

Press Release

Mediaset Group Q3 2002 Results

RESULTS IN LINE WITH DECLARED OBJECTIVES

Recovery in advertising sales:

+1.7 in third quarter

+4.7 in October

TV OPERATING COST CONTAINMENT CONTINUES:

-9.7% in third quarter

OPERATING PROFIT:

+E 8.3 million in Q3

TV RATINGS:

**Canale 5 remains Italy's leading channel and
Italia 1 confirms its position as Italy's third channel
for the second season**

The Board of Directors of Mediaset, which met today under the Chairmanship of Fedele Confalonieri, has approved the management's report on the Mediaset Group's 3rd quarter 2002 results.

The results for the third quarter of 2002 reflect a positive performance in advertising revenues and television costs, in marked contrast to the first two quarters of the year.

Q3 Advertising sales

Advertising sales recorded by Publitalia 80 were decidedly better than the market average. Sales for Mediaset's three channels during the third quarter were **up by 1.7%**, confirming and strengthening the **positive signals** already seen in June, when there was a turn around in the trend that had characterised the first five months of the year.

Q3 Costs

The positive performance in revenues was accompanied, on the television side, by a focused policy of cost control. In fact, in the **third quarter television operating costs** were **reduced by 9.7%**.

Advertising sales in the first nine months

The advertising revenues for Mediaset channels in the first nine months of the year (while being 1.9% down on the same period of 2001) are markedly better than the overall trend in the national advertising market.

Costs in the first nine months

The performance in the third quarter allows Mediaset to record **a reduction in TV operating costs for the first nine months of the year of 5.6%** (a fall from E437.6 million in the same period of 2001 to E413.0 million this time). At the same time, for **investments in TV rights the reduction was equal to E160 million.**

Ratings in the first nine months

The careful control of costs has not affected the quality of the product. Indeed, there has been **a continuing improvement in audience ratings.** In the first nine months of 2002 Mediaset's channels recorded record ratings in the early evening slots: 43.8% compared with 42.8% (+1.0%) in the same period of the previous year.

Canale 5 remained Italy's most popular prime time channel with a **23.5%** share.

Excellent results were also recorded by **Italia 1**, with an early evening share of 12.1% (compared with 11% in the first nine months of 2001) and consolidates its position as **Italy's third most popular channel** after Canale 5 and RaiUno.

CONSOLIDATED FINANCIAL HIGHLIGHTS

The Group's performance in the first nine months of 2002 can be summarised as follows:

- **Consolidated net revenues** came to **E1,668.4 million**, compared with E1,725.6 million in the first nine months of 2001 (-3.3%). Net of the proportional consolidation of the Epsilon Group the percentage change is E1.6%.
 - In particular **advertising sales to third parties** in the first nine months of 2002 totalled **E1,762.2 million** compared with E1,791.6 million for the same period of the previous year (-1.6%). This result should be seen in the light of the fact that it is in contrast to the overall trend in the advertising market and is a marked improvement on the performance recorded in the first six months of the year (-2.6%).
 - **Other television revenues** came to **E87.0 million**, compared with E92.6 for the same period of last year. A slight fall of E5.6 million, mostly due to a fall in advertising sales to a number of companies in the Group.

In the **third quarter of 2002, consolidated net revenues grew by 3.1%**, compared with the same period of the previous year.

- **Operating costs** as at 30 September 2002 recorded a **fall of E29.7 million**, from E720.9 million in the first nine months of 2001 to E691.2 million for the same period of this year (-4.1%).
In particular **television operating costs** fell by **5.6%**, from E437.6 million to **E413.0 million** for the first nine months of the year.
In the third quarter television operating costs were reduced by 9.7%.
- **Gross operating profit (Ebitda)** came to **E977.2 million**, a fall of 2.7% on the E1,004.7 million of the first nine months of 2001. Thanks to an increase in revenues and reductions in costs in the third quarter, the **gross operating profit recorded an increase of 12,1%**, compared with the same period of the previous year.
- **Operating profit (Ebit)** went from E491.2 million to **E412.2 million**. The trend in operating profit (-16.1%) should be read in the light of overall amortisations and depreciations that went from E513.5 million in the first nine months of 2001 to E565.0 million this time. The increase in this item is mainly due to higher amortisations for TV rights and the impact of investments in drama series produced in-house.
In the **third quarter 2002, operating profit increased by E8.3 million**, compared with Q3 2001.
- **Pre-tax profit** for the period came to **E331,8 million**, compared with E436.7 million in the first nine months of 2001. Apart from the lower operating margin, the change is due to allocation in the third quarter of 2001 of extraordinary income deriving from the conversion of the investment in the Epsilon joint venture.
- The Group's **net financial position**, as at 30 September 2002, was **-E29.2 million**, a marked improvement on the figure at the end of December 2001 (-E247.8 million) and at 30 September 2001 (-E58 million). This improvement was the result of the **positive cash flow generated in the current year (E218.6 million)**.

FORECAST FOR THE FULL EAR

- **Advertising sales in October** (E256 million, **an increase of 4.7%** on the same month of the previous year and +5.2% for third parties) have consolidated the growth trend that began in June.
On the basis of this result and on current evidence regarding sales for November, it is possible to confirm a forecast for the full year that sees total advertising revenues at the same level as those of 2000 and 2001.
This is a result that is in contrast to the national reference market and in an international context that continues to be characterised by uncertainty.

- In **the first ten months** of 2002 Mediaset's channels recorded a combined prime time of 43.9%, an increase of 0.7 points compared with the same period last year. Canal 5's prime time performance gave it a share of 23.5%.
- On the basis of current evidence, concerning trends in advertising sales for the closing months of the year and continuing reductions in operating costs, the Group expects, for the final quarter of the year, to record levels of gross operating profit and operating profit higher than those recorded for the same period of 2001.

The Board of Directors also adopted, in line with Italian Stock Exchange regulations (Art. 2.6.3), a code of practice concerning internal dealing. The code defines as 'relevant persons': directors, statutory auditors, all executives of the parent company, as well as the chairmen and chief executives of the main subsidiary companies. Communications concerning operations carried out by 'relevant persons' on company shares for amounts equal to or greater than E50,000 will be made every three months while operations for amounts of more than E250,000 must be communicated within five working stock market days. The code establishes that the exercise of stock options or option rights, as well as eventual black-out periods in which 'relevant persons' may not carry out operations, are not subject to obligatory communication.

Cologno Monzese, 12 November 2002

Highlights from the consolidated income statement*
In millions of euros

	Progressive to 30 September		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 consolidated net revenues	1,668.4	1,725.6	366.8	355.9
Labour costs	228.7	218.2	71.1	68.4
Procurement, services and other	462.5	502.7	118.7	129.5
Operating costs	691.2	720.9	189.8	197.9
Gross operating profit	977.2	1,004.7	177.0	158.0
Amortisations and depreciations	565.0	513.5	177.8	167.1
Operating profit	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 before extraordinary items	332.3	410.9	(26.0)	(40.1)
Extraordinary income/(charges)	(0.5)	25.8	0.6	26.5
Pre-tax profit	331.8	436.7	(25.4)	(13.6)

Highlights from the consolidated balance sheet*
In millions of euros

	31/12/2001	30/09/2002	30/06/2002
1,881.8	Television rights	1,783.7	1,848.6
430.1	Other tangible/intangible assets	467.5	459.3
687.6	Financial assets	480.7	471.1
(304.0)	Net working capital & other assets/liabilities	(165.2)	37.4
(93.1)	Severance indemnity reserve	(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	Shareholders' equity and minority interest	2,438.7	2,463.8