanremo Festival.

From March 14th, in Prime Time, the new episodes of *C.S.I.: Scena del crimine*, the series which came to Italy last year in the wake of the enormous success obtained in the United States: the first three episodes obtained 16.1% (vs. 14.1% achieved on the whole in 2002) and conquered one person aged 15-34 out of four.

Children constantly show their appreciation for the products that the network selects for them. In the afternoon, from Monday to Friday, a collection of cartoons: *Beyblade*, *Hamtaro*, *Roba da gatti*, *Totally*

Spies – just to mention the series that have been recently broadcast – won the hearts of more than one child out of three; on Saturday, Ellen Hidding entertains children with the new edition of *Ziggie* leading them closer, in a simple manner, to the mysteries of science, experiments and nature, and achieving, in the first two shows, 12.6% on the general public and 48.7% on children aged 4-14.

All sportspeople and soccer lovers cannot miss the comments, the goals and the slow motions of *Contro Campo*: the programme anchored by Sandro Piccinini conquered 15.2% and beat *La Domenica Sportiva*, showed at the same time on Rai 2 (12.3%).

Then, with respect to news, positive results were obtained by *Studio Aperto* in both its day programmes, 16% is the average result at 12.25 p.m., 11% that of 6.30 p.m. *Lucignolo* was also very appreciated, the weekly programme of news analysis devoted to young people edited by Mario Giordano and broadcast on Friday late at night (14.6% on the general audience, 25.2% on people aged 15-34).



Retequattro

Rete 4 came to the end of the first quarter with 8.7% in the full day and 7.9% in Prime Time, where it increased by 0.3 share points over the first quarter of 2002.

In the full day the network maintains the third place, after Rai I and Canale 5, with people aged over 65 (12.7%) and continues to carry out a significant function of presence with a mature audience.

Also in 2003 Rete 4 has been engaged on two sides, with an offer whose objective is to satisfy an adult male audience, who love sports, documentaries and scientific analysis, without for this reason giving up its female audience more oriented to soap operas, telenovelas and entertainment programmes.

Among explanatory programmes, there are *La Macchina del Tempo* and *Appuntamento con la storia*, two programmes anchored by Alessandro Cecchi Paone broadcast on Thursday in Prime Time and on Monday late at night, respectively, which reached in turn 7.3% and 8.4% of males aged over 35, *Solaris, il mondo a 360 gradi*, the documentary broadcast on a daily basis (10.6% the average result on the same target audience in the afternoon), and *Top Secret* (8.6%), investigations edited by Claudio Brachino late at night on Wednesdays.

As to sport, a precious contribution was given by the two *Champions League* matches broadcast in Prime Time on February 25th and March 11th (12.5% share of men) and, after them, by *Pressing Champions League*, the analysis made by Massimo De Luca, who examined and commented on the matches (14.8% on the general audience and over 20% on the male audience). In their place, in the Tuesdays without football matches, *Record*, a review on great sports champions, which opened on March 25th with a programme devoted to the U.S. boxer Cassius Clay and attracted 8.3% of men.

New programmes and results also with respect to television series showed by the network in Prime Time: *Band of Brothers*, a U.S. army flying team which, by launching themselves with parachutes on France in 1944, prepared the battlefield for army forces, the new series of *Siska*, the crime series by Herbert Reinecker, the maker of *Ispettore Derrick*, both conquered over 9% of men aged over 35.

As to women, there were good results from *Batticuore*, the new series on air from January 7th, *Sentieri* and the late afternoon event *Terra Nostra 2* (11.7%, 11.2% and 10% of women, respectively); very positive audience shares were also obtained by *Forum* (14.6%) and by the many magazines at the weekend (*Sabato Vip*, *Il trucco c'è* and *la Domenica del villaggio*, in turn 13.2%, 13.6% and 14.9% on the general audience and 15.6%, 17.5% and 16.3% of women).

Lastly, the news: *Telegiornale 4* reached 8.1% at lunch and 7.8% in the evening (which lasted thirty minutes more since the beginning of war in Iraq); besides, Emilio Fede's editorial staff devoted to the war under way *Ultim'ora*, a daily analysis which, late at night, totalled 9.4%.

Multimedia and content extension operations

Domestic multimedia operations of the Mediaset Group, mainly carried out until December 31st, 2002 by Mediadigit S.p.A., have been managed since 2003 by R.T.I. S.p.A. with the aim of maximizing opportunities for synergy and *content extension* with respect to the *core business* focused on television products. These operations include the distribution of theme channels to domestic digital platforms, Internet operations, those related to Teletext, publishing operations run in joint venture with Mondadori by Press Tv, a company set up in 2002. It is also worth mentioning that, by virtue of significant commercial agreements stipulated in the second half of 2002, *content providing* operations have also been started for multimedia contents reserved to mobile telephone companies. Advertising sales connected to the Internet and to theme channels are supported by Publitalia '80 S.p.A. as exclusive concessionary. Consolidated net **revenues** generated on the whole by these operations amounted to **EUR 9.1 million**, compared to EUR 7.3 million in the same quarter of the previous year.

With reference to **theme channels**, the channels Duel Tv, Comedy Life and MT Channel are distributed by Stream, while Happy Channel has been distributed on D+. Overall **revenues** from the distribution of these channels, mainly consisting of guaranteed minimums paid by digital platforms, amounted to **EUR 5.1 million**, unchanged with respect to the same quarter of 2002.

As to **Internet** based operations, the positive results for news contents developed by Tgcom and Tg5.it were confirmed, especially with respect to coverage guaranteed to the events connected with the war in Iraq. The area devoted to news consolidated therefore, also in the first months of 2003, its position among Italian online news sites. **Revenues** from Group Internet operations amounted in the first three months of 2003, to EUR 1.3 million, in line with those in the same quarter of the previous year.

As already commented before, in the first months of 2003 there are operations for the creation and sale of **multimedia services and contents** to mobile telephone companies, both of second generation and with H3G, the first company which launched UMTS in Italy, which exploits technological and brand opportunities that the Mediaset Group has. In the first three months of 2003 a few projects developed in 2002 were successfully continued, among which the pay version of *Milionario*, to be seen both on the Internet and Mediavideo, community services, developed with Wind and to be used within Mediavideo interactive service and the start of MMS production with TG5 brand to provide to all mobile telephone companies. During the first quarter of 2003, these operations generated total **revenues** for EUR 1.3 million.

With respect to **Teletext** (Mediavideo), success, both in publishing and commercial terms, was confirmed also in the first months of 2003. **Revenues** in the period amounted to **EUR 1.4 million** (EUR 0.9 million in the previous year).

With respect to operations run by **Press TV S.p.A.** in the first months of 2003 the publishing success of the sports weekly *Controcampo* was confirmed. In the same period, the publication by Press Tv was started for two other magazines linked to famous television programmes: *Amici di Maria De Filippi* and *Grande Fratello*.

Commercial Television – Spain

Advertising division

The Spanish advertising market is one of the most important in Europe and is characterised by a greater fragmentation of supply at domestic level compared to the Italian market. Besides Telecinco, there are also a government television Group with two networks (TVE), a private commercial television, Antena3, a federation of local televisions, the so called *autonomicas* gathered under the *Forta* brand. Starting from the second half of 2003, the new single pay digital platform should start working, set up from the merger between the two current *pay* televisions, i.e. *Via Digital (Telefonica Group)* and *Canal Satellite/Sogecable* (with stakes held by the *Vivendi/Canal Plus Group* and by the Spanish Publishing Group *Prisa*) which should count in the beginning on around 2.4 million subscribers with a penetration which is one of the highest in Europe, with around 20%.

The Spanish television advertising market is the fifth European market in terms of size (estimated in 2002 based on *Infodex* data at EUR 2,077 million) and the second after Italy in terms of percentage (equal to around 40%) of advertising investments devoted to television compared to total advertising investments on traditional media. The ratio between advertising investments and Gross Domestic Product, which is currently still lower than the main European markets further guarantees in structural terms in prospective further growth margins. The Spanish television advertising market experienced in the 1998-2000 three year period exceptional development rates fostered by the prolonged expansion of Spanish economy, which in the last couple of years was affected by the profound slowdown of the economic cycle which characterised the main international markets, and recorded in 2001 an 8.2% decrease and in 2002 a modest 1.6% growth.

In 2002 Publiespana, Telecinco's exclusive concessionary, had a 27.3% share of this market, and confirmed itself as the leading company in the Spanish television advertising market, capable of effectively maximizing the leading position held by Telecinco with respect of audience levels on the so called "commercial target" with an average share in 2002 of 23.6%, lower than that achieved on the advertising market.

Signs from the advertising market in the first months of 2003 confirm, in spite of the extreme uncertainty which was present before the start of the war in Iraq, the positive indications that had already characterised the last months of 2002. In this situation, Publiespana advertising sales for Telecinco amounted to EUR 139.9 million with an increase of more than 28% with respect to the same quarter of 2002, when Telecinco advertising sales had decreased (-21.6% compared to the first quarter of 2001), penalised, at the most acute stage of the crisis of the Spanish advertising market, by the strong subtraction of audience shares by TVE and by the strong competition on prices made by the government television. In the first three months of 2002 there were 392 advertising customers, 147 of which newly acquired.

Broadcasting and contents division

In the first quarter of 2003 Telecinco's publishing offer substantially maintained the same structure of the proposal made in Autumn 2002; all the main top programmes of the television achieved positive results in terms of audience.

In the Day Time a mention should be given in particular to talk show *Dia a Dia* which recorded in the quarter a share above 25%; another greatly successful talk show, *Cronicas marciales*, confirmed to be the unchallenged leading programme in the evening.

As to the afternoon, it is worth mentioning: the talk show *A tu lado* which achieved a share of around 20%, strongly growing over the same quarter of the previous year (12.9%) when it had been broadcast for the first time, the entertainment production *Aquí hay tomate* and drama *Embrujadas*.

In the quarter, it is also worth mentioning the excellent results in terms of audience of news programmes, especially with respect to the two events which were the beginning of the Iraqi war and the sinking of the *Prestigi* tanker.

Prime Time audience shares benefited from the final show of the *Gran Hermano* series that had been started in Autumn 2002, the positive results of talk show *Salsa Rosa*, international series *CSI*, which was one of the main events in the television season and from the renewed success of domestic dramas *7 Vidas* and *Los Serrano*.

Other investments

Albacom based on the preliminary data regarding the year ended at March 31st, 2003 increased sales in the year by more than 17% which is one of the best performances among domestic telecommunication companies and confirms a 12% market share on the “data” segment, which places the company as main competitor of Telecom Italia with respect to corporate customers.

Based on these preliminary data, the achievement of positive EBITDA is confirmed for the second consecutive year, which should lead, based on company plans, to achieving operating break-even at the end of the current fiscal year.

Because of the cautious estimate of the quarterly result and the goodwill amortisation quota, the evaluation by the net equity method of the investment in Albacom generated for the Mediaset Group, at March 31st, 2003, an overall charge of EUR 10.3 million.

It should also be noted, lastly, that with respect to undertakings regarding the coverage of the financial requirements of Albacom envisaged by the agreement stipulated by the shareholders on March 24th, 2003, Mediaset made at March 31st, 2003 payments as interest-bearing loan for an overall amount of EUR 20.3 million, EUR 7.2 million of which were made in the specific quarter.

With respect to the 2.73% stake held in **Hopa S.p.A.** it should be noted that, on May 9th 2003, in execution of the agreements made between Hopa S.p.A. and the shareholders of Olimpia S.p.A. last December and of the decisions taken by the extraordinary shareholders meetings of Olimpia S.p.A. and Holy S.r.l. (a subsidiary company of Hopa S.p.A.) the deed for the merger by incorporation of Holy S.r.l. in Olimpia S.p.A. was stipulated with the same date as effective date. Following this operation, Hopa S.p.A. holds a shareholding in the company resulting from such a merger equal to 16%, which will be reduced to 14/15% once the merger between subsidiary company Olivetti and Telecom Italia is carried out.

SIGNIFICANT EVENTS AFTER MARCH 31ST, 2003

- Overall audience shares of Mediaset networks regarding the first four months of 2003 confirm the positive results achieved in the first three months of the year. In particular, in the full day Mediaset increased its audience rising from 43.7% in the first quarter to 44.0% at the end of April; in Prime Time Canale 5 and Italia 1 confirm to be first and third, while Retequattro improved by 0.3 points; in the Day Time all three networks increase their audience shares.
- After the brilliant results achieved in the first three months of the year, Telecinco achieved excellent audience shares also in April, and confirmed its clear leadership both in the full day average and in Prime Time with respect to other commercial private televisions, and even came ahead of the government television in the Day Time and confirmed its unchallenged domestic leadership on the commercial target in the main times.

FORSEEABLE DEVELOPMENTS

- Based on currently available evidence regarding the trend of advertising sales of Mediaset networks it is estimated, with respect to the first five months of the year, that television advertising sales will be in line with those in the same period of the previous year.
- The exceptional growth in Telecinco advertising sales recorded in the first three months of 2003 is to be assessed also with respect to the unfavourable results in the same period of 2002. After March 31st, Telecinco confirmed the growth of its advertising sales with respect to 2002, though with a lower percentage than that recorded in the first quarter.

for the Board of Directors
the Chairman