



# **MEDIASET GROUP**

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*Report on  
operating  
performance  
in the first half  
of 2002*

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***Interim Report 2002***

**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



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## BOARD MEMBERS

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### Board of Directors

<b>Chairman</b>	(*) Fedele Confalonieri
<b>Deputy Chairman</b>	(*) Pier Silvio Berlusconi
<b>Managing Director</b>	(*) Giuliano Adreani
<b>Directors</b>	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

<b>Chairman</b>	Achille Frattini
<b>Regular Auditors</b>	Francesco Antonio Giampaolo Riccardo Perotta
<b>Supplementary Auditors</b>	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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# **Interim Report 2002**

Report on operations  
in the first half of 2002

***MEDIASET GROUP***



# MEDIASET GROUP

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## Report on operations in the first half of 2002

Dear Shareholders,

The Group heading your company achieved the following results in the first half of 2002: **consolidated net revenues** amounted to EUR **1,301.6** million compared to EUR 1,369.7 million of the same period of the previous year, with a 2.9% decrease, net of the effect arising in the first half of 2001 from the proportional consolidation of the Epsilon group; **EBITDA** amounted to EUR **800.2** million compared to EUR 846.7 million recorded in the same period of the previous year, basically at the same percentage level of revenues (61.5% compared to 61.8% in the first half of 2001); **EBIT** reached EUR **413.0** million, compared to EUR 500.3 million in the first half of 2001, net of amortisation, depreciation and write-downs amounting to EUR 387.2 million (EUR 346.4 million in the first half of 2001). Operating profitability amounted to 31.7% compared to 36.5% recorded at the end of the first half of 2001. **EBT** amounted to EUR **357.2** million (compared to EUR 450.3 million achieved in the first half of 2001), with a decrease due to the economic effect of the period, equal to EUR 31.9 million, connected to the write-down which cancelled the book value (EUR 203.8 million) of the 2.28% investment held in Kirch Media GmbH & Co KgaA, for which a provision of EUR 171.9 million had already been allocated at 31 December 2001. This write-down, in consideration of the beginning of the bankruptcy procedure of this company, mirrors the likely impossibility to recover the capital invested. The simultaneous start of the preliminary insolvency procedure against the Kirch Media parent company, Taurus Holding, makes it difficult to receive the amount, equal to the capital invested by Mediaset plus the interest, which according to the contract should be paid by Taurus Holding to Mediaset with respect to the exercise of the *put* option carried out in the second quarter of this year.

The parent company, **Mediaset S.p.A.** achieved at the end of the period an **EBT** of EUR **167.0** million, compared to EUR 337.8 million achieved in the same period of the previous year, after amortisation, depreciation and write-downs amounting to EUR 84.7 million.

Consolidated economic results obtained in the first half of 2002 confirm the main trends in terms of the television core business operations in the first quarter, and are in line with period estimates.

In particular, in the first half of 2002, **advertising sales on Mediaset networks** with third parties, though still lower on the whole (-2.6%) than the amount recorded in the same period of 2001, continue to be higher (+1.6%) than the highly exceptional amount recorded in the same period of 2000; **television operating costs** were instead reduced, in line with the expected containment objectives on a yearly basis, by 4.2%. By virtue of these results, but also of the higher amortisation of television rights, an element which is difficult to reduce during the year, since it is largely generated by the high purchase volumes of previous years, the period EBIT fell by EUR 87.3 million compared to the first half of 2001, a period in which income results were affected by the positive trend of advertising sales. The expected more favourable trend in advertising sales in the second half of the year, together with the continuous reduction of television operating costs that has already been planned for summer and autumn schedules will progressively bring back in line, as expected, the economic margins on an annual basis, and lead to the achievement of EBITDA at a stable level and significant operating profitability.

In spite of a still weak economic situation and the presence of factors of instability and uncertainty, during the second quarter of 2002 advertising sales on Mediaset networks already showed signs of recovery, partly because of the comeback of some significant institutional campaigns or connected to the launch and consolidation of new *brands*. In this quarter, the reduction of advertising sales with third parties compared to the same period of the previous year went down to 2.1%, compared to a 3.2% decrease recorded in the first quarter of the year.

Based on data published by *Nielsen*, the domestic **advertising market** regarding traditional media (press, television, cinema, posters and billboards and radio) recorded, in the first half of 2002, a greater reduction, estimated at 4.2% compared to the same period of 2001. However, the analysis by sectors shows a good situation in the main trade industry, which is companies manufacturing mass consumption goods, and confirms, though with some exceptions, the lasting fall of the macro-sectors that caused the exceptional boom of 2000 (telecommunications, insurance/finance and *new economy*). Leaving out the investments from these sectors, the trend of domestic advertising investments, as was the case of 2001, continues to record growth rates which are higher on the whole than those of the main macro-economic indicators (increase in industrial production and consumption). This development shows therefore a good structural dynamic movement of communication investments, especially on television, which, also in an anti-cyclic view, mirrors the increasing competition between brands and between brands and large department stores for the protection of existing market shares and is in prospective terms a significant factor for a trend towards market growth.

During the 2002 television season, Mediaset networks achieved all the publishing objectives guaranteed to advertising investors, though in the presence of an average reduction in the audience share in the first half of the year compared to the same period of the previous year (almost entirely attributable to the results of audience shares in June, when RAI broadcast the Football World Cup), which is another important signal, in perspective, since it allows the Group concessionary to protect the market value of sold slots, even when demand is weak, on the whole.

**Audience results** achieved by the Mediaset networks in the Spring television season of this year confirmed the domestic leadership of Canale 5 in Prime Time and the new thrust in Italia 1 which, also by virtue of the success of new and innovative entertainment formats, remained also in this period the third domestic network and the undisputed network of reference for the young people target. These results are extremely significant, since they have been obtained by means of a targeted publishing strategy, based on a more intense use of the existing library and through the compliance with efficiency objectives which led, in some cases, to a significant decrease in production unit costs with respect to the advertising audience that was generated.

## **THE GENERAL ECONOMIC SITUATION**

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The international macro-economic situation showed also in the first part of the year a constant disillusionment with respect to the expectations of a recovery that had been fuelled especially by the growth (+5%) recorded by US economy in the first quarter of the year.

In particular, the growth of the US economy is turning out to be lower than expected (+1.1% in the second quarter compared to an expected 2%). The augmented risk of a stagnation of the US economy contributes to generate a persisting weakness and volatility of financial markets, which are already hit by fears of new accounting irregularities (in addition to those that affected some important multinational companies in the last few months) and by fears connected to a possible worsening of the economic situation in Latin American countries (Brazil) and a further deterioration of the international political framework.

In this situation of the economic cycle, share market pressures on the profits of the main US companies translate into significant reductions in their investments and advertising budgets, partly because – paradoxically – low interest rates still support private consumption, which grew by 3.5% in the second quarter. The progressive deterioration of all these factors is a risk, in the medium term, for the traditional US growth model, based on high internal debt financed by capital flows attracted by expectations of a structural growth of share markets.

In Europe, the difficulties of the US economy and the consequent progressive depreciation of the dollar contributed to slow down the prospect of a sustained economic recovery that internal demand is not yet capable of sustaining on its own; the most recent estimates show for the EMU area a real GDP growth rate for 2002 between 0.3% and 0.6%. From this viewpoint, the German economy has been hit the most since it is more exposed to exports, and this year, a basically unchanged GDP growth is expected (+0.7%) compared to the one achieved in 2001. Another factor which is curbing the economic development in EMU countries continues to be represented by the problems that the main countries are facing in complying with the constraints of the relationship between public deficit and GDP established by the Stability Pact, a situation which, following continuous remarks made by the main international observers, may speed up the adoption of restrictive tax policies.

Even growth estimates for the Italian GDP (which practically remained unchanged in the first two quarters of the year) for 2002 have been progressively revised downwards and are now below 1%, compared to a 1.8% growth recorded in 2001. However, in the first half of the year, inflation in Italy remained under control and was accompanied by a constant improvement in the trust indices of companies and households; the consequence is an overall better position of Italy in terms of growth expectations of the advertising market compared to the average of other European countries.

## FINANCIAL AND ECONOMIC RESULTS OF THE MEDIASET GROUP

### Drafting criteria

According to the CONSOB deliberation no. 11971 of May 14, 1999, the economic and balance sheet information given below refers to the first half of 2002, the first half of 2001 and 31 December 2001.

In drafting the accounting situation, the same criteria used for preparing the balance sheet for the year and the consolidated balance sheet at 31 December 2001 were utilised. Tables have been prepared in order to ensure continuity and comparability, and are homogeneous with those included in the Report on operations of the 2001 Half Year Report and the Annual Report at 31 December 2001.

### Economic results

A summary of the Mediaset Group income statement is set out below including, in 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.

(EUR millions)

Mediaset Group			
31/12/2001		30/06/2002	30/06/2001
2,309.1	Revenues from sales and services	1,283.0	1,349.8
42.0	Other revenues and income	18.6	19.9
<b>2,351.1</b>	<b>Total net consolidated revenues</b>	<b>1,301.6</b>	<b>1,369.7</b>
285.7	Personnel expenses	157.6	149.8
744.9	Purchases, services, other costs	343.8	373.2
<b>1,030.6</b>	<b>Operating costs</b>	<b>501.4</b>	<b>523.0</b>
<b>1,320.5</b>	<b>Gross operating margin</b>	<b>800.2</b>	<b>846.7</b>
733.3	Amortisation, depreciation and write-downs	387.2	346.4
<b>587.2</b>	<b>Operating result</b>	<b>413.0</b>	<b>500.3</b>
(14.8)	Financial income / (charges)	(10.9)	(5.5)
(183.7)	Income/(charges) from investments	(43.8)	(43.8)
<b>388.7</b>	<b>Profit (loss) before extraordinary items</b>	<b>358.3</b>	<b>451.0</b>
29.4	Sundry and extraordinary income /(charges)	(1.1)	(0.7)
<b>418.1</b>	<b>Pre-tax result</b>	<b>357.2</b>	<b>450.3</b>

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

(EUR millions)

<b>Mediaset Group - effects arising from the consolidation of the Epsilon Group</b>			
<b>31/12/2001</b>		<b>30/06/2002</b>	<b>30/06/2001</b>
29.6	Revenues from sales and services	-	29.6
(0.2)	Other revenues and income	-	(0.2)
<b>29.4</b>	<b>Total net consolidated revenues</b>	<b>-</b>	<b>29.4</b>
1.2	Personnel expenses	-	1.2
23.2	Purchases, services, other costs	-	23.2
<b>24.4</b>	<b>Operating costs</b>	<b>-</b>	<b>24.4</b>
<b>5.0</b>	<b>Gross operating margin</b>	<b>-</b>	<b>5.0</b>
4.0	Amortisation, depreciation and write-downs	-	4.0
<b>1.0</b>	<b>Operating result</b>	<b>-</b>	<b>1.0</b>
(2.1)	Financial income / (charges)	-	(2.1)
(2.1)	Income/(charges) from investments	-	(2.1)
<b>(3.2)</b>	<b>Profit (loss) before extraordinary items</b>	<b>-</b>	<b>(3.2)</b>
-	Sundry and extraordinary income /(charges)	-	-
<b>(3.2)</b>	<b>Pre-tax result</b>	<b>-</b>	<b>(3.2)</b>

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)

<b>Mediaset Group net of the effects arising from the consolidation of the Epsilon Group</b>			
<b>31/12/2001</b>		<b>30/06/2002</b>	<b>30/06/2001</b>
2,279.5	Revenues from sales and services	1,283.0	1,320.2
42.2	Other revenues and income	18.6	20.1
<b>2,321.7</b>	<b>Total net consolidated revenues</b>	<b>1,301.6</b>	<b>1,340.3</b>
284.5	Personnel expenses	157.6	148.6
721.7	Purchases, services, other costs	343.8	350.0
<b>1,006.3</b>	<b>Operating costs</b>	<b>501.4</b>	<b>498.6</b>
<b>1,315.4</b>	<b>Gross operating margin</b>	<b>800.2</b>	<b>841.7</b>
729.3	Amortisation, depreciation and write-downs	387.2	342.4
<b>586.2</b>	<b>Operating result</b>	<b>413.0</b>	<b>499.3</b>
(12.7)	Financial income / (charges)	(10.9)	(3.4)
(181.6)	Income/(charges) from investments	(43.8)	(41.7)
<b>391.9</b>	<b>Profit (loss) before extraordinary items</b>	<b>358.3</b>	<b>454.2</b>
29.4	Sundry and extraordinary income /(charges)	(1.1)	(0.7)
<b>421.3</b>	<b>Pre-tax result</b>	<b>357.2</b>	<b>453.5</b>

The percentage impact on net revenues of some of the main elements in 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	30/06/2002	30/06/2001
100.0%	100.0%	<b>Net consolidated revenues</b>	100.0%	100.0%	100.0%	100.0%
43.3%	43.8%	Operating costs	38.5%	38.2%	38.5%	37.2%
56.7%	56.2%	Gross operating margin	61.5%	61.8%	61.5%	62.8%
31.4%	31.2%	Amortisation, depreciation and write-downs	29.7%	25.3%	29.7%	25.5%
25.2%	25.0%	Operating result	31.7%	36.5%	31.7%	37.3%
16.9%	16.5%	Profit (loss) before extraordinary items	27.5%	32.9%	27.5%	33.9%
18.1%	17.8%	Pre-tax result	27.4%	32.9%	27.4%	33.8%

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 (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, as was shown also by the results recorded during 2001.

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

30/06/2002	1,301.6
30/06/2001	1,369.7
% change	-5.0%

Mediaset group consolidated net revenues decreased in the first half of 2002 compared to the same period of 2001 by EUR 68.1 million. On a like for like basis, i.e. net of the effect arising, in the first half of 2001, from the consolidation of the Epsilon Group, the decrease in net revenues is reduced to EUR 38.7 million, equal to a percentage change of -2.9%.

The following table contains details of revenues:

(EUR millions)

31/12/2001		30/06/2002	30/06/2001
2,043.4	Revenues from the sale of commercials	1,176.0	1,202.7
379.9	Revenues from television sales, promotions, sponsorships	210.5	220.9
<b>2,423.3</b>	<b>Advertising revenues from third parties</b>	<b>1,386.5</b>	<b>1,423.6</b>
28.4	Promoservice revenues	10.8	13.9
145.1	Other revenues from television operations	64.4	71.1
(362.4)	Agency discounts	(208.7)	(212.3)
<b>2,234.4</b>	<b>Total net revenues from television operations</b>	<b>1,253.0</b>	<b>1,296.3</b>
<b>37.0</b>	<b>Revenues from multimedia operations</b>	<b>18.5</b>	<b>18.0</b>
<b>50.3</b>	<b>Total net revenues from non-television operations</b>	<b>30.1</b>	<b>26.0</b>
<b>2,321.7</b>	<b>Total net consolidated revenues Italy</b>	<b>1,301.6</b>	<b>1,340.3</b>
35.9	Revenues 50% Epsilon Group	-	35.9
(6.5)	Write-offs	-	(6.5)
<b>2,351.1</b>	<b>Total net consolidated revenues</b>	<b>1,301.6</b>	<b>1,369.7</b>

In the first half of 2002, the decrease in consolidated net revenues is mainly attributable to the reduction of **television revenues** (-3.3%) especially with respect to advertising sales on Mediaset networks.

In particular:

- **advertising revenues** from **third parties** reached EUR 1,386.5 million compared to EUR 1,423.6 million in the same period of the previous year (-2.6%). *Revenues from the sale of commercials* showed a 2.2% decrease, compared to the first half of the previous year, while *revenues from television sales, promotions and sponsorships* decreased by 4.7% compared to the first half of 2001;
- **Promoservice revenues** (EUR -3.1 million over the first half of 2001) mainly refer to advertising sales in exchange for goods;
- **other revenues from television operations** showed a slight decrease of EUR 6.7 million, mainly attributable to lower advertising revenues from some companies belonging to the Fininvest Group.

**Net revenues from multimedia operations** increased slightly (EUR +0.5 million) over the first half of 2001. This result is connected to greater revenues generated by Internet own operations and by Mediavideo, while a decrease was recorded in net advertising revenues from third party portals in concession basically due to the abandonment, in 2001, of the concession on the *Excite* sites.

**Net revenues from non-television operations** increased by EUR 4.1 million over the same period of the previous year; the increase is mainly attributable to Publitalia '80 S.p.A. revenues, for the sales of advertising space on billboards and posters and of sports sponsorships.

### Operating costs

30/06/2002	501.4
30/06/2001	523.0
% change	-4.1%

The operating costs of the Mediaset group showed in the first half of 2002 an EUR 21.6 million decrease with respect to the first half of 2001. If we exclude the effect arising from the consolidation, in the first half of 2001, of the Epsilon Group we have, in like for like terms, operating costs which are basically in line with those of the same period of 2001 (+0.6%).

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

### Personnel expenses

30/06/2002	157.6
30/06/2001	149.8
% change	5.2%

Personnel expenses of the companies belonging to the Mediaset group show, over the same period of the previous year, a EUR 7.8 million increase; net of the effect arising from the consolidation, in the first half of 2001, of the Epsilon Group, this increase amounted to EUR 9.0 million (+6.1%). This trend, with an average workforce in line with that of the same period of the previous year, is the result of the remuneration policy and especially of the impact of contract renewals which exerted their effects starting 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 and included the transfer of personnel following the purchase of Jumpy operations.

**Purchases, services and other costs**

30/06/2002	343.8
30/06/2001	373.2
% change	-7.9%

Purchases, services and other costs showed in the first half of 2002 a decrease of EUR 29.4 million compared to the same period of the previous year; net of the effect arising from the consolidation of the Epsilon Group in the first half of 2001, the decrease amounted to EUR 6.2 million, equal to a percentage change of -1.8%. As is shown in the following breakdown, this decrease is mainly caused by the strong reduction in television costs, equal to EUR -13.4 million (-4.2% compared to the same period of the previous year).

(EUR millions)

31/12/2001		30/06/2002	30/06/2001
90.9	Selling costs	43.7	46.6
448.1	Television scheduling costs	219.8	229.0
30.2	Broadcasting costs	16.8	14.7
89.2	Other costs	28.7	32.1
<b>658.4</b>	<b>Total television costs</b>	<b>309.0</b>	<b>322.4</b>
31.3	Multimedia costs	14.2	11.7
32.0	Other non-television costs	20.6	15.9
<b>721.7</b>	<b>Purchases, services and other costs</b>	<b>343.8</b>	<b>350.0</b>
29.7	50% Epsilon Group costs	-	29.7
(6.5)	Write-offs	-	(6.5)
<b>744.9</b>	<b>Total purchases, services and other costs</b>	<b>343.8</b>	<b>373.2</b>

The decrease in **television costs** can be mainly attributed to lower scheduling costs (EUR 9.2 million compared to 30 June 2001, equal to a percentage reduction of 4.0%) in line with the objectives of efficiency for the making of television products, established for the current year.

However, 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 4.7% increase in the first half of 2002. This change was mainly attributable to the amortisation of television rights and is in line with the objective of a limited growth of the annual costs of the television products.

Higher **operating costs** regarding **multimedia operations** (EUR 2.5 million compared to the same period of the previous year) mainly arose from 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 half of 2001.

**Other non-television costs** increased by EUR 4.7 million compared to the first half of 2001, because of growth in revenues, especially the sale of fixed advertising and sports posters and billboards.

**EBITDA**

30/06/2002	800.2
30/06/2001	846.7
% change	-5.5%

EBITDA showed a reduction of EUR 46.5 million with respect to the same half of the previous year. Its percentage rate on consolidated net revenues remained substantially unchanged compared to the same period of the previous year (61.5% vs 61.8% in the first half of 2001). On a like-for-like basis, i.e. net of the effect arising from the

proportional consolidation of the Epsilon group in the first half of 2001, it showed a slight decrease of around one percentage point.

## EBIT

30/06/2002	413.0
30/06/2001	500.3
% change	-17.4%

The change in EBIT recorded in the first half of 2002, equal to EUR -87.3 million compared to the first half of 2001, is also to be related, besides the lower revenues from advertising sales on Mediaset networks, to the overall **amortisation, depreciation and write-downs** that increased from EUR 346.4 million in the first half of 2001 to EUR 387.2 million in the first half of 2002. This increase (EUR +44.8 million, net of the effect of the 50% consolidation of the Epsilon Group in 2001) is mainly attributable to higher amortisation generated by the television division (EUR +43.1 million), almost entirely connected to television rights. This change results from the growth in investments in recent years and includes the effect, that was still negligible in the first half of 2001, of the strategic investment in self-produced serial drama started from the end of 2000.

Its percentage of consolidated net revenues is equal, on a like-for-like basis, to 31.7% with respect to 37.3% in the same period of the previous year. It should also be noted that, on an annual basis, a result more in line with that of the previous year is expected, by virtue of the foreseeable results in the second half 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 desirable slight recovery of the advertising market.

## Financial income/(charges)

30/06/2002	(10.9)
30/06/2001	(5.5)
EUR millions change	(5.4)

The change in this item over the first half of 2001 can be mainly attributed to higher net charges on exchange rates (EUR 6.2 million), mainly not realised and caused by the market valuation of existing exchange rate risk covers at the end of the period. It should also be noted that in the first half of 2002, charges were recorded from the valuation of company shares owned (no. 3,825,001, 3,130,000 of which are to be used for the approved Stock option Plans) equal to EUR 2.7 million (EUR 4.3 million in the same period of the previous year).

## Income/(charges) from investments

30/06/2002	(43.8)
30/06/2001	(43.8)
EUR millions change	-

This item shows the economic effect of the equity valuation of: Albalcom S.p.A. (19.5% shareholding), Publiespana S.A. and Gestelevision Telecinco (40% shareholding), Fascino P.G.T. S.r.l. and Titanus Elios S.p.A. (both with a 30% shareholding).

This item also includes write-downs for lasting losses of investments recorded at cost.

The negative balance of this item (which at 30 June 2001 included the write-down of the 9% stake held in Blu S.p.A. for an amount of EUR 39.3 millions) is mainly attributable, for EUR 31.9 million, to the com

plete write-down of the 2.28% stake held in Kirch Media (on the whole amounting to EUR 203.8 million) for which on 31 December 2001 a risk provision for EUR 171.9 million had already been allocated, equal to the goodwill quota included in the value of the investment. This write-down was carried out in order to show, with respect to the bankruptcy procedure under way, the likely impossibility of recovering the investment made, and the difficult return of the amount, equal to the invested capital plus investments, that should be paid by Taurus Holding (Kirch Media parent company) with respect to the exercise by Mediaset of the put option right connected to this investment, which occurred in the second quarter of 2002.

The balance of this item, at 30 June 2002, mainly includes also the net EUR 3.4 million income from the companies belonging to the Telecinco Group (EUR 13.5 million, which is the share of the result, and EUR 10.1 million regarding the goodwill amortisation quota) and the net charge of EUR 12.4 million regarding Albacom (EUR 11.3 which is the share of the result and EUR 1.1 million regarding the goodwill amortisation quota).

### **EBT**

30/06/2002	357.2
30/06/2001	450.3
% change	-20.7%

The reduction in the period EBT, compared to the first six months of 2001, amounts to EUR 93.1 million; net of the effect arising from the 50% consolidation in 2001 of the Epsilon group, the decrease amounts to EUR 96.3 million.

### **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 follows the balance sheet summary of the Mediaset group:

(EUR millions)

Mediaset Group			
31/12/2001	Balance sheet summary	30/06/2002	30/06/2001
1,881.8	Television rights	1,848.6	1,895.0
430.1	Other intangible and tangible fixed assets	459.3	462.5
687.6	Investments and other financial fixed assets	471.1	623.5
(304.0)	Net working capital and other current assets /liabilitie:	37.4	(60.8)
(93.1)	Provision for employee severance indemnity	(96.6)	(89.3)
<b>2,602.4</b>	<b>Net invested capital</b>	<b>2,719.8</b>	<b>2,830.9</b>
<b>(247.8)</b>	<b>Net financial position</b>	<b>(256.0)</b>	<b>(274.1)</b>
<b>2,354.6</b>	<b>Net Group shareholders' equity and attributable to minority interests</b>	<b>2,463.8</b>	<b>2,556.8</b>
31/12/2001	Sources and applications	30/06/2002	30/06/2001
<b>1,162.3</b>	<b>Cash flow from operations</b>	<b>775.5</b>	<b>814.1</b>
<b>(1,279.1)</b>	<b>Total investments incl.:</b>	<b>(348.1)</b>	<b>(574.7)</b>
(776.0)	television rights	(310.1)	(435.2)
(392.6)	equity investments	(0.1)	(103.2)
(45.0)	other intangible fixed assets	(8.0)	(8.7)
(65.5)	tangible fixed assets	(29.9)	(27.6)
-	<b>Share capital increases</b>	-	-
<b>(283.2)</b>	<b>Dividends paid</b>	<b>(247.8)</b>	<b>(283.2)</b>
<b>(180.8)</b>	<b>Other changes affecting cash flow</b>	<b>(187.8)</b>	<b>(355.7)</b>
<b>207.7</b>	<b>Changes in the consolidation area</b>	-	-
<b>(373.1)</b>	<b>Net cash flow</b>	<b>(8.2)</b>	<b>(399.5)</b>

Below are comments to the main items and the variations to 31 December 2001.

### Net invested capital

30/06/2002	2,719.8
31/12/2001	2,602.4
EUR millions change	117.4

The most significant element of the invested capital of the Mediaset group is **television rights** which, at 30 June 2002, showed a decrease of EUR 33.2 million compared to 31 December 2001. This decrease reflects, for the specific period, a higher amount of amortisation and depreciation, with respect to the investments recorded in the period; the latter are lower than those made in the first half of 2001, in line with the objective to reduce investments in 2002.

**Other tangible and intangible** assets increased by EUR 29.2 million compared to 31 December 2001 mainly due to the increase in intangible assets under formation for extended series drama productions.

**Investments and other financial assets** decreased by EUR 216.5 million since 31 December 2001 due to the write off carried out at 30 June 2002 of the book value of the investment in Kirch Media, for an amount of EUR 203.8 million; for this reason, on 31 December 2001, a provision for risk for EUR 171.9 million had already been allocated.

The balance of **working capital and other current assets and liabilities** went from EUR -304.0 million at 31 December 2001 to EUR 37.4 million at 30 June 2002, with an increase of EUR 341.4 million. This change is mainly attributable to the increase in trade receivables, mainly connected to the trend of advertising sales in the period and the reduction of trade payables mainly attributable to the payment of the amount due for the multiyear debt regarding Champions League rights. Further significant variations are as follows:

- EUR -105.9 million for the payment that was recorded at 31 December 2001, for the sale of the investment in Blu S.p.A.;
- EUR +171.9 million regarding the use of the provision for risk allocated at 31 December 2001 for the investment in Kirch Media, which occurred with respect to the complete write-down of the investment, carried out at 30 June 2002;
- EUR +18.8 million regarding the registration of the credit regarding the non-interest bearing loan granted to affiliated company Albacom S.p.A.

### **Net group shareholders' equity and attributable to minority interests**

30/06/2002	2,463.8
31/12/2001	2,354.6
EUR millions change	109.2

The increase over 31 December 2001 can be attributed to the gross profit for the first six months of 2002, net of dividends paid (EUR 247.8 million).

### **Net financial position**

30/06/2002	(256.0)
31/12/2001	(247.8)
EUR millions change	(8.2)

The net financial position at 30 June 2002 remains basically unchanged compared to that at 31 December 2001 (EUR -8.2 million); in the first six months of the year, the positive cash flow generated by current operations and the amount paid by British Telecom, that was still outstanding at 31 December 2001, were offset by cash payments for the Albacom loan and seasonal expenses for rights, taxes and dividends.

Excluding the payments made for dividends (EUR 247.8 million) and cash flows for investments (EUR +105.9 million regarding the amount received on selling the investment in Blu and EUR -18.8 million for the loan given to Albacom) the net cash flow generated by the core business in the first half of 2002 amounted to around EUR 150 million, significantly higher than that, around EUR 36 million, generated in the same period of the previous year, when dividends paid amounted to EUR 283.2 million and payments for EUR 152.1 million were made with respect to equity investments.

## RESULTS OF THE PARENT COMPANY, MEDIASET S.P.A.

In the first half of 2002, Mediaset S.p.A. achieved an EBT of EUR 167.0 million, after amortisation, depreciation and write-downs of EUR 84.7 million.

### Economic results

(EUR millions)

31/12/2001		30/06/2002	30/06/2001
<b>362.5</b>	<b>Total net revenues</b>	<b>114.3</b>	<b>179.5</b>
227.7	Amortisation, depreciation and write-downs	84.7	119.7
49.0	Other operating costs	22.1	19.2
<b>276.7</b>	<b>Total operating costs</b>	<b>106.8</b>	<b>138.9</b>
<b>85.8</b>	<b>Operating result</b>	<b>7.5</b>	<b>40.6</b>
310.7	Income/(charges) from equity investments	155.1	296.2
6.4	Financial income/(charges)	4.5	1.0
<b>317.1</b>	<b>Total financial income/(charges) and from write-downs</b>	<b>159.6</b>	<b>297.2</b>
<b>0.1</b>	<b>Extraordinary income/(charges)</b>	<b>(0.1)</b>	<b>-</b>
<b>403.0</b>	<b>Pre-tax result</b>	<b>167.0</b>	<b>337.8</b>

**Operating revenues** are mainly generated with respect to Mediatrade S.p.A. for the availability of the company's library. Compared to 30 June 2001, they decreased by EUR 65.2 million; this is mainly due to the fact that the library of Mediaset S.p.A. is no longer increased by new purchases, and therefore shows a constant reduction in its quality and quantity.

**Operating costs** fell from EUR 138.9 million in the first half of 2001 to EUR 106.8 million in the first half of 2002; the EUR 32.1 million decrease is mainly attributable to the reduction in the value of *amortisation* of intangible rights regarding television rights.

The markedly greater reduction in operating revenues compared to that of operating costs generated a negative variation in **EBIT** which diminished from EUR 40.6 million in the first half of 2001 to EUR 7.5 million in the first half of 2002.

**Financial income and investments** shows a decrease, from EUR 297.2 million in the first half of 2001 to EUR 159.6 million in the first half of 2002, for the decrease in dividends paid by subsidiary and affiliated companies and capital losses generated by the adjustment of the book value of the investments held in Mediaset Investment S.a.r.l. for EUR 26.4 million, Mediadigit International S.a.r.l. for EUR 11.9 million and Albacom S.p.A. for EUR 9.9 million.

The reduction in EBIT, together with that of financial income and investments, determined a decrease of **EBT** of EUR 170.8 million.

**Balance sheet summary**

(EUR millions)

31/12/2001		30/06/2002	30/06/2001
1,123.6	Equity investments and other financial fixed assets	961.4	1,106.2
414.4	Television rights	330.4	520.2
3.4	Other intangible and tangible fixed assets	3.5	11.4
45.2	Net working capital and other current assets/liabilities	154.6	47.6
(3.6)	Provision for employee severance indemnity	(3.9)	(3.4)
<b>1,583.0</b>	<b>Net invested capital</b>	<b>1,446.0</b>	<b>1,682.0</b>
<b>224.1</b>	<b>Net financial position</b>	<b>280.3</b>	<b>200.2</b>
<b>1,807.1</b>	<b>Net shareholders' equity</b>	<b>1,726.3</b>	<b>1,882.2</b>

The most significant share of **net invested capital** of the parent company is represented by *equity investments* which, at 30 June 2002, amounted to EUR 961.4 million. Compared to 31 December 2001, this item decreased by EUR 162.2 million mainly attributable to the write-down of the value of the investment held in Mediaset Investment S.a.r.l. for EUR 155.3 million, the write-down of the stake held in Albacom S.p.A. (for EUR 9.9 million) carried out with respect of the resolution on the cover of residual losses accrued at 31 March 2002, by the reduction of share capital and the write-down of Mediadigit International S.a.r.l. for EUR 3.1 million.

*Television rights* show, compared to 31 December 2001, a decrease of EUR 84.0 million, mainly attributable to period amortisation quotas.

**Net financial position** improved significantly, rising from a positive balance of EUR 224.1 million at 31 December 2001 to a positive balance of EUR 280.3 million at 30 June 2002. This development was particularly influenced by the payment of dividends by subsidiary and affiliated companies, as well as the cash flow from operations, partly offset by financial charges regarding dividends paid for EUR 247.8 million and the capitalisation of Mediadigit International S.a.r.l. for EUR 15.0 million.

The **net equity** showed a decrease of EUR 80.8 million compared to 31 December 2001, resulting from the negative balance between the gross result of the first half of 2002 and the expense for dividends paid to shareholders in May 2002.

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## INVESTMENTS IN SUBSIDIARY AND AFFILIATED COMPANIES

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In the first half of 2002, the following main operations were carried out, with respect to Group investments:

- on 15 May 2002, Mediaset Investment S.a.r.l. subscribed and paid (in proportion to its own stake of 13%) a loan for EUR 1.0 million, to cover the financial need as resulting from the 2002-2004 three-year plan of its subsidiary company **TV Breizh S.A.** Since September 2000 this company, in which stakes are also held by TF1 (22%) and News International Plc (13%) has been distributing the bilingual television channel bearing the same name (French/Britton) on two satellite digital platforms (TPS and CanalSatellite) and through the main French cable operators. On 22 March 2002, the company filed with the French authority in charge of audiovisuals (CSA) its application for the release of an authorisation to broadcasting on terrestrial digital frequencies, which will be assigned by November.
- On 20 March 2002, the extraordinary meetings of **Gestevisión Telecinco S.A.** and **Publiespana S.A.** authorised, and gave mandate for this purpose to their Directors, a repurchase operation of own shares within the maximum limits (10% of capital) envisaged by law.
- On 8 April 2002, **Kirch Media GmbH & Co KgaA**, a company in which Mediaset Investment S.a.r.l. holds a 2.28% stake, because of its impossibility to face the cash crisis which had progressively worsened in the first months of 2002, mainly because of the lack of revenues from associated company Kirch Pay Tv, filed a preliminary request for bankruptcy with the competent section of the Munich Court. On 23 May 2002, Mediaset Investment S.a.r.l. exercised the put option granted by Taurus Holding (Kirch Media parent company) within the framework of the company agreements stipulated when defining the investment in Kirch Media, accepted the irrevocable and unconditioned purchase offer that obliges Taurus Holding to repurchase the above mentioned stake in Kirch Media for an amount equal to the capital invested by Mediaset Investment (EUR 202.1 million) plus interest as agreed in the contract. This obligation has not been fulfilled so far and the payment is now considered unlikely, with respect to the start of a preliminary insolvency procedure against Taurus Holding, which occurred on 8 June 2002.

On 8 and 12 June 2002 respectively, also Kirch Pay Tv and Kirch Beteiligungs (a company which holds 40% of Axel Springer and a controlling stake in Slec Ltd., companies that own the international rights for the Formula 1 World Championships) filed a preliminary request for bankruptcy.

On 14 June 2002, following the non achievement of an agreement for a recapitalisation of the company, the formal start of the bankruptcy procedure against Kirch Media occurred: the Munich court appointed an official receiver who will supervise and support the company management in order to continue the company business as well as that of its subsidiaries (by adopting the appropriate financial restructuring actions for the protection of creditors, included the renegotiation of the main multiyear agreements for the purchase of rights) and will regularly report to the Committee of Creditors, which was appointed on the same date and includes representatives from Commerzbank AG, Bayerische HypoVereinsbank AG, DZ Bank AG, Columbia Tristar International Television, Bayerische Landesbank. UBS Warburg merchant bank was requested to coordinate and manage the winding-up sale procedure and to gather in July the preliminary declarations of interest to then select, in August, the offers of potential industrial and/or financial investors for the Kirch Media assets sold. These assets include the existing library of television rights, the international sports rights regarding the 2006 *Football World Cup* and those regarding the German Bundesliga (football

premiership), as well as the 52.5% stake held by Kirch Media in ProSiebenSAT1MediaAG, a company that owns the three main commercial networks, which are leaders of the German advertising market.

- On 22 April 2002, the ordinary meeting of **Epsilon Tv Production S.r.l.** a company in which Mediaset Investment S.a.r.l. holds a 50% stake and Kirch Media & CO KgaA holds the remaining 50%, decided to cover the loss resulting from the financial statements approved at 31 December 2001, equal to EUR 324,491, by writing off share capital (equal to EUR 10,000) and simultaneous waiving by the shareholders, for the residual amount of EUR 314,492, of the receivable for the interest-bearing loan granted when the company was established, for an overall value of EUR 9 million. At the same time it was decided to pay in the share capital again and increase it to EUR 85,508, which amount was subscribed and paid according to the relevant stake by shareholders, by means of a partial waiver and following registration as share capital of part of the receivable above.
- On 24 June 2002, the deed of **merger by incorporation of RTI Music S.r.l. in its parent company R.T.I. S.p.A.** was defined. This merger project was approved and decided upon in the relevant meetings on 17 and 18 April 2002. The mergers will become legally effective as from 1 July 2002.

## STRUCTURE AND OPERATIONS OF THE MEDIASET GROUP

The Mediaset group's operations are organised as follows:

<b>MEDIASET GROUP</b>			
<b>COMMERCIAL TELEVISION</b>			<b>MULTIMEDIA/TLC</b>
	<b>Italy</b>	<b>International</b>	
<b>Advertising division</b>	<b>Broadcasting and contents division</b>		<b>Multimedia</b>
- Publitalia '80 S.p.A.	- R.T.I. S.p.A.	Telecinco Group (40%)	- Mediadigit S.p.A.
- Promoservice Italia S.r.l.	- Mediatrade S.p.A.	- Telecinco S.A.	<b>Telecommunications</b>
	- Videotime S.p.A.	- Publiespana S.A.	- Albacom S.p.A. (19.5%)
	- Elettronica Industriale S.p.A.		- Olivetti S.p.A. (0.45%)
	- RTI Music S.r.l.	Kirch Media (2.3%)	

### 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)

31/12/2001		30/06/2002	30/06/2001
2,423.3	Advertising revenues from third parties	1,386.5	1,423.6
36.8	Advertising revenues from Fininvest Group and Mediolanum Group	18.0	21.3
7.2	Advertising revenues from Promoservice	2.6	3.5
0.2	Advertising revenues from other Mediaset Group companies	0.1	0.2
<b>2,467.5</b>	<b>Television advertising revenues Publitalia '80 S.p.A.</b>	<b>1,407.2</b>	<b>1,448.6</b>

Advertising revenues on Mediaset networks from third party customers (127 of which were new customers) showed in the first half of 2002, a very slight decrease (-2.6%) that should also be seen with respect to the extremely positive results (+4.5%) obtained by Publitalia '80 compared to the market in the same period of the previous year. Advertising revenues on Mediaset networks reached a higher level than that achieved in the first half of 2000.

This trend is in line with period objectives and shows during the first half of 2002 a progressive reduction of the decrease in revenues compared to the same period of the previous year (-3,2% in the first quarter 2002); specifically, advertising revenues already grew in June compared to the same month of the previous year.

The following table summarises advertising revenues in the so called *traditional area* in the first half of 2002, based on data provided by Nielsen:

(source: Nielsen-Media Research – net figures)

Media	1st half 2002		1st half 2002		Change
	EUR mil	% share	EUR mil	% share	
Newspapers	917.8	22.2%	989.8	23.1%	-7.3%
Magazines	586.5	14.2%	637.2	14.8%	-8.0%
Television	2,335.6	56.7%	2,360.7	54.8%	-1.1%
Radio	157.6	3.8%	169.7	3.9%	-7.1%
Posters and billboards	92.2	2.2%	112.0	2.6%	-17.9%
Cinema	35.4	0.9%	35.0	0.8%	0.0%
<b>Total market</b>	<b>4,125.1</b>	<b>100.0%</b>	<b>4,304.4</b>	<b>100.0%</b>	<b>-4.2%</b>

Based on these estimates, overall advertising revenues in the traditional area in the first half of 2002 amounted to EUR 4,125.1 million, with a 4.2% decrease that confirms the general weakness of the market, though progressively recovering compared to the first months of the year (-5.5% in the first quarter).

These data show that investments from mass consumption goods remained basically stable (and however grew strongly in June 2002) while negative contributions were given by the automobile industry (-2%) (also recovering strongly in June) and especially by telecommunications (-14%) and finance/insurance (-17%).

The market reduction appears to be spread on all media. In particular, there were heavy falls in investments on posters and billboards (-17.9%), magazines and newspapers (-7.5%) and radio (-7.1%), while television limited its decrease to 1.1% (-2.3% in the first quarter). This result, besides Publitalia '80 performance, includes a growth estimate attributed to Rai network advertising revenues equal to around 1%, which should be however compared to the particularly negative results recorded in the same period of 2001 and which, net of advertising revenues connected to the Korea and Japan Football World Cup of June 2002, would be highly negative. Nielsen data also show, in the first half of 2002, lower advertising revenues for La 7 (-10.7%) and an increase recorded by MTV (+5.6%).

### **Broadcasting and contents division**

The **Broadcasting and contents division** belongs to R.T.I. S.p.A. which, directly or by means of subsidiary companies, controls the following areas of activity:

- management of television networks and programme scheduling
- production of television programmes
- technology for the production of television programmes
- acquisition and management of television rights
- management of the signal broadcasting network
- record publishing.

## Management of television networks and programme scheduling

In the first half of 2002 each network broadcast 4,344 hours of programmes for a total amount of 13,032 hours, including 6,338 hours of original programmes produced in-house.

The following table provides a breakdown of the programmes broadcast in the first half of 2002 by network and programme type, and divided between original productions and television rights purchased:

Types	Canale 5		Italia I		Retequattro		Total Mediaset	
Films	367	8.4%	541	12.5%	1,284	29.6%	2,192	16.8%
Tv Movies	231	5.3%	176	4.1%	101	2.3%	508	3.9%
Short series	118	2.7%	35	0.8%	46	1.1%	199	1.5%
Television serials	475	10.9%	924	21.3%	321	7.4%	1,720	13.2%
Sit-coms	129	3.0%	443	10.2%	1	0.0%	573	4.4%
Soap operas	61	1.4%	-	0.0%	191	4.4%	252	1.9%
Telenovelas	-	0.0%	-	0.0%	469	10.8%	469	3.6%
Cartoons	-	0.0%	781	18.0%	-	0.0%	781	6.0%
<b>Total rights</b>	<b>1,381</b>	<b>31.8%</b>	<b>2,900</b>	<b>66.8%</b>	<b>2,413</b>	<b>55.5%</b>	<b>6,694</b>	<b>51.4%</b>
News	1,371	31.6%	294	6.8%	595	13.7%	2,260	17.3%
Sport	-	0.0%	310	7.1%	37	0.9%	347	2.7%
Entertainment:	1,349	31.1%	759	17.5%	894	20.6%	3,002	23.0%
<i>light entertainment</i>	489	11.3%	252	5.8%	107	2.5%	848	6.5%
<i>talk shows</i>	573	13.2%	20	0.5%	-	0.0%	593	4.6%
<i>music</i>	2	0.0%	27	0.6%	113	2.6%	142	1.1%
<i>quiz-game-shows</i>	227	5.2%	134	3.1%	118	2.7%	479	3.7%
<i>reality</i>	6	0.1%	299	6.9%	2	0.0%	307	2.4%
<i>soft news</i>	52	1.2%	27	0.6%	554	12.8%	633	4.9%
Culture:	19	0.4%	5	0.1%	259	6.0%	283	2.2%
<i>culture programmes</i>	17	0.4%	-	0.0%	235	5.4%	252	1.9%
<i>documentaries</i>	2	0.0%	5	0.1%	24	0.6%	31	0.2%
<i>theatre</i>	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Soap operas	143	3.3%	-	0.0%	-	0.0%	143	1.1%
Television serials	33	0.8%	24	0.6%	-	0.0%	57	0.4%
Sit-coms	-	0.0%	33	0.8%	1	0.0%	34	0.3%
Television sales	48	1.1%	19	0.4%	145	3.3%	212	1.6%
<b>Total productions</b>	<b>2,963</b>	<b>68.2%</b>	<b>1,444</b>	<b>33.2%</b>	<b>1,931</b>	<b>44.5%</b>	<b>6,338</b>	<b>48.6%</b>
<b>Total</b>	<b>4,344</b>	<b>100.0%</b>	<b>4,344</b>	<b>100.0%</b>	<b>4,344</b>	<b>100.0%</b>	<b>13,032</b>	<b>100.0%</b>

At the end of the first half of 2002, Mediaset networks, thanks to the very positive results achieved in the guarantee period, with Canale 5 leading network in Prime Time, make up for the Football World Cup broadcast in June 2002 by RAI networks, recording a slight decrease in the full day audience.

The performance of our networks is, however, 0.6 points better with respect to the full day, than in the first half of 1998 (France World Cup).

The results achieved by national networks in the first half of the year are shown below, including, for 2002, the broadcasting of the Football World Cup.

Total day share	Ist half 2002	Ist half 2001	Change over 2001
Mediaset networks	43.0%	44.4%	-1.4%
RAI networks	46.9%	46.7%	0.2%
La 7 network	1.6%	2.0%	-0.4%
Others	8.5%	6.9%	1.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

The Prime Time result is positive, with an increase for all Mediaset networks (44.4% vs. 44.0% over the same period of 2001) thanks to the extraordinary performance of Italia 1 which ended at 12,2% and with Canale 5 always leading the Prime Time, with 24.3% while Rai 1 is blocked at 22.9%.

It is worth mentioning the 36.5% achieved in Prime Time by Canale 5 plus Italia 1, the best result achieved in the first half of the last four years.

The decrease of Mediaset networks in the full day is attributable to its fall in Day Time for the obvious presence, in June 2002, of the Football World Cup broadcast by RAI networks in this bracket.

The viewing figures of each of the Mediaset networks in the first six months are analysed below.

Prime Time audience data refer to the 20:30-22:30 time bracket.



In Prime Time, Canale 5 confirmed to be the channel of choice for the audience, with a share of 24.3% against 22.9% of its direct competitor, Rai 1. The decrease in Day Time is to be related to the new balance in the relationship with Italia 1.

In the first half of 2002 Canale 5, though decreasing by 1.3 points, because of the new balance with Italia 1 and the Football World Cup, (23.0% vs. 24.3%) in the 24 hours viewing share, remains the leading network on people aged 15-64 (24.5% vs. 22.4% for Rai 1) and 15-34 (26.8% vs. 18.5% for Rai 1).

Canale 5 - Total audience	Ist half 2002	Ist half 2001	Change over 2001
Total day share	23.0%	24.3%	-1.3%
Day Time	22.6%	24.0%	-1.4%
Prime Time	24.3%	24.9%	-0.6%

- In **Day Time** the now historical Italian soap opera *Vivere*, in its fourth year, confirmed the good results of its new afternoon placement with 20.7%, and over 50% on very young girls (15-19 years of age).

*Cento Vetrine* continues to grow, rising from 26% in the first half of 2001 (its first year on the air) to an exceptional 29.1%, with peaks over 33%. The new soap opera of Canale 5 is very successful especially among young people (34.7%), and has over 45% share among women aged 20 - 34.

In the afternoon, the talk show *Uomini e Donne*, which has become a source of new faces and characters, beats its direct competitor *Al posto tuo* with a share of 24.8% on the audience (vs 22.6% of the programme by A. D'Eusanio) and 27.5% on women (vs 23.6% of *Al posto tuo*).

*Verissimo*'s audience has been growing throughout the year: from 23.4% in January to 25.5% in May, up to an excellent share of 30% achieved in June. A positive 16.8% was obtained by the second showing of the magazine broadcast in the morning, with a better audience compared to that of the series *La casa nella prateria* (15%) broadcast at the same time in the first half of 2001.

*Passaparola* ended the period at 26.6% and confirmed to be the leading programme in early evening. Good results were achieved also in the second half of June by *Il meglio di Passaparola*, at 19.8%. *Chi vuol essere milionario* continues to be successful, and in its 5 weeks in the schedule it reached a 28.1% share, peaking at 30% in May.

At week-ends, *Buona Domenica* defeated once again *Dom&Nika In*, with an overall share of 24.7%, while Rai I programme remained at 22.2%.

A specific note, in the first half of 2002, should be reserved to the news: The *TG5* evening news by E. Mentana achieved a historical result: with 29.9% vs. 29.5% of *TG1*, it retained its leadership against the news of Rai I, that it had already conquered in the first quarter of the year.

The afternoon news, with 24.8%, is slightly growing compared to the same period of 2001 (24.6%).

Late at nights, the *Maurizio Costanzo Show* ended the period at 20.7%, with peaks at 30% on Fridays.

- In **Prime Time**, *Striscia la Notizia* confirmed its success: even with the usual change of hosts, it ended the period at 31.4% (programme). Starting from 10 June, *Veline* replaced the successful satirical news programme and achieved a good 25.8% (programme).

As usual, productions represent a strength for the network's Prime Time: on Friday nights, *Scherzi a Parte*, this year hosted by three people, T. Teocoli – M. Hunziker – M. Boldi, achieved an exceptional 32.0%; on Saturday *C'è posta per te* achieved 29.2% in spite of strong competing programmes; a highly positive return was that of *La Corrida*, hosted by G. Scotti, who had to take over Corrado's powerful presence. This historical format did well in the direct competition with Fiorello's *Stasera pago io* and reached 27.3%.

Drama achieved good results in the first six months of the year, and was highly successful by proposing various genres: tormented love stories set in various ages, such as *Francesca e Nunziata*, with S. Loren, G. Giannini and R. Bova, (29%) or *Per Amore*, with R. Girone, A. Valle and P. Calissano (25%); stories taken from the news, such as *Il Sequestro Soffiantini*, with M. Placido (29.3%); religious biographies, such as *Sant'Antonio di Padova* with D. Liotti (28.3%); stories taken from literary works such as *Incompreso*, taken from the famous novel by F. Montgomery, featuring M. Buy and L. Zingaretti (26.1%); entertaining series such as *Carabinieri*, which reached 24.1%.

*Filmissimi*, the traditional event on Mondays on Canale 5, ended the six months with an overall average of 24.6% (vs 20.6% of the *Lunedifilm* cycle on Rai I). It is worth mentioning titles such as *Out of sight*, which obtained 29.3%, *Nemiche Amiche* and *Se scappi ti sposo*, both at 28.8%, *Vi presento Joe Black* with 28.3%, *Patch Adams* and *Le regole della casa del sidro* both at 26.5%.

Two significant television events are also worth a mention, within the network's schedule: the *Gran Premio Internazionale della TV*, at its 16th year, with an excellent 40.4% (programme), its best result since 1996; the *Galà della Pubblicità*, which returned on Canale 5 in 2001 and had very positive results: 24.6% (programme) for this year vs. 24.5% (programme) of the 2001 show (programme data).

**Italia 1**

In the first half of 2002 the performance of this network was brilliant, with audience increases at all times, compared to the same period of 2001.

In Prime Time, Italia 1 established itself as third network, after Canale 5 and Rai 1, with a share of 12.2%. In the full day, Italia 1 is once again the first choice among children aged 4 - 14 years with 25.7%, and the third network on young people aged 15 - 34.

Italia 1 - Total audience	Ist half 2002	Ist half 2001	Change over 2001
Total day share	11.1%	10.4%	0.7%
Day Time	10.8%	10.2%	0.6%
Prime Time	12.2%	10.9%	1.3%

In detail:

- In **Day Time**, in the morning TV serials obtained positive results: *Mac Gyver* reached 14%, with almost 49% on young males aged 15 - 19; *Supercar* did also well, with 11.2%.

In the afternoon, cartoons play a significant role: *I Simpson* confirm their success conquering 13.6% of the audience, 42.3% of children and 23.9% of young people aged 15-34; a good result was obtained by *Futurama*, another cartoon by M. Groening, with 11.9%; appreciation was found by *Magica Doremi* (14.0%) and *What a mess Slump e Arale* (13.8%), just like the "historical" *Holly & Benji* (12.7%) and *Lady Oscar* (14.7%).

The television series *Dawson's Creek* reached 11.6%, winning the hearts of 34.8% of young people aged 15-24.

The first half of 2002 ended very positively also for productions.

The trend of *Saranno Famosi* was extraordinary, this was the real revelation of the television season: the afternoon programme from Monday to Friday started with 12.3% in January to reach an overall average of 14.3% on the whole audience, attracting to the network 42.0% of young people aged 15 - 24; from 25 March, an early evening daily programme was introduced, which reached 8.4%; excellent results were also achieved by the special programme of Saturday afternoon, which obtained 25.5%, and managed to peak at 33.1%.

A successful experiment was carried out with the *MPT Mi piaci tu* format, a new reality show that in two weeks manage to reach 11.6%, achieving almost 35.0% on young people aged 15-24.

An extraordinary season was experienced by *Sarabanda* which started from 9.5% in January and reached 15.5% in May and an average share in the first half of 2002 of 13.6%.

On Saturdays, *L'Assemblea*, with Ambra chairing a "parliament" of young people, ended the period at 13.8%, winning the hearts of 23.5% of the audience between 15 and 24 years of age.

It is also worth mentioning the good results of the *Motor Racing World Cup*: Sunday races reached 20%, attracting to the network 27.0% of the male audience. The *Moto GP races (former 500cc)* were particularly successful, with 25.1%, and 33% of males.

The first half of 2002 was positive also for the news. The audience levels of both *Studio Aperto* news are on the rise: the afternoon edition of Giordano's news gains 1.6 points (14.9% vs. 13.3%) while the evening programme in the new position at 18:30 reaches 9.7%.

As to *late at night*: entertaining productions are still successful: *Zelig*, on Monday night, with its well established formula showing comedians on stage, ended at 18.6%, gaining 3 points compared to 2001; on Thursday night, also the share of *Le Iene* increases: with the new group of hosts (A. Marcuzzi, L. Bizzarri and P. Kessisoglu) it went from 14.1% in 2001 to 15.7% this year.

Results were improved also for sports productions: *Controcampo* on Sunday night reached 14.5% (+1.4 compared to the same period in 2001); the Wednesday late evening programme *Pressing Champions League* obtained 13.4% (+0.3 compared to the same period in 2001).

- In **Prime Time**, as to productions, there was the brilliant performance as main programme, starting from 19 March 2002, of *Saranno Famosi*, which achieved 18.4%.

On Sunday night, the double bill *Mai dire domenica* and *Le Iene* show guarantees 12.6% for the network.

The second show *Il Protagonista* did very well, with 14.2% (vs 11.2% of the show broadcast in October 2001).

A very good contribution, on Wednesday night, was given by *Champions League* matches which, in spite of the absence of Italian teams after the quarter finals, reached 18.5%. Excellent results were obtained by Deportivo – Juventus (21.8%), Barcellona – Roma (21.5%) and the final match Bayer Leverkusen – Real Madrid (21.4%).

The success of the second showing of the first and second series of *Distretto di Polizia* deserves a mention, since it reached 12.0%.

Good results were achieved by prime times devoted to cinema: Thursdays and Fridays obtained 12.3% and 11.7%, respectively. Among the films worth mentioning: *Trappola sulle Montagne Rocciose* (16.2%), *Indiana Jones e il tempio maledetto* (15.4%), *The Peacemaker* (14.8%), *Mowgli il libro della giungla* (14.7%), *Il mondo perduto di Jurassic Park* (14.3%)



## Retequattro

In the first half of 2002 in the full day, this network maintained its levels on its targets of reference, i.e. people over 55 (11.8%) and female audience (9.6%).

Retequattro - Total audience	Ist half 2002	Ist half 2001	Change over 2001
Total day share	9.0%	9.7%	-0.7%
Day Time	9.2%	10.1%	-0.9%
Prime Time	7.9%	8.3%	-0.4%

In detail:

- in **Day Time** in the morning the new telenovela *Innamorata* obtained a good 10.9%, winning the hearts of 13.7% of female audience.

Significant growth was recorded (from 18.2% in January to 18.6% in May) by the historical production *Forum*, which ended its XVII series with an overall average of 18.1%, with shows over 20.0% of share, in spite of the strength of the competitive programmes, both on Rai and Canale 5 at lunch time.

In early evening, good results were achieved by the telenovela *La forza del desiderio*, which ended at 6.8%.

At week-ends, positive results were achieved by productions: *Sabato Vip* reached 17%, slightly improving the result of the first half of last year (+0.2); an excellent half year for *Il trucco c'è*, which ended at 15.9% vs. 14.7% of the same period of 2001; *Domenica del villaggio* reached 16.2%, appealing 21.6% of people over 55; *Melaverde* audience grew compared to the first half of 2001, with an increase of 0.4 points (8.9% vs. 8.5%).

As to the news, the audience of the evening news *Telegiornale 4* are rising, at 9.1% (+0.6 points compared to the first six months of 2001). A positive development was showed also by *Sipario del Tg4*: the magazine after the evening news, hosted by F. Senette, rose from 5.5% in January to 6.3% in June (5.7% on average).

Late at night: the films in the cycle *I Bellissimi di Retequattro* continue to represent a strength for the network, as is shown by the results of *Una donna in carriera* (15.8%), *Music Box* (14.8%), *Il principe delle maree* (14.1%), *Basic Instinct* (14.0%).

Good results were obtained by *Cinema festival*, with an average of 11.3% with films such as *Monella* (21.5%), *Un nuovo giorno* (16.6%), *Metalmeccanico e parrucchiera* (16.4%).

- In **Prime Time** some productions deserve a mention: the three nights of the festival of Naples' music *Viva Napoli* reached on the whole an excellent 10.9%, growing 0.3 points compared to 2001, winning the hearts of over 20% of the audience aged over 65; a good performance was obtained on Wednesday night by the show hosted by I. Zanicchi *Testarda lo*, with 9.7%; *La macchina del tempo*, an encounter with culture, history and science on Thursdays in a new set, ended at 8.5% (vs 7.5% in the first half of 2001).

A fundamental contribution was given by football: the matches of the *Under 21 European Championship* reached 14.9%; AC Milan matches in the *Uefa Cup* obtained 12.3%, and the semi-final *Milan - Borussia Dortmund* reached 15.5%; good results were obtained by *Champions League*, at 9.8% (particularly *Barcelona – Real Madrid* at 12,1%).

Prime times devoted to cinema confirm to remain a precious resource. In particular: *Ancora 48 ore* (13.1%), *Fino a prova contraria* (12.4%), *Omicidio nel vuoto* (12.2%), *Il ragazzo di campagna* (12.9%), *La prossima vittima* (11.9%), *Il senso di Smilla per la neve* (11.8%).

## Production of television programmes

In the first half of 2002, R.T.I. S.p.A. produced 42% of the television programmes broadcast by the Mediaset networks.

The following table shows the number of productions completed in the first half of 2002, by type of programme and separated into television programmes and sales programmes:

Types	Number of productions made								
	30/06/2002			30/06/2001			% change		
	Prime Time	Day Time	Total	Prime Time	Day Time	Total	Prime Time	Day Time	Total
<b>Television programmes</b>									
Entertainment and talk shows	41	60	101	32	62	94	28.1%	-3.2%	7.4%
Other news	6	34	40	5	46	51	20.0%	-26.1%	-21.6%
News	-	4	4	-	4	4	0.0%	0.0%	0.0%
Sport	4	13	17	3	10	13	33.3%	30.0%	30.8%
Quiz-game shows	2	7	9	4	10	14	-50.0%	-30.0%	-35.7%
Mucis	2	5	7	3	7	10	-33.3%	-28.6%	-30.0%
Soap operas	-	2	2	-	2	2	0.0%	0.0%	0.0%
Long dramas	1	-	1	2	-	2	-50.0%	0.0%	-50.0%
<b>Total television programmes</b>	<b>56</b>	<b>125</b>	<b>181</b>	<b>49</b>	<b>141</b>	<b>190</b>	<b>14.3%</b>	<b>-11.3%</b>	<b>-4.7%</b>
<b>Commercial programmes</b>									
Television selling	2	18	20	-	19	19	0.0%	-5.3%	5.3%
<b>Total commercial programmes</b>	<b>2</b>	<b>18</b>	<b>20</b>	<b>-</b>	<b>19</b>	<b>19</b>	<b>0.0%</b>	<b>-5.3%</b>	<b>5.3%</b>
<b>Overall total</b>	<b>58</b>	<b>143</b>	<b>201</b>	<b>49</b>	<b>160</b>	<b>209</b>	<b>18.4%</b>	<b>-10.6%</b>	<b>-3.8%</b>

The reduction in the number of original productions is mainly attributable to the News area and, to a lesser extent, to games and music programmes; conversely, the number of entertaining programmes in prime time increases.

**Canale 5** loses *Casa dell'Anima*, *Buon Mercato* and *Verissimo estate* in the News type and *il Disco per l'Estate* among music programmes. In prime time, entertainment loses *Piccole Canaglie* and *I Ragazzi Irresistibili* but produces: *Scherzi a Parte*, *La Corrida*, *Stranamore in tour* and a series of specials such as *Maurizio Costanzo show*, *Saranno Famosi*, *Sposami Subito* and *Come Sorelle*. *Mezzogiorno di Cuoco* is lost from Day Time.

**Italia 1** does not produce *Asterisc*, *Vox Populi* and the summer programmes *Bellavita* and *Real tv estate*, the game *Il Traditore* and the music shows *Super* and *Rapido tv.it*. In Entertainment, *Survivor*, *Mai dire Gol*, *Matricole* and *Tempi Moderni* are not broadcast in Prime Time and the programmes *Wozzup*, *Popstar*, *2008 - by A. Pezzi*, *Mai dire Maik* and *Da dove Digiti* in Day Time. Conversely, the following Sunday programmes are made: *Gialappa's* and *Iene*, *Saranno Famosi* in Prime Time and in Day Time and *l'Assemblea*, *Mosquito* in Day Time.

**Retequattro** no longer broadcasts in Prime Time *Divieto d'Entrata* and *Angeli* but produces *Testarda lo*, *Albano storie d'amore e d'amicizia* and *I 7 Vizi Capitali*; in the afternoon, *Sembra Ieri* replaces the game *OK il prezzo è giusto* and among quiz shows, *Mate&Venere* and *Salto nel Buio* are lost. Among the News slots, there are no confirmations for *Millenium*, the documentary *Ushuaia* and the summer editing of *Vivere Meglio*.

The following soap operas were own productions in the first half of 2002 for Canale 5: *Vivere* and *100 Vetrine* and the following Prime Time drama: *Carabinieri*.

In the first half of 2002, finished products, net of Soap and Drama, diminished by 87 hours (-2.3%) compared to the first half of 2001. The most significant decreases are in the News, with the programmes *Vox Populi*, *Casa dell'Anima*, *Buon Mercato*, *Millenium*, the summer programmes *Bellavita*, *Verissimo estate*, *Real tv estate* and the editings of *Vivere meglio* and *Music* for the loss of *Super* and *Rapido tv.it*.

More hours are produced with respect to sports, because of the Motorcycle World Championship and the Under 21 Football European Championships, the latter were not present in 2001.

Types	Hours of finished product				
	30/06/2002	%	30/06/2001	%	Change
	on the whole		on the whole		%
Entertainment and talk shows	1,377	36.9%	1,334	34.6%	3.2%
Other news	491	13.2%	610	15.9%	-19.5%
News	904	24.2%	880	22.9%	2.7%
Sport	321	8.6%	283	7.4%	13.4%
Game and quiz shows	336	9.0%	416	10.8%	-19.2%
Television selling	137	3.7%	126	3.3%	8.7%
Music	53	1.4%	56	1.5%	-5.4%
Soap operas	104	2.8%	108	2.8%	-3.7%
Short series	7	0.2%	32	0.8%	-78.1%
<b>Total</b>	<b>3,730</b>	<b>100.0%</b>	<b>3,845</b>	<b>100.0%</b>	<b>-3.0%</b>

### Technology for the production of television programmes

The technology for the production of programmes (in-house production) is owned only to a minimum extent by R.T.I. S.p.A., and is mainly concentrated in the subsidiary company Videotime S.p.A., which guarantees the **maintenance** and technological development of productive systems (studios, post-production and graphic rooms and mobile direction units).

In the last few years, the emergence of digital technology has mainly affected the first stages in the television production process: **production** (in studio) and **post production** (in the editing room). The plan for the transformation into digital of all shooting and editing equipment is under way, which started in the second half of 1990s and will be concluded in the next 3 years.

The two projects started in the first half of 2002 fall within this framework and concern the conversion to digital technology of two studios in Milan and Rome. In the latter case, the project was included in the wider context of the **consolidation of technology at the Elios Production Centre in Rome**, owned by the real estate company Titanus Elios S.p.A., of which Videotime S.p.A. acquired a 30% stake in 2001. The objective is to provide the Elios centre with appropriate technology for television production, creating this way the second Videotime production centre for entertainment after the Cologno Monzese centre. New post production rooms were set up in the last few months in this studio.

In the first months of the year, analyses were carried out regarding the stage after the production process, i.e. **storage**, which, in turn, comes before the emission, distribution and broadcasting of the signal. In particular, the possibility to better exploit the editorial office and digital archive of the Studio Aperto news is being examined, which has been active since last autumn. A further dissemination of similar systems in all production areas could bring benefits deriving from the integration of the various process stages and from the opportunity of sharing common contents.

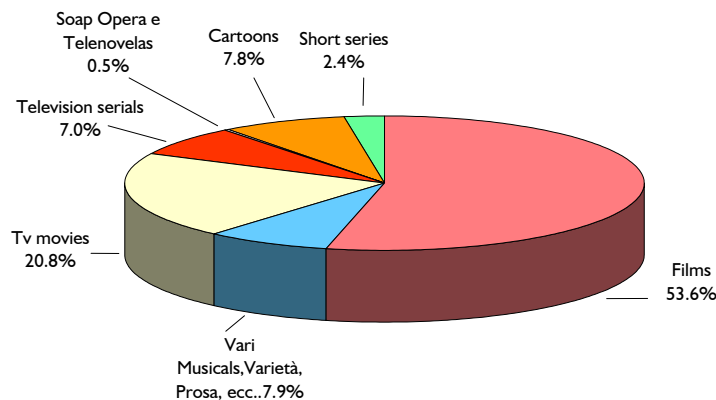
In the first half of 2002, significant investments were made for the lighting systems of the entertainment Production Centres. In the Cologno Monzese Centre, lighting systems have been started for two large studios and a third similar projects had to do with a studio in the Elios Centre in Rome, within the framework of technological consolidation previously mentioned.

## Acquisition and management of television rights

Mediaset S.p.A. and its subsidiaries have the most important library of television rights in Italy and one of the largest in Europe.

The following table contains details of the rights library by category at 30 June 2002:

Types	No of titles	Episodes
Films	5,061	5,061
Television serials	665	15,296
Telenovelas	25	3,511
Cartoons	737	22,469
Short series	222	693
Soap operas	18	3,415
Tv movies	1,956	1,996
Sundry (Musicals, Entertainment, Theatre, etc..)	740	2,251
<b>Total</b>	<b>9,424</b>	<b>54,692</b>



All activities regarding the purchase and production of rights for the Italian television have been brought under Mediatriade S.p.A.

This company has the objective to manage the rights library of the group. New rights are bought up on a continuous basis from:

- **US Majors:**

the Mediaset Group has signed long-term agreements to buy rights from the leading US producers and distributors; these agreements typically involve purchases for an average of 5 years, with the possibility of 4 or 5 television screenings.

Agreements are currently in place with MCA-Universal, Twentieth Century Fox, Sony Columbia, Warner Bros. International, Dreamworks.

- **International television producers:**

the Group has important, well-established rights purchase relations with US and European producers who supply very popular television products (TV movies, soap operas, mini-series and TV series).

The serial nature of these programmes, produced on a seasonal basis, makes for a lasting producer / user relationship and makes it possible to "loyalise" the viewer to the broadcasting network.

■ **Italian film producers / distributors:**

from Italian companies, the Group buys packages including both the television rights to films produced by them (which, together with the purchase of European films, are important in complying with the broadcasting quotas imposed by television broadcasting regulations) and the rights to international films.

The rights agreement in place with the associated company Medusa Film S.p.A., one of the leading distributors in Italy, plays a fundamental role in this context.

■ **In-house drama production:**

the Mediaset Group has the *know how* and organisation to select projects and produce highly popular TV movies, mini-series and TV series. These programmes are produced in-house or together with leading international partners. In some cases, production costs are partially covered by exporting the programmes produced.

The first half of 2002, in line with the strategy devised in the years 1999-2001 for the strengthening of the Group's core business, saw a major drive towards the production of dramas, which turned these series into a central element typical to Mediaset networks schedules.

In particular, the following series of significant long-series productions were confirmed (television series and soap operas), and important projects were defined for the production of short-running drama series with a high publishing profile, connected to topical issues, to literature classics and to important Italian people.

A significant role is played by the exclusive production agreement renewed for 2003 with *Tao Due*, one of the leading operators in the field, with which the Mediaset group has had a supply relationship for some years; recently, the collaboration with *Tao Due* led to the production of short-series (*Ultimo*, *Ultimo 2: la Sfida*, *La Uno Bianca*, *Il Testimone*) and long-series (*Distretto di Polizia*) that proved very successful.

In the first half of 2002 the Mediaset group also made steps towards further improving its rights library.

Of the many agreements reached, the following are worthy of note:

- the acquisition, by virtue of the long-term agreements in place with US majors, of the following blockbusters: *La Mummia*, *Haunting-Presenze*, *American Beauty*, *La Sottile Linea Rossa*;
- the renewal of the rights to a number of the most successful television series such as: *Beautiful*, *Sentieri*, *X Files*, *Ally Mc Beal*, *Buffy*, *Siska*;
- the start of the co-production of the soap opera *Terra Nostra 2*;
- the acquisition for the current television season of films like *The Million Dollar Hotel*, *Un Marito Ideale*, *Sai che c'è di Nuovo*, *Passion of Mind*, *Titus*, *Una Spia per Caso*, *Sbucato dal Passato*, with respect to the triennial (1999-2002) agreement with the subsidiary company Medusa Film S.p.A.;
- the production of several television movies, mini-series and television series with very prestigious casts and scriptwriters, such as: *La Notte di Pasquino* (with Nino Manfredi), *Benedetti Dal Signore* (with E. Greggio and E. Iacchetti), *Ferrari*, *Il Papa Buono*, *Doppio Agguato*, *L'Ultima Pallottola/Omicidio a Sei Facce*, *Distretto di Polizia 3*, *Il Bello delle Donne 2*.

The production of the fourth series of *Vivere* is particularly important, as is the second series *Centovetrine*, both Italian soap operas with 230 shows that constantly maintain high audience levels on our flagship network.

### **Management of the signal broadcasting network**

The signal broadcasting networks owned by R.T.I. S.p.A., is managed by the subsidiary company Elettronica Industriale S.p.A. The latter ensures the **development** of the network, i.e. network engineering function and around the clock maintenance and **operation** 365 days a year.

The network carries the signals of R.T.I. S.p.A.'s three commercial television networks (Canale 5, Italia 1 and Retequattro) to over 99% of the country's population. This infrastructure is not only used to broadcast the signal of television programmes from the Segrate centre (distribution system), but also to carry semi-finished signals from any point on the network to the television production centres where the television programme is made (contribution system).

The digital transformation process of the signal **carrying network** by means of radio repeaters, completed in the second half of 1990s, enabled R.T.I. to fully express a highly precious potential: considering the three signal carrying modes (radio repeaters, satellite and optic fibres), there is an established broadcasting capacity that may be used for the most varied purposes, for example also for the future Terrestrial Digital Television.

Therefore, projects carried out in the last few months aimed at removing any risk of unavailability of the transportation infrastructure, in order to further increase the overall reliability of the network. The project for the **redundancy of the Cologno Monzese node** has significantly progressed (the first node in the transportation network downstream of broadcasting), which will remove the criticality of the existence of one single starting point for all the backbones, and will thus make the transportation network fully "meshed", i.e. with the guarantee of at least two alternative pathways to connect the emission point with any terminal node.

In the first half of 2002 significant projects were carried out in the **broadcasting** area, which represents the origin of distribution process of the television signal in Italy. Tests were continued on the new automation system of the **assembly and broadcasting** for the three R.T.I. commercial networks (Canale5, Italia 1 e Retequattro). In the first months of next year this system, once fully operational, will enable us to improve the quality of the current process, reducing the risk of error connected to several manual operations (e.g. handling of the magnetic support, sequence of events, etc.).

In the last few months the preparation was continued for the **transition to Terrestrial Digital Television** regulated by recent legislation (Law no. 66 of 20 March 2001). The main project that has been started deals with experimentation, by means of which in the next few months the future scenarios will be simulated that terrestrial digital will make available. This project, is not only limited to a technological test on assembly and broadcasting modes of a signal in numeric format, but has the objective to assess future potential market, testing possible new contents and new applications with their consequences on viewers (e.g. model of decoder penetration among users, interactivity, etc.).

### **Music Publishing**

RTI Music S.r.l. (which on 1 July 2002 will be merged by incorporation in parent company RTI S.p.A.) is active in the field of music publishing connected to Mediaset Group television activities. This business includes the production, acquisition, management and protection of copyright to music tracks for audio-visual works.

RTI Music S.r.l. made in the first half of 2002 the soundtracks of films and television series produced by Mediatrade S.p.A. (including *S. Antonio*, *Valeria medico legale*, *Per amore e per vendetta*), by Medusa Film S.p.A. (including *Zero in condotta*, *Malena*, *Concorrenza sleale*) and by external executive producers (including *Ma il portiere non c'è mai*, *Il commissario Montalbano 3*, *I cavalieri che fecero l'impresa*) and dramas by R.T.I. S.p.A. (*Sei forte maestro 2*, *Distretto di polizia 2*). RTI Music S.r.l. also performed audio work, on behalf of R.T.I. S.p.A., on many television productions (including *La sai l'ultima*, *Buona Domenica*, *Saranno famosi*, *Al Bano*).

RTI Music S.r.l. also supplies an important music archive service with its "Music Bank"; it currently owns around 7,000 hours of music with own original recordings of works and around 30,000 hours of original recordings of works owned by third parties and other music.

In the first half of 2002, this business generated revenues of EUR 2.5 million, mainly as a result of broadcasting rights for the use of music used in programmes scheduled on Mediaset networks.

## **Commercial television - International**

### ***Telecinco Group***

Based on currently available information, in the first half of 2002 advertising investments on television in Spain recorded a 3.5% decrease, compared to the same period of the previous year, and amounted to around EUR 1,083 million.

In the same period, gross advertising revenues of Publiespana for Telecinco, equal to EUR 288.9 million, decreased by 9.6% compared to the first half of 2001, and showed however starting from the second quarter a progressive and clear improvement. Telecinco confirms its leadership in the domestic television advertising market also at the end of the first half of 2002. Advertising sales obtained by Telecinco in the first half of the year were affected by the general and prolonged weakness of the Spanish advertising market, and by generally unfavourable audience shares, especially in the first part of the year.

In that period, Telecinco recorded a strong fall in its audience share, mainly attributable to the scheduling strategy of the state television which concentrated, in a traditionally low season period for advertising investments, some formats that had a great impact on the audience, among which *Operación Triunfo*. In the following months, a progressive increase in audience shares was witnessed, especially by virtue of the presence in the schedule of the third *Grande Fratello* which achieved peaks above 45%.

In the first half of 2002 Telecinco reached an audience share on the full day of 19.7%, with a decrease of 2.1 share points compared to the same period of the previous year; both its main private competitor, Antena 3 (which in June broadcast the Spanish national team matches at the World Cup), and TVE-I recorded a slight increase in audiences, respectively reaching 20.9% (20.3% at 30 June 2001) and 25.2% (24.7% at 30 June 2001). Telecinco however, maintains its leadership in the audience of the commercial target, with a share of 22.9% (25.1% in the same period of 2001).

The unfavourable results of advertising revenues and audience shares especially concentrated in the first part of the period, generated for Telecinco, in the period under examination, a reduction of EUR 26.6 million (-8.7% compared to the same period of the previous year) of consolidated net revenues which reached EUR 280 million in the period. Period EBIT amounted to EUR 59.1 million, compared to EUR 116.1 million in the first half of 2001, and operating profitability was equal to 21%. The net profit for the period amounted to EUR 33.7 million, with a decrease of EUR 38.6 million compared to 30 June 2001.

Currently available information about advertising revenues after 30 June 2002 show a progressive recovery of Telecinco advertising sales, which in July/August increased by 1.2% compared to the same period of the previous year.

The equity valuation of the 40% investment held in Telecinco and Publiespana by the Mediaset group, including the goodwill amortisation quota (equal in the period to EUR 10.1 million), implied for the Mediaset group net income for EUR 3.4 million.

## Multimedia and telecommunications division

### Multimedia operations

The Mediaset Group's multimedia operations are mainly concentrated in Mediadigit S.p.A., a company that has been active since 2000 and which is in charge of operations regarding theme channels, Internet operations and teletext operations, with the objective to develop synergy and brand extension opportunities with respect to our traditional core business focused on television, by providing services and contents that can be distributed on various platforms (Pay TV, Internet and Telecommunications). Multimedia operations also include the specialist magazine *MT La Macchina del Tempo*, published by R.T.I. S.p.A. and available since November 2000. Advertising sales based on the Internet and the theme channels (for the latter as of the second half of 2001) are supported by Publitalia'80 S.p.A. as exclusive concessionary.

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 June 2002 the overall number of subscribers to Mediadigit satellite channels amounted to 1,724,000, 825,000 subscribers of which regarding the three channels distributed on the Stream platform and 899,000 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 half of the year to **EUR 10.2 million**, on the rise compared to EUR 9.8 million in the first half of 2001.

As to **Internet** operations, it should be noted that in June 2002 all the sites owned by the Group recorded around 115 million page views, with a daily average of around 3.8 million page views, 30% of which generated by Jumpy.

The sites regarding the *MOL* vertical portal and the network sites contributed with 55 million page views (more than three times as much than in June 2001). The News area (*Tgcom*, *TG5.it* and *TgFin*) totalled in June 2002 about 26 million page views. *Tgcom* performance deserves a mention (in June 2002 more than 600,000 average daily page views), the online news of the Group, which contributed to around 70% of the whole page views in this area.

Total **revenues** from the Group Internet area, in the first half of 2002, amounted to **EUR 3.4 million**, increasing with respect to EUR 2 million in the same period of the previous year.

As to **Teletext** operations (Mediavideo and interactive service), in the first half of 2002 revenues amounted to **EUR 3.6 million**, an increase over EUR 2.3 million in the same period of the previous year. In 2002, the graphic restyling of the Mediavideo brand and of the layout of the relevant contents was completed, in order to make this product more appealing to television users and commercial clients.

## **Telecommunications**

The Mediaset Group is currently 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%).

In the field of fixed telephony, **Albacom S.p.A.**, now established second national operator in the field of telecommunication services for business clients, achieved in the year ended 31 March 2002, one year in advance with respect to company plans, its first significant economic objective, i.e. the achievement of positive EBITDA (EUR 0.7 million, compared to the negative gross margin in the previous year, equal to EUR -60.5 million).

At the end of the year which ended 31 March 2002 this company had 105,000 active customers (compared to 55,000 in the previous year) and over 7 billion minutes of traffic, growing 44% compared to the previous year. In the same period, net consolidated sales amounted to EUR 578 million, with a 24% increase over the previous year, while net result showed a loss of EUR 133.4 million (141.6 million in the previous year) already covered for EUR 77.9 million through the recapitalisation project carried out by shareholders at the end of 2001. In order to sustain Group development strategies, during the year investments for around EUR 240 million were made. The indebtedness ratio of the Group equals 44.5%, well below the industry average.

Such positive results reward the action of the management and the company organisation in terms of a careful management policy of operating costs and the further development of a customer-orientation policy, even by means of a constant enlargement of the range of products and services.

In the first half of 2002, Mediaset S.p.A. paid a non-interest-bearing loan to cover the financial needs of the company, for an amount of EUR 18.8 million registered, together with EUR 5.5 million already paid in 2001, as share capital following a resolution by the extraordinary Assembly that was held on 3 July 2002 (as is described below in the Section of the Report devoted to the events after 30 June 2002).

The economic and management trend of the first three months of the fiscal year that will end 31 March 2003, shows in turn extremely positive developments, with a increase in revenues of more than 33% over the same period of the previous year and a further improvement of EBITDA, which remains positive.

Because of the final results regarding the April-June 2002 period, the result regarding the last three months of the fiscal year ended 31 March 2002 (first quarter 2002) and of goodwill amortisation (EUR 1.1 million), the equity valuation of the investment in Albacom S.p.A. resulted in a total charge of EUR 12.4 million for the Mediaset group at 30 June 2002, clearly lower than that recorded in the same period of the previous year (EUR 21.3 million).

The shareholding held in **Olivetti S.p.A.** gives Mediaset another stronghold in a sector that is considered to be crucial in future years, with the conversion to the terrestrial digital television, in fundamental segments of the television core business (distribution, interactivity and access to customers). The half year results show an increase in consolidated revenues (which amounted to EUR 15.5 billion at 30 June 2002) equal on a like-for-like basis to 1.4% over the same period of 2001 and an increase in characteristic EBIT of 11.3%; in the same period, consolidated net financial indebtedness was reduced (from EUR 38.4 billion at 31 December 2001 to EUR 37.1 billion) in line with the objectives of the Olivetti-Telecom Group strategic plan, while that of Olivetti S.p.A. went down by EUR 0.6 billion, to EUR 15.7 billion. After 30 June 2002, a few disposals were carried out of non strategic investments that will lead to a further reduction in consolidated financial indebtedness for an amount of around EUR 2.2 billion and the relevant capital gains were registered. In the light of the positive economic and financial results of the period, the value of the shareholding held by Mediaset S.p.A. in Olivetti S.p.A., though higher (EUR 42.7 million ) than the corresponding share of consolidated shareholders' equity, retained its

purchase value at 30 June 2002. The negative trend of the share price is considered as non indicative in itself of a durable loss for the company; this development, especially during the second quarter 2002 was negatively affected by the general price reduction of stocks in this industry, caused by the consequences of the scandals that hit some major US telecommunications operators, and at financial difficulties of the main European operators.

## **PERSONNEL**

The following table contains details of the Mediaset Group workforce at 30 June 2002, including both permanent staff and temporary ordinary and entertainment staff (so called t.d.s.), with the exclusion of the Epsilon Group workforce that, in 2001, amounted to 65 employees.

31/12/2001	Workforce at period end including temporary staff.	30/06/2001	30/06/2000
295	Managers	298	274
294	Journalists	303	295
616	Middle managers	642	623
3,130	Office staff	3,151	3,116
61	Manual workers	-	64
<b>4,396</b>	<b>Mediaset Group</b>	<b>4,394</b>	<b>4,372</b>

Compared to 31 December 2001, the situation of the overall workforce does not show significant changes, since there is a decrease of just 2 employees, due to normal *turn-over* of personnel partially offset by the inclusion of new heads in the period.

As to remunerations, it should be noted that they were affected by the payment of contract shares regarding national and supplementary agreements in force in the various companies of the Mediaset group.

## **LEGAL DEVELOPMENTS IN THE TELEVISION INDUSTRY**

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The first half of 2002 marked the beginning of political discussion on the need to carry out an overall revision of the regulatory framework of the television system, with particular reference to laws 223/90 and 249/97.

This has become necessary in the light of the development of the multimedia market, which makes the borders between the contents industry and that of carriers and networks on which these contents are transported increasingly blurred, and by the need for domestic operators to face foreign competition.

The first draft of the new bill is expected to be presented in September.

At regulatory level, two new surveys were started by the Communications Authority: one on "television sales"; the second on the "detection of audience and diffusion shares of the various communication means".

The objective of the survey on television sales is to receive contributions from the operators in view of a possible new definition or redefinition of the subject, which is however already largely regulated. It is worth mentioning the ministry initiative of a self-regulatory Code regarding specific kinds of television sales, such as those regarding clairvoyance, astrology and games and bets.

The second survey falls within the framework of the recently started debate regarding the significance of the current method of audience detection.

As to antitrust, (according to article 2 c. 8 lett. A Law 249/97), the specific Authority started an investigation for the analysis of the distribution of economic resources in the television industry in the 1998-2000 period, in order to ascertain the possible existence of forbidden dominant positions.

It should be pointed out that the position of the Mediaset group is slightly lower than that in 1997, the last situation on which the Authority gave its advice, excluding the existence of forbidden dominant positions.

Finally, the four community directives of the so-called "Telecom package" have been approved for regulating electronic communication services and networks, but not programmes transmitted by them. The directives, which must be accepted by the Italian legislator by 24 July 2003, will affect digital television transmissions only when the latter become fully operational. On the same subject, Law 66/01 and the Regulation of the specific Authority no. 435/01 have created a wide and well-structured system of guarantees for the protection of the market and of pluralism, by favouring the access of content providers to signal broadcasting networks.

## **RELATIONSHIPS WITH COMPANIES IN THE FININVEST GROUP AND THE MEDIOLANUM GROUP AND "RELATED PARTIES"**

In the first half of 2002, the Mediaset group had the following investment and economic relationships with the parent company Fininvest S.p.A. and its subsidiary and affiliated companies:

(EUR millions)

	Financial receivables	Trade and other receivables	Trade and other payables	Value of production	Cost of production	Financial income and (charges)	Extraordinary income and (charges)
Fininvest S.p.A.	-	6.1	1.1	1.8	3.2	-	-
Alba Servizi Aerotrasporti S.p.A.	-	-	0.2	-	0.3	-	-
Arnoldo Mondadori Editore S.p.A.	-	9.0	1.4	12.6	0.9	-	-
Banca Mediolanum S.p.A.	-	0.9	-	2.5	0.2	-	-
Blockbuster Italia S.p.A.	-	0.9	-	0.7	-	-	-
Mediolanum Vita S.p.A.	0.1	-	-	-	-	-	-
Medusa Film S.p.A.	-	0.7	69.7	0.5	-	-	-
Medusa Video S.r.l.	-	0.7	-	0.5	-	-	-
Milan A.C. S.p.A.	-	-	1.7	0.1	3.9	-	-
Pagine Italia S.p.A.	-	0.9	-	0.7	0.1	-	-
Others	-	0.4	0.7	0.2	0.5	-	-
<b>Total</b>	<b>0.1</b>	<b>19.6</b>	<b>74.8</b>	<b>19.6</b>	<b>9.1</b>	-	-

In accordance with CONSOB communications no. 97001574 of 20 February 1997 and 98015375 of 27 February 1998, we inform you that the commercial relationships with the Fininvest Group and Mediolanum Group as set out in the table above are subject to normal market conditions.

We point out that, with the exception of revenues from Fininvest S.p.A. (regarding new charges carried out in the year with respect to liabilities covered by the guarantee released on June 6, 1996), revenues from other companies belonging to the Fininvest Group and the Mediolanum Group, mainly regarded the sale of television advertising spaces.

We also point out that, in the first half of 2002, the Mediaset Group purchased television rights from companies belonging to the Fininvest Group or related to it, for an overall amount of EUR 26.5 million, EUR 19.8 million of which regarding Medusa Film S.p.A. and EUR 6.5 million of which regarding Milan A.C. S.p.A. We also point out that, during the first half of 2002, agreements for the purchase of television rights were stipulated with Medusa Film S.p.A., recorded as advances at 31 December 2001, for EUR 5.8 million and new advances were paid for EUR 3.7 million.

Besides, in accordance with CONSOB communication no. 1574 of 20 February 1997 we inform you that, in 2001, the Mediaset Group incurred costs of EUR 0.4 million, with respect to consulting relationships with the Sinergetica Group.

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## SIGNIFICANT EVENTS AFTER 30 JUNE 2002

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- On **2 July 2002**, Mediaset S.p.A. board of directors issued a **project for the development of the company organisation** aiming at adjusting the company structure to the regulations envisaged by the law on terrestrial digital and at fostering a further improvement of managerial efficiency by means of a greater integration of television and multimedia operations belonging to subsidiary company R.T.I. S.p.A. This company reorganisation mainly includes:
  - The transfer from R.T.I. S.p.A. to Elettronica Industriale S.p.A., a company wholly owned by R.T.I. S.p.A. of the television signal broadcasting infrastructure;
  - the acquisition by R.T.I. S.p.A. of the theme channels and new media operations currently managed by Mediadigit S.p.A.;
  - the merger by incorporation of Mediatrading S.p.A. in its parent company R.T.I. S.p.A.

Within this project, Mediaset S.p.A.'s board of directors also resolves to oversee, for what lies within its province, the winding up of subsidiary company (26%) Veleno S.p.A.

These operations should be completed before the end of the year.

- On **3 July 2002** the extraordinary meeting of **Albacom S.p.A.** shareholders decided a share capital increase of EUR 125 million. This increase was fully subscribed and paid by shareholders in line with the relevant shareholdings, to implement the commitments to cover financial needs of the company already taken by shareholders in the year. The capital increase was carried out, for the amount that had not been yet paid at 30 June 2002, by recording as capital the previously paid amounts as non-interest bearing loan. The share capital amount pertaining to Mediaset S.p.A. was equal to EUR 24.4 million, which equals the amount already paid as loan. On the same day, the extraordinary assembly further decided to reduce share capital for an amount of EUR 50.7 million (to be carried out by annulling an equal amount of shares) equal to accrued losses that had not been covered at 31 March 2002 resulting from the balance sheet and income statement approved by Albacom S.p.A. on the same date. Because of these operations, the resulting net shareholders' equity of Albacom S.p.A. amounts to EUR 417 million, which provides for an appropriate capitalisation for future development plans of the company.
- On **8 July 2002**, subsidiary company R.T.I. S.p.A. and Arnoldo Mondadori Editore S.p.A., a company belonging to the Fininvest group, established the company **PressTV S.p.A.** with registered office in Milan and wholly paid-in share capital of EUR 1.5 million. The company is jointly owned by the two shareholders that, on the same date, paid three-tenths of the capital underwritten, equal to EUR 0.5 million. PressTv will develop multimedia publishing projects, among which the publication of magazines strictly connected to successful television programmes. The first publishing project carried out by PressTv will be the sports magazine *Controcampo* which will be distributed simultaneously with the start of the next 2002/2003 Football Season.
- On **6 August 2002**, **Mediaset S.p.A.** and **ICE Finance B.V.** (a Dutch company belonging to JP Morgan), companies which directly or by means of subsidiary companies respectively hold 40% and 10% of share capital of Gestelevision Telecinco S.A. and Publiespana S.A. reached, with the agreement of Correo Group (which owns 25% of both companies), a draft agreement for the start of the project of flotation at the stock exchange of the Telecinco Group, to be carried out by 31 December 2004, a deadline that can be postponed until 31 December 2007. ICE Finance and Mediaset also stipulated an agreement according to which ICE Finance gave Mediaset a pre-emption right on its stake and Mediaset S.p.A. acknowledge to ICE Finance B.V. the option to sell its stake to Mediaset at

the higher price between the market value determined by an independent assessment and EUR 200 million. This operation was analysed by Morgan Stanley which judged the overall terms of the agreement as appropriate. The option included in the agreement can be taken up by ICE Finance only if Spanish rules make it possible to go beyond a 49% stake limit and/or Mediaset does not directly or indirectly purchase, within the maximum limits currently allowed for by Spanish rules, a share of Telecinco from the Kirch Media Group, which currently holds 25%.

### **FORESEEABLE DEVELOPMENTS**

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- Advertising revenues on Mediaset networks in July and August increased by 1.5% compared to the same period of the previous year, confirming the growing trend recorded starting from June. By virtue of this result, advertising revenues in the first eight months of the year show a slight decrease of around 2%, improving compared to the situation in the first half of the year. Currently available data regarding September sales show the achievement of sales already nearly in line with those recorded in the same month of 2001. Despite estimates about expected development in the next few months in the general advertising market remains extremely cautious, the development of advertising sales on Mediaset networks in the third quarter of the year confirms the expectations to achieve at the end of 2002 the same level of advertising sales recorded last year and in 2000.
- In the first eight months of 2002, Mediaset networks obtained an audience share in the full day of 43%. In Prime Time Mediaset reached on the whole a share of 43.9% with an increase of 0.7 share points compared to the previous year, while RAI networks, with 45.9%, decrease by 1.8%. In Prime Time, Canale 5, with 23.5%, remains the first national network ahead of RAI I (22.5%).
- Based on currently available evidence, regarding the development of advertising sales and television costs, it can reasonably be confirmed that in this year a stable EBITDA level will be achieved, and significant operating profitability will be obtained, in line with that recorded in 2001.

for the Board of Directors  
the Chairman



# **Interim report 2002**

Report on the limited auditing  
by the Independent Auditors

***MEDIASET GROUP***



**AUDITOR'S REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED JUNE 30, 2002**

**To the Shareholders of  
Mediaset S.p.A**

1. We have reviewed the accompanying interim financial information for the six months ended June 30, 2002, made up of the accounting schedules (balance sheet and income statement), both statutory and consolidated, and of the related footnotes of Mediaset S.p.A. In addition, we have verified the consistency of the footnotes with the related information contained in the above accounting schedules.
2. We conducted our review in accordance with the Auditing Standards recommended by Consob under Resolution n. 10867 of July 31, 1997.  
Our review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and verification of assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with auditing standards. Accordingly, unlike the auditors' report on the year end financial statements, we do not express an audit on the interim financial information.

As for the comparable financial data for the corresponding period of the previous year and for the financial statements as at June 30, 2001 reference is made to the reports issued on September 14, 2001 and April 5, 2002 respectively.

3. Based on our review, we are not aware of any material modifications that should be made to the interim financial information mentioned in paragraph 1 above in order for it to be in conformity with the criteria provided by Consob regulations for the preparation of the interim financial information for the six months approved with Resolution n. 11971 of May 14, 1999 and subsequent modifications.

4. As indicated in the interim financial information for the six months ended June 30, 2002, we draw attention to the fact that:
- the Company has taken advantage of the possibility granted by Article 81 of Consob Regulation n. 11971 of May 14, 1999 as subsequently amended, to report income for the period before taxation and consequently has not accounted the adjustments from the application of accounting standard on taxes;
  - the Company (in the Holding interim financial information) has carried out some adjustments made exclusively for tax benefits.

DELOITTE & TOUCHE S.p.A.

Signed by Patrizia Arienti  
Partner

This report has been translated into the English language solely for the convenience of international readers.

Milan, 13 September 2002

# **Interim report 2002**

Consolidated balance sheet and income statement  
at 30 June 2002

***MEDIASET GROUP***



# MEDIASET GROUP

## Consolidated balance sheet at 30 June 2002

(EUR millions)

ASSETS	30/06/2002	31/12/2001	30/06/2001
<b>A) RECEIVABLES FROM SHAREHOLDERS</b>	-	-	-
<b>B) FIXED ASSETS</b>			
<b>I Intangible fixed assets</b>			
1 start-up and expansion costs	2.1	2.7	3.7
2 research, development and advertising costs	1.8	2.3	3.4
3 industrial patents and intellectual property rights	14.9	15.1	9.9
4 concessions, licences, trademarks and similar rights			
a) television rights	1,848.6	1,881.8	1,895.0
b) trademarks	21.8	26.6	22.8
c) concessions	0.1	0.1	0.1
5 goodwill	17.8	20.5	10.4
6 intangible assets under formation and advances	138.9	106.1	116.6
7 other	5.7	6.3	9.7
8 differences arising from consolidation	14.3	16.2	67.2
<b>Total</b>	<b>2,066.0</b>	<b>2,077.7</b>	<b>2,138.8</b>
<b>II Tangible fixed assets</b>			
1 land and buildings	66.5	67.2	60.0
2 plant and machinery	134.5	120.7	117.6
3 industrial and commercial equipment	16.9	17.6	17.4
4 other tangible fixed assets	19.3	19.8	16.8
5 fixed assets under construction and payments on account	4.7	8.9	6.9
<b>Total</b>	<b>241.9</b>	<b>234.2</b>	<b>218.7</b>
<b>III Financial fixed assets</b>			
1 investments in:			
a) subsidiary companies	8.3	8.3	-
b) affiliated companies	298.7	295.5	402.7
c) other companies	158.3	377.7	214.2
<b>Total</b>	<b>465.3</b>	<b>681.5</b>	<b>616.9</b>
2 receivables:			
a) Fininvest Group and Mediolanum Group companies	-	-	0.1
b) other companies	5.8	6.1	6.5
<b>Total</b>	<b>5.8</b>	<b>6.1</b>	<b>6.6</b>
3 other securities	-	-	-
<b>Total</b>	<b>471.1</b>	<b>687.6</b>	<b>623.5</b>
<b>TOTAL FIXED ASSETS (B)</b>	<b>2,779.0</b>	<b>2,999.5</b>	<b>2,981.0</b>

# MEDIASET GROUP

## Consolidated balance sheet at 30 June 2002

(EUR millions)

ASSETS	30/06/2002	31/12/2001	30/06/2001
<b>C) CURRENT ASSETS</b>			
<b>I Inventory</b>			
1 raw materials, consumables and supplies	1.0	1.5	1.8
2 work in progress and semi-finished products	1.8	3.6	3.1
3 contracts in progress	15.9	7.8	-
4 finished goods and products	12.3	10.2	12.1
<b>Total</b>	<b>31.0</b>	<b>23.1</b>	<b>17.0</b>
<b>II Receivables</b>			
1 trade receivables	741.1	618.8	791.7
2 due from subsidiary companies	3.0	4.1	8.3
3 due from affiliated companies	0.4	2.6	0.7
4 due from parent company	6.1	6.7	5.5
5 due from Fininvest Group and Mediolanum Group companies	13.5	11.7	16.9
6 other receivables	168.1	241.8	274.7
<b>Total</b>	<b>932.2</b>	<b>885.7</b>	<b>1,097.8</b>
<b>III Financial assets (which are not fixed assets)</b>			
5 own shares	28.2	12.1	27.5
6 other securities	165.0	203.4	199.7
7 receivables due from subsidiary and affiliated companies	4.4	-	-
<b>Total</b>	<b>197.6</b>	<b>215.5</b>	<b>227.2</b>
<b>IV Liquid funds</b>			
1 bank and postal deposits	273.0	101.0	150.0
3 cash in hand and cash equivalents	0.1	-	0.1
<b>Total</b>	<b>273.1</b>	<b>101.0</b>	<b>150.1</b>
<b>TOTAL CURRENT ASSETS (C)</b>	<b>1,433.9</b>	<b>1,225.3</b>	<b>1,492.1</b>
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>			
1 accrued income	0.9	7.2	10.0
2 prepayments	15.4	10.0	12.2
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME (D)</b>	<b>16.3</b>	<b>17.2</b>	<b>22.2</b>
<b>TOTAL ASSETS</b>	<b>4,229.2</b>	<b>4,242.0</b>	<b>4,495.3</b>

# MEDIASET GROUP

## Consolidated balance sheet at 30 June 2002

(EUR millions)

SHAREHOLDERS' EQUITY AND LIABILITIES	30/06/2002	31/12/2001	30/06/2001
<b>A) SHAREHOLDERS' EQUITY</b>			
I Share capital	614.2	614.2	614.2
II Share premium reserve	739.7	739.7	739.7
III Revaluation reserve	-	-	-
IV Legal reserve	74.3	61.2	61.2
V Reserve for own shares	28.2	12.1	27.5
VI Statutory reserves	-	-	-
VII Other reserves	111.4	125.7	110.5
VIII Retained earnings (losses)	537.3	551.7	551.8
IX Profit (loss) for the year		248.4	
Profit (loss) for the first six months	357.1		450.1
<b>Total Group shareholders' equity</b>	<b>2,462.2</b>	<b>2,353.0</b>	<b>2,555.0</b>
Shareholders' equity attributable to minority interests	1.6	1.6	1.8
<b>TOTAL CONSOLIDATED GROUP SHAREHOLDERS' EQUITY AND ATTRIBUTABLE TO MINORITY INTERESTS (A)</b>	<b>2,463.8</b>	<b>2,354.6</b>	<b>2,556.8</b>
<b>B) PROVISIONS FOR RISKS AND CHARGES</b>			
1 for pension benefits and similar obligations	0.5	1.0	3.1
2 tax reserves	(29.2)	(29.2)	(9.5)
3 Other reserves	30.7	210.0	34.2
<b>TOTAL PROVISIONS FOR RISKS AND CHARGES (B)</b>	<b>2.0</b>	<b>181.8</b>	<b>27.8</b>
<b>C) EMPLOYEE SEVERANCE INDEMNITY</b>	<b>96.6</b>	<b>93.1</b>	<b>89.3</b>
<b>D) PAYABLES</b>			
3 due to banks	698.8	553.0	644.2
4 due to other financial institutions	5.2	11.2	7.2
5 advance payments received	18.5	8.7	3.3
6 trade accounts	715.8	897.4	978.1
8 due to subsidiary companies	1.5	1.7	-
9 due to affiliated companies	6.3	11.3	0.4
10 due to the parent company	1.1	1.1	3.4
10bis due to Fininvest Group and Mediolanum Group companies	73.7	18.0	26.7
11 due to taxation authorities	39.5	26.6	37.6
12 due to social security institutions	11.2	11.2	10.2
13 other sums payable	52.2	56.7	81.6
<b>TOTAL PAYABLES (D)</b>	<b>1,623.8</b>	<b>1,596.9</b>	<b>1,792.7</b>
<b>E) ACCRUALS AND DEFERRED INCOME</b>			
1 accruals	33.1	3.5	12.5
2 deferred income	9.9	12.1	16.2
<b>TOTAL ACCRUALS AND DEFERRED INCOME (E)</b>	<b>43.0</b>	<b>15.6</b>	<b>28.7</b>
<b>TOTAL LIABILITIES</b>	<b>1,765.4</b>	<b>1,887.4</b>	<b>1,938.5</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>4,229.2</b>	<b>4,242.0</b>	<b>4,495.3</b>

# MEDIASET GROUP

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## Consolidated balance sheet at 30 June 2002

(EUR millions)

<b>OFF-BALANCE SHEET ITEMS</b>	<b>30/06/2002</b>	<b>31/12/2001</b>	<b>30/06/2001</b>
personal securities given	24.6	22.1	202.3
collateral security	-	-	-
commitments	1,722.2	2,053.7	2,341.8
contingencies	2.2	1.8	3.3
potential liabilities counter-guaranteed by the parent company	11.0	10.8	11.8
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>	<b>1,760.0</b>	<b>2,088.4</b>	<b>2,559.2</b>

# MEDIASET GROUP

## Consolidated income statement at 30 June 2002

(EUR millions)

INCOME STATEMENT		1st half 2002	fiscal year 2001	1st half 2001
<b>A) VALUE OF PRODUCTION</b>				
1	revenues from sales and services	1,283.0	2,309.1	1,349.8
2	changes in inventories of work in progress, semi-finished and finished goods	0.4	(2.1)	(0.9)
3	changes in contracts in progress	8.1	7.5	(0.3)
4	own work capitalised	20.5	51.2	27.5
5	other revenues and income	18.6	42.0	19.9
<b>TOTAL VALUE OF PRODUCTION (A)</b>		<b>1,330.6</b>	<b>2,407.7</b>	<b>1,396.0</b>
<b>B) COST OF PRODUCTION</b>				
6	raw materials, consumables and supplies	17.5	49.9	27.0
7	services	292.9	605.7	312.4
8	leasing and rental	43.4	90.7	44.0
9	personnel expenses:			
	a) wages and salaries	114.1	205.4	108.5
	b) social security contributions	32.3	58.8	30.6
	c) employee severance indemnity	10.7	20.4	10.1
	d) pension benefits and similar obligations	-	0.1	0.3
	e) other expenses	0.5	1.0	0.3
	Total personnel expenses	157.6	285.7	149.8
10	amortisation, depreciation and write-downs			
	a) amortisation of intangible fixed assets	360.9	683.6	323.5
	b) depreciation of tangible fixed assets	21.9	40.2	19.2
	c) write-downs of fixed assets	(0.2)	3.0	-
	d) write-downs of receivables included in current assets and liquid funds	4.6	6.5	3.7
	Total amortisation, depreciation and write-downs	387.2	733.3	346.4
11	changes in the inventories of raw materials, consumables and supplies	0.3	0.2	(0.2)
12	provisions for risks	-	-	-
13	other provisions	(2.2)	(1.4)	(3.0)
14	undry operating costs	20.9	56.4	19.3
<b>TOTAL COST OF PRODUCTION (B)</b>		<b>917.6</b>	<b>1,820.5</b>	<b>895.7</b>
<b>DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)</b>		<b>413.0</b>	<b>587.2</b>	<b>500.3</b>
<b>C) FINANCIAL INCOME AND (CHARGES)</b>				
15	income from investments			
	a) Fininvest Group and Mediolanum Group companies	-	-	1.5
	b) other companies	3.0	1.5	-
	Total income from investments	3.0	1.5	1.5
16	other financial income			
	a) from receivables included in fixed assets	0.1	0.2	0.1
	b) from securities included in fixed assets which are not investments	-	-	-
	c) from securities included in current assets which are not investments	4.7	13.6	5.8
	d) other income	48.2	61.7	43.7
	Total other financial income	53.0	75.5	49.6
<b>Total financial income</b>		<b>56.0</b>	<b>77.0</b>	<b>51.1</b>

# MEDIASET GROUP

## Consolidated income statement at 30 June 2002

(EUR millions)

INCOME STATEMENT		1st half 2002	fiscal year 2001	1st half 2001
17	interest and financial charges			
	a) subsidiary companies	-	-	-
	b) parent company	-	-	-
	c) Fininvest Group and Mediolanum Group companies	-	-	-
	d) other	(66.9)	(91.8)	(56.6)
	<b>Total interest and other financial charges</b>	<b>(66.9)</b>	<b>(91.8)</b>	<b>(56.6)</b>
	<b>TOTAL FINANCIAL INCOME AND (CHARGES) (C)</b>	<b>(10.9)</b>	<b>(14.8)</b>	<b>(5.5)</b>
<b>D) ADJUSTMENTS TO THE VALUE OF FINANCIAL INVESTMENTS</b>				
18	revaluations			
	a) investments	3.4	24.7	18.9
19	write-downs			
	a) investments	(47.2)	(208.4)	(62.7)
	<b>TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL INVESTMENTS (D)</b>	<b>(43.8)</b>	<b>(183.7)</b>	<b>(43.8)</b>
<b>E) EXTRAORDINARY INCOME AND (CHARGES)</b>				
20	income			
	a) gains on disposals	-	30.6	-
	b) other extraordinary income	1.3	1.0	0.8
	<b>Total extraordinary income</b>	<b>1.3</b>	<b>31.6</b>	<b>0.8</b>
21	charges			
	a) losses on disposals	-	(0.4)	(0.3)
	b) other extraordinary charges	(2.4)	(1.8)	(1.2)
	<b>Total extraordinary charges</b>	<b>(2.4)</b>	<b>(2.2)</b>	<b>(1.5)</b>
	<b>TOTAL EXTRAORDINARY INCOME AND (CHARGES) (E)</b>	<b>(1.1)</b>	<b>29.4</b>	<b>(0.7)</b>
	<b>Profit before taxation</b>	<b>357.2</b>	<b>418.1</b>	<b>450.3</b>
	Profit (loss) attributable to minority interests	0.1	0.1	0.1
	<b>GROUP PROFIT BEFORE TAXATION</b>	<b>357.1</b>	<b>418.0</b>	<b>450.2</b>
22	income taxes for the year			
	a) current taxation		189.2	
	b) deferred taxation		(19.6)	
	<b>Total income taxes for the year</b>		<b>169.6</b>	
26	<b>PROFIT (LOSS) FOR THE YEAR</b>		<b>248.4</b>	

# **Interim report 2002**

Notes to the consolidated  
financial statements

***MEDIASET GROUP***



# **MEDIASET GROUP**

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## **Half year report at 30 June 2002 Notes to the consolidated financial statements**

### **FORM AND CONTENT**

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The consolidated financial statements at 30 June 2002 and these explanatory notes have been prepared in accordance with CONSOB deliberation no. 11971 of May 14, 1999 (and subsequent modifications) and with the regulations governing the preparation of consolidated financial statements introduced by Law Decree no. 127 of April 9, 1991 to implement EEC Directive VII.

The balance sheet and income statements of the consolidated companies are derived from the relevant accounts at 30 June 2002, supplemented outside these accounts with values that are normally recorded in accounting books while preparing the annual report and are in line with current regulations and the accounting policies recommended by the National Council of Professional Accountants and Bookkeepers.

As is allowed by aforementioned CONSOB deliberation, the 2002 half year result is calculated before period taxes.

The consolidated balance sheet and income statement include the balance sheets and income statements of Mediaset S.p.A. and of those companies in which it holds a direct or indirect absolute majority in the share capital and voting rights.

Mediaset Ireland Ltd., Ipsilon TV Production S.r.l and Publieuros Ltd (which owns 100% of Publieurope Ltd) have been consolidated at cost, rather than on a line-by-line basis, even though they are directly or indirectly controlled by Mediaset S.p.A., since these companies are inactive or not significant.

### **MAIN CHANGES IN THE CONSOLIDATION AREA AND INVESTMENTS IN SUBSIDIARY AND AFFILIATED COMPANIES MADE IN THE FIRST HALF OF 2002**

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The following corporate operations took place during 2002:

**Veleno S.p.A.:** on 5 April 2002, Mediaset S.p.A. purchased a stake of 2% of the share capital from third parties, thus increasing its share from 24% to 26%.

**Consorzio Servizi di Vigilanza:** on 30 April 2002, the General Meeting of the consortium decided the transfer of the stakes held in the consortium by the companies of the Mediaset Group (Mediaset S.p.A., Publitalia '80 S.p.A., RTI S.p.A. and Videotime S.p.A.) to Consorziata Immobiliare Idra S.p.A. taking effect from the date of the decision.

**Società Consortile Fonografici per Azioni:** on 3 June 2002, RTI Music S.r.l. disposed of its 12.50% investment.

**Titanus Elios S.p.A.:** starting from the first half of 2002, the 30% share purchased by Videotime S.p.A. on 28 November and entered at cost on 31 December 2001 was consolidated according to the net equity method.

**Videotime S.p.A.:** during the half year, R.T.I. S.p.A. purchased 0.11% of the share capital of the subsidiary company Videotime S.p.A. from third parties and therefore the Group's stake increased from 97.90% to 98.01%.

A complete list of the companies included in the consolidation area is provided in the relevant attachment.

## CONSOLIDATION METHOD

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The financial statements of subsidiary companies are consolidated on a line-by-line basis, replacing the book value of investments in these subsidiaries with their assets and liabilities.

The positive difference arising from the elimination of costs for acquiring equity investments against shareholders' equity reflected in the financial statements of subsidiaries at the time of their acquisition is recorded as accounting adjustments to specific assets items based on the valuation at the time of their acquisition. Any unallocated residual amount is recorded as **difference arising from consolidation** and amortised using the methods indicated in the **valuation criteria**. Any negative residual amount is recorded as "provisions for future risks and charges", if it can be attributed to expected negative economic results; otherwise, it is recorded as "consolidation reserve".

All intercompany receivables and payables, expenses and revenues and unrealised profits or losses are eliminated.

Minority interests in the shareholders' equity and the result for the year of consolidated companies are reported separately.

The financial statements of affiliated companies are included in the consolidated financial statements primarily on the basis of the net equity method.

Inactive subsidiary companies, and those whose financial statements figures are not material, are not consolidated but recorded at cost.

## VALUATION CRITERIA AND ACCOUNTING POLICIES

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The valuation criteria and accounting policies used in preparing the consolidated financial statements at 30 June 2002 are, in general, the same as those used for the financial statements at 31 December 2001, and may be summarised as follows:

### Intangible fixed assets

Intangible fixed assets are recorded at purchase or production cost, including ancillary charges, and amortised on a straight-line basis over the period of their projected future use.

**Start-up and expansion costs** are recorded at purchase cost, including ancillary charges, and are amortised over five years.

This item primarily includes set up costs and the register fee on capital increases of companies included in the consolidation area.

**Television rights** for films and television series were recorded at appraisal value for the portion related to the transfer of the business of Reteitalia S.p.A. to Mediaset S.p.A. and at cost for purchases made in 1994 and after. Amortisation is calculated on a straight-line basis over the period of the relevant contract and, in any event, over a period not exceeding 120 months.

Rights to sports and news programmes are amortised almost entirely (90%) in the year the rights take effect with the remainder being expensed the following year.

Rights to long serial dramas are amortised for 70% in the first 12 months starting from their availability and for the remaining 30% in the following months.

The straight-line amortisation method was adopted (except for the above exceptions) rather than any other method in use in the sector, in the light of the difficulty in identifying objective components for

making a correlation between advertising revenues and the amortisation of rights that would support the case for using a different principle; the presence of several television networks in the Group, resulting in various alternatives for the use of rights, was also taken into account.

Regardless of the amortisation already charged if all showings made available under rights contracts have been used up, the remaining value is fully expensed.

**Trademarks** are recorded at acquisition cost and amortised according to expected future revenues.

The “Jumpy” trademark, recorded in the year 2001 following the acquisition of the Jumpy S.p.A. business unit concerning the publishing activities of the portal bearing the same name, is recorded at a cost corresponding to the value determined by an independent appraisal and is amortised over 120 months on the basis of its estimated future utility.

”**Goodwill**” is recorded on the basis of the appraisal regarding the transfer of the Reteitalia S.p.A. business to Mediaset S.p.A. on 31 December 1993. It is amortised on a straight-line basis over 10 years, the period deemed to reflect future utility given the ability to use, over time, the company’s know-how in the field of acquiring and making use of television rights. This know-how has brought certain competitive advantages, in terms of both purchase and price guarantees, resulting from the transfer of contracts of major US producers and the transfer of human resources with their respective knowledge and contacts.

The benefits from this competitive advantage are further confirmed by the widespread demand and fondness of the Italian viewing public for the Group’s networks.

The goodwill generated by the purchase of the Jumpy S.p.A. business unit concerning the publishing activities of the on-line Jumpy portal is recorded according to an extra-judicial report made by an independent professional and aimed at analytically assessing the purchased assets and liabilities. This goodwill is amortised over 120 months starting from the date of being recorded.

**Differences arising from consolidation** are amortised over a period commensurate with the estimated profitability of the companies involved and, in any event, over a period not exceeding 10 years for the reasons given above with regard to goodwill.

Other intangible fixed assets (**research, development and advertising costs, patents and intellectual property rights, concessions and other intangible fixed assets**) are recorded at acquisition or production cost, including ancillary charges, and amortised on a straight-line basis over the period of their estimated future utility.

## Tangible fixed assets

Tangible fixed assets are recorded at acquisition, production or transfer cost. Cost includes ancillary charges, and the share of direct or indirect costs that can reasonably be allocated to the asset.

Tangible fixed assets are depreciated in each accounting period on a straight-line basis, using economical and technical rates which are determined in relation to the remaining potential use of the assets.

For newly acquired assets, the depreciation rates used are:

- Buildings	-	3%
- Plant and machinery	10	- 20%
- Light construction and equipment	5	- 16%
- Office furniture and equipment	8	- 20%
- Motor vehicles	10	- 25%

Regardless of the depreciation already charged, if there is a permanent loss in value, the fixed asset in question is written down accordingly; if in future accounting years, the reasons for the write-down cease to be applicable, the original value is restored and adjusted only for depreciation.

All ordinary maintenance costs are charged in full to the income statement. Incremental maintenance costs are attributed to the related assets and depreciated over their residual useful life.

## **Leases**

For the appraisal of fixed assets held under finance leases, reference is made to the International Accounting Principle no. 17. According to this principle, leased assets are recorded under tangible fixed assets while a financial debt for the same amount is simultaneously recorded in the liabilities. The debt is progressively reduced as the capital is reimbursed in instalments while the value of the asset recorded among tangible fixed assets is systematically amortised according to the economic and technical life of the asset itself.

## **Equity investments**

Investments in companies that are not consolidated on a line-by-line or proportional basis are primarily recorded using the net equity method, or, in the case of certain subsidiary and affiliated companies, using the cost method as indicated in the relevant comments and introductory section of these notes.

If the net equity method is used, investments in subsidiary and affiliated companies are recorded in the financial statements for an amount equal to the corresponding portion of the shareholders' equity, less dividends, and adjusted as required using the appropriate principles for preparing consolidated financial statements.

In the case of investments in foreign companies valued using the equity method, no adjustments have been made to reflect differences in the accounting policies applied in the country where the relevant company drafts its financial statements, as the local accounting policies are considered more suitable in arriving at a true and fair view of the result for the year of these companies.

If the cost method is applied, the value recorded in the financial statements is determined on the basis of the purchase or subscription price, or the value attributed to assets transferred and is increased by the value of ancillary charges that can be reasonably attributed to the purchase or subscription price of the relevant equity investment. The cost is reduced in the event of a permanent impairment of value if the subsidiary or affiliated companies incur into losses and profits are not expected in the near future for an amount sufficient to offset the losses incurred; the original value is restored in subsequent accounting periods if the assumptions underlying the write-down no longer apply.

## **Receivables**

Receivables are stated at their estimated realisable value. Receivables denominated in non-EMU foreign currencies were valued using 30 June 2002 exchange rates. Existing hedging contracts are valued consistently with the receivables being hedged.

## **Financial assets (which are not fixed assets)**

These assets are recorded at the lower of cost or estimated realisable value determined from the market situation. The lower value is not maintained in subsequent years if the reasons for the write-down no longer apply.

As for own shares intended for stock-option plans, the recorded value is based on the acquisition cost

(method of the weighted average cost), that is, the lower amount among the book value, the estimated realisable value according to market trends and the stock-right value.

### **Prepayments and accrued income, accruals and deferred income**

These items include portions of revenues and expenses common to two or more periods in accordance with the accruals concept.

### **Provisions for risks and charges**

The provisions for risks and charges are created to cover certain or likely losses or liabilities for which the exact value or effective date could not be determined at the period end. Amounts provided reflect the best possible estimate on the basis of available information. Risks in respect of which only a liability might arise, are disclosed in the notes to the Balance Sheet without setting up a provision.

### **Employee severance indemnity**

The provision for employee severance indemnity is established to cover the entire liability accruing to employees in accordance with current laws, collective agreements and local company agreements. This liability is subject to revaluation using indices.

### **Payables**

Payables are stated at face value; those in non-EMU area foreign currencies were translated using the 30 June 2002 exchange rate.

Forward contracts used to hedge payables are valued consistently with the payables being hedged.

### **Revenue recognition**

The main revenues are recognised as follows:

- for advertising, at the time the insert or advertising commercial appears;
- for goods, when they are shipped or delivered. If a right is rented, the related revenue is recognised in each year on an accruals basis according to the length of the rental contract;
- for services, at the time when such services are rendered;
- for rights, according to that contractually established.

### **Dividends**

Dividends are recorded in the accounting period in which distribution is approved, which is generally when they are received.

Since the result of the period is gross of taxes, the tax credit for dividends received in the half year is not taken into account in the present financial statements.

### **Financial instruments**

Financial instruments used to hedge exchange risk regarding assets and liabilities denominated in currencies other than Euros are valued consistently with the assets and liabilities being hedged and they are booked by recognising income and charges in the income statement on an accruals basis.

For the assessment of forward contracts existing at the end of the period, reference is made to the

accounting principle no. 26. For the assessment of complex financial instruments, reference is made to the International Accounting Principle no. 39, as far as it is applicable in compliance with the Italian regulations on financial statements.

### **ADDITIONAL INFORMATION**

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#### **Write-up of corporate assets in accordance with Law no.342 of 21 November 2000**

The value of Mediaset network brands, held by subsidiary company R.T.I. S.p.A., written-up on a voluntary basis in 2000 in line with Law 342/2000, are recorded in the consolidated financial statements at their original recording value, to ensure a homogeneous application of accounting principles and the opportunity to compare Group's financial statements over time.

#### **Exceptions permitted by article 2423 clause 4 of the Italian civil code**

No exceptions to standard accounting practices as per article 2423 clause 4 of the Italian Civil Code were made in these financial statements.

## COMMENTS ON THE MAIN ASSET ITEMS

(amounts in EUR millions)

### Fixed assets

Tables included in the attachments have been prepared for the three categories of fixed assets (intangible assets, tangible assets and financial assets). For each item, these tables show opening balances, movements during the year and closing balances.

### Intangible fixed assets

**Start-up and expansion costs** include expenses associated with the start up or capital increase of consolidated companies.

	30/06/2002	31/12/2001
Start-up and expansion costs	2.1	2.7
<b>Total</b>	<b>2.1</b>	<b>2.7</b>

In the first six months increases of EUR 0,2 million were recorded due to expenses for the capital increase of the subsidiary company Mediadigit International S.a.r.l. and decreases for EUR 0.7 million referring to amortisation quotas.

As to companies subject to Italian law, pursuant to article 2426 of the Civil Code, until these costs have been fully amortised, dividends may only be paid if there are sufficient free reserves to cover the balance of capitalised costs still to be amortised.

**Research, development and advertising costs**, whose balance at 30 June 2002 was equal to EUR 1.8 million (EUR 2.3 million at 31 December 2001), include the capitalisation of consulting expenses for the creation of in-house information systems. Decreases in the period, of EUR 0.5 million, are attributable to amortisation quotas.

**Patents and intellectual property rights** shows the following balances:

	30/06/2002	31/12/2001
Industrial patents and intellectual property rights	14.9	15.1
<b>Total</b>	<b>14.9</b>	<b>15.1</b>

During the period, increases totalled EUR 4.5 million as a result of software purchased for the new IT platform for corporate operating systems, EUR 0,3 of which regarded trade payments on account which were classified as **intangible assets under formation and advances** at 31 December 2001.

Decreases totalling EUR 4.7 million mainly related to amortisation quotas.

**Concessions, licences, trademarks and similar rights** include the following:

	30/06/2002	31/12/2001
Television rights	1,848.6	1,881.8
Trademarks	21.8	26.6
Concessions	0.1	0.1
<b>Total</b>	<b>1,870.5</b>	<b>1,908.5</b>

**Television rights** increased in the period for a total of EUR 310.1 million, EUR 294.8 of which (EUR

390.9 in the first six months of 2001) regarded purchases made during the period. EUR 15.9 million of advance payments previously made to suppliers were capitalised under this heading (classified under **intangible assets under formation and advances** at 31 December 2001), whose contracts were finalised or production was completed during the period. As to purchases, it should be noted that EUR 19.8 refers to acquisitions made by the subsidiary company Medusa Film S.p.A. and EUR 6.5 million by the subsidiary company Milan A.C. S.p.A., while advances to suppliers include EUR 5.8 million relating to contracts with Medusa Film S.p.A.

Decreases of the period of EUR 343.9 million were due to amortisation quotas totalling EUR 342.9 million (EUR 304.1 million in the first half of 2001), the cancellation of prior year contracts of around EUR 0.6 million and sale of rights for EUR 0.4 million.

Rights that have not come into effect at 30 June 2002 amount on the whole to around EUR 469.2 million (around EUR 563.2 million at 31 December 2001).

In addition, around EUR 3.9 million (EUR 5.1 million at 31 December 2001) of rights remain from the transfer of the business activity of Reteitalia S.p.A., the value of which was based on a special appraisal prepared at the time of the transfer.

**Trademarks**, which amount to EUR 21.8 million, include network and television production trademarks as well as the Jumpy trademark that was recorded last year following the purchase of the business unit concerning the publishing activities of the on-line portal bearing the same name. The decreases totalling EUR 4.9 million refer to amortisation quotas. The period increases for EUR 0.2 million refer to the capitalisation of expenses for new trademarks relevant to the titles of TV programmes.

The revaluation of the trademarks of Canale 5, Italia 1 and Retequattro by the subsidiary company R.T.I. S.p.A. at 31 December 2000 according to Law no. 342/2000 is reversed in the consolidated financial statements as is described in the section of these Notes devoted to **valuation criteria and accounting principles – Additional information**.

**Goodwill** – which amounts to EUR 17.8 million – includes EUR 11.6 million for the goodwill of the publishing activities of the on-line Jumpy portal and EUR 6.2 million for the goodwill generated following the transfer of the business activity of Reteitalia S.p.A. to Mediaset S.p.A.

Decreases for the year, totalling EUR 2.7 million, refer to the amortisation quotas of goodwill, calculated on a straight-line basis, over 120 months starting from their record date, as specified in the introduction section devoted to **valuation criteria and accounting principles**.

**Intangible assets under formation and advances** amounted to EUR 138.9 million at 30 June 2002 (EUR 106.1 million at 31 December 2001). They mainly consist of advance payments made to suppliers for the acquisition of rights, advances paid for dubbing services, for options on the completion of programmes and production start-ups. This item includes EUR 40.0 million (EUR 42.2 million at 31 December 2001), paid to Medusa Film S.p.A., a Fininvest Group company operating in the film distribution industry, under contracts which will see Mediaset Group acquire exclusive rights to films made and distributed by Medusa Film S.p.A. The price of these rights is contractually determined based on elements connected to the box-office takings of single films in Italian movie theatres.

Increases during the period amounted to EUR 50.9 million. They primarily consisted of advances paid to suppliers of rights, and advances paid for the production of long serial dramas (EUR 17.5 million). Medusa Film S.p.A. received advances for EUR 3.7 million.

Decreases amounted to EUR 18.1 million as a whole. They mainly resulted from completion of productions and the finalisation of contracts under negotiation at 31 December 2001; these balances were reclassified to **television rights** (EUR 15.9 million).

**Other intangible assets**, which totalled EUR 5.7 million at 30 June 2002 (EUR 6.3 million at 31 December 2001) mainly regard improvements to leased assets.

Increases in the period, equal to EUR 1.8 million, are mainly attributable to works carried out on television posts, recording studios and leased premises.

Decreases, totalling EUR 2.4 million, are entirely due to amortisation during the period.

**Differences arising from consolidation**, equal to EUR 14.3 million, include, net of amortisation, the difference between the book value and the corresponding shareholders' equity of consolidate companies insofar as it could not be attributed to specific fixed assets.

Increases in the period, equal to EUR 0.1 million, are the result of purchases made by Group companies of minority interests in companies already controlled by the Group.

Decreases of EUR 2.1 million are attributable to amortisation quotas.

### **Tangible fixed assets**

Increases for the period are mainly related to the expansion of the signal broadcasting network and the process of updating technical equipment used in television studios. The main increases are analysed below by asset category:

- buildings: EUR 0.5 million;
- plant and machinery: EUR 23.6 million;
- industrial and commercial equipment: EUR 0.8 million;
- other tangible fixed assets: EUR 1.9 million.

Decreases for the period regarding these categories totalled EUR 22.2 million and resulted from depreciation for the period, totalling EUR 21.8 million, and disposals equal to EUR 0.4 million.

**Fixed assets under construction and payments on account** amounted to EUR 4.7 million, with a net decrease of EUR 7.2 million in the period. This decrease is due to the progressive completion of projects to which advances at 31 December 2001 referred.

### **Financial fixed assets**

#### **Investments**

The following investments are valued by means of the equity method:

	30/06/2002	31/12/2001
Affiliated companies:		
Gestevision Telecinco S.A.	232.0	233.0
Publiespana S.A.	51.1	46.7
Fascino P.G.T. S.r.l.	5.2	5.4
Titanus Elios S.p.A.	8.9	-
Other companies:		
Albacom S.p.A.	55.8	68.2
<b>Total investments recorded using the net equity method</b>	<b>353.0</b>	<b>353.3</b>

The changes which occurred in this period are described in detail in the comments to the income statement. It should be noted that, since the first six months of 2002, the 30% share held in Titanus Elios S.p.A. - purchased by Videotime S.p.A. on 28 November 2001 and recorded at cost at 31 December 2001 - has been consolidated with the equity method.

The following investments are valued at cost:

	30/06/2002	31/12/2001
Subsidiaries		
Publiervuos Ltd.	8.3	8.3
Affiliated companies:		
Consorzio Aeromobili Fininvest	0.2	0.2
Veleno S.p.A.	1.1	1.2
Titanus Elios S.p.A.	-	8.9
Other	0.3	0.1
Other companies		
Olivetti S.p.A.	96.3	96.3
KirchMedia GmbH & Co. KgaA	-	203.8
Other	6.1	9.5
<b>Total investments valued at cost</b>	<b>112.3</b>	<b>328.2</b>

The main changes which occurred in the six months are as follows:

- **KirchMedia GmbH & Co KgaA:** as explained more in detail in the Report on Operations, on 8 April 2002, Kirch Media filed a preliminary suit before the competent section of Munich Court. Subsequently, on 14 June 2002, a formal procedure for a temporary receivership was opened and an auction was decided on the main assets of the company.

Following these events, on 30 June 2002, the book value of the 2.28% share held by the subsidiary Mediaset Investment S.a.r.l. in this company – recorded in the financial statements at 31 December 2001 for EUR 203.8 million - was fully written-down. At that time a provision of EUR 171.9 million had already been allocated and recorded in Provisions for risks and charges that, on 30 June 2002, was reclassified reducing the investment value. The economic effect of the write-down dated 30 June 2002 was EUR 31.9 million.

- **TV Breizh S.A.:** on 30 June 2002, the 13% stake held by the Mediaset Group was written down by EUR 1.9 million in order to compensate for the pro-quota losses incurred up to 30 June 2002, considered permanent according to the currently available business plans. Due to this write-down, the investment value is almost completely reduced to zero.
- **Veleno S.p.A.:** on 5 April, 2002, Mediaset S.p.A. purchased 100,000 shares for a value of EUR 0.1 million, equal to 2% of the share capital, from third parties, thus increasing its share from 24% to 26%. Subsequently, the investment was written-down by EUR 0.2 million based on the total losses incurred up to 30 June 2002 and considered permanent.
- **Vep Investors:** on 13 June 2002, the shareholders of this stock fund disinvested – pro-quota – a part of their investment. Following this operation, the subsidiary company Mediaset Investment S.a.r.l. recorded profits for EUR 1.1 million. Thus the investment value at 30 June 2002 decreased from EUR 1.5 million to EUR 0.2 million.
- **Olivetti S.p.A.:** the book value of the investment, corresponding to 0.45% of the share capital that incorporates – based on the value of the portion of net equity deriving from the consolidated financial statements at 30 June 2002 – goodwill equal to EUR 42.7 million, is maintained at 30 June 2002 due to the positive trend of operations and the further reduction in financial debt during the second half of 2002. The share value which, during the second quarter of 2002, suffered from the negative trend in the stock market and in the relevant sector, cannot be considered to be indicative of a long term loss for the company. Finally, it should be noted that, with a view of optimising financial operations, a part of the stocks of this investment is currently engaged in loan on securities operations.

- Società Consortile Fonografici per Azioni: on 3 June 2002, the company RTI Music S.r.l. disposed of its 12.50% stake for EUR 0.6 million.

Attached is a list indicating the information required for each subsidiary and affiliated company by current regulations on consolidated financial statements.

Further information about investments during the period can be found in the Report on Operations.

### **Receivables**

This items includes medium and long-term receivables to which no value adjustments have been made.

**Receivables from other companies** amounted to EUR 5.8 million at 30 June 2002 (EUR 6.1 million at 31 December 2001). It includes EUR 1.5 million in guarantee deposits made for leases and utilities and EUR 4.3 million due from taxation authorities for advance taxation paid on the Provision for employee severance indemnity.

Of the total balance, EUR 4.1 million is due after more than one year.

## Current assets

### Inventory

At the end of the period, this item consisted of:

	Gross	Write-downs	30/06/2002 Net Value	31/12/2001 Net Value
Raw and ancillary materials, consumables	4.0	(3.0)	1.0	1.5
Work-in-progress and semi-finished products	1.8	-	1.8	3.6
Contracts in progress	15.9	-	15.9	7.8
Finished products and goods	17.2	(4.9)	12.3	10.2
<b>Total</b>	<b>38.9</b>	<b>(7.9)</b>	<b>31.0</b>	<b>23.1</b>

**Raw materials, consumables and supplies** primarily include spare parts for radio and television equipment. The write-down concerns slow-moving items, whose value has been adjusted in order to bring it in line with their estimated realisable value.

**Work in progress and semi-finished products** primarily consist of screenplays and television productions in progress.

**Contract work in progress** mainly refers to in-progress television productions made to order and therefore intended for sale.

**Finished goods and products** primarily include:

- television productions held by R.T.I. S.p.A. totalling EUR 8.4 million (EUR 6.0 million at 31 December 2001), and productions for theme channels owned by Mediadigit S.p.A. for EUR 0.1 million (EUR 0.2 million at 31 December 2001);
- television broadcasting equipment and equipment for system construction purposes totalling EUR 3.6 million (EUR 3.8 million at 31 December 2001).

### Receivables

At the end of the year, this item could be broken down as follows:

	Balance at 30/06/2002			Balance at 31/12/2001
	Total	Due		
		within 1 year	after 1 year	
Receivables from customers	741.1	741.1	-	618.8
Receivables from subsidiaries	3.0	3.0	-	4.1
Receivables from affiliated companies	0.4	0.4	-	2.6
Receivables from parent company	6.1	6.1	-	6.7
Receivables from Fininvest Group and Mediolanum				
Group companies	13.5	13.5	-	11.7
Other receivables	168.1	168.1	-	241.8
<b>Total</b>	<b>932.2</b>	<b>932.2</b>	<b>-</b>	<b>885.7</b>

### Trade receivables

	30/06/2002		
	Gross	Write-down	Net value
Receivables from customers due within one year	779.1	(38.0)	741.1
Receivables from customers due after one year	-	-	-
<b>Total</b>	<b>779.1</b>	<b>(38.0)</b>	<b>741.1</b>

**Trade receivables** primarily relate to the sale of advertising space to Italian clients (EUR 644.0 million net of the allowance for doubtful accounts; EUR 534.8 million at 31 December 2001). The remainder consists of receivables for the sale of rights and television productions and for the sale of radio and television equipment. No amounts receivable are due after 5 years.

The allowance for doubtful accounts above reflects adjustments to bring receivables in line with their estimated realisable value. During the six months, EUR 6.5 million of the allowance for doubtful accounts was utilised, mainly in respect of losses on receivables from advertising clients, while a further EUR 5.3 million was provided.

Receivables sold during the six months to factoring companies without recourse totalled EUR 152.3 million (EUR 256.3 million at 31 December 2001). Receivables not yet collected at 30 June 2002 amounted to EUR 50.8 million; none of these receivables was collected in advance.

#### **Receivables due from subsidiary companies, affiliated companies, parent company and Fininvest Group and Mediolanum Group companies**

This item includes short-term receivables and may be analysed as follows:

	30/06/2002	31/12/2001
Receivables from subsidiaries	3.0	4.1
Receivables from affiliated companies	0.4	2.6
Receivables from parent company	6.1	6.7
Receivables from Fininvest Group and Mediolanum Group companies	13.5	11.7
<b>Total</b>	<b>23.0</b>	<b>25.1</b>

The above receivables, which do not include amounts due after more than one year, are all considered to be recoverable and, accordingly, no value adjustments have been made in respect of them.

**Receivables due from subsidiary companies** refer to advertising contracts with reference to Publieurope International Ltd.

**Receivables due from affiliated companies** relate to Publiespana S.A. for recharged services (EUR 0.1 million) and to Gestelevision Telecinco S.A. mainly for the sale of rights (EUR 0.3 million).

**Receivables due from parent company**, relating to Fininvest S.p.A., regard requests for compensation made by Group companies, under the guarantee issued by Fininvest S.p.A. to Mediaset S.p.A. and its subsidiary companies on 6 June 1996, equal to EUR 5.9 million, and recharged services amounting to EUR 0.2 million.

**Receivables due from Fininvest Group and Mediolanum Group companies** mainly relate to the sale of advertising and recharged services.

For a detailed breakdown of these items, please see the table covering relations with Fininvest Group and Mediolanum Group companies included in the Report on Operations.

**Other receivables**

This item is made up as follows:

	30/06/2002	31/12/2001
Due from taxation authorities	57.6	46.6
Advances to suppliers, temporary staff and agents	17.7	15.1
Advances to employees	1.9	1.3
Transfer of receivables	56.4	56.2
Other	34.5	122.6
<b>Total</b>	<b>168.1</b>	<b>241.8</b>

The above receivables do not include any amounts due after more than one year. They are all considered to be recoverable and no value adjustments have been made in respect of them.

*Receivables due from taxation authorities* include EUR 14.6 million of overpayments for direct taxes relating to prior years, EUR 13.8 million of which have been brought forward, and EUR 0.8 million for which rebates have been requested. These amounts are due after less than one year.

The balance also includes taxation paid on account equal to EUR 37.4 million; at 31 December 2001 for every company, advances paid were counteracted by the amount due for attributable tax.

*Advances to suppliers, outside contractors and agents* includes advance payments made to advertising area consultants and suppliers amounting to EUR 3.6 million, to suppliers, artists and other professionals for television productions amounting to EUR 13.6 million and to sundry suppliers amounting to EUR 0.5 million.

*Advances to employees* consists primarily of sums advanced for business travel.

*Factored receivables* comprises the amounts due from factoring companies, following the sale of trade receivables without recourse, which had not been settled by the factoring company at the end of the six months' period.

*Other receivables* mainly include:

- EUR 24.4 million regarding the interest-free loan given by shareholders to Albacom S.p.A. in proportion to their own stake, in order to meet the financial requirements of the company. Of this amount, EUR 18.8 million was given during the first half of 2002. It should be noted that on 3 July 2002, the General Meeting of Albacom approved the conversion of this loan into capital;
- EUR 1.0 million regarding a loan given to the affiliated company Tv Breizh S.A. and underwritten on 15 May 2002 by the subsidiary company Mediaset Investment S.a.r.l.

**Financial assets (which are not fixed assets)****Own shares**

This item includes Mediaset S.p.A. shares purchased following the decisions taken by the General Meetings held on 20 April 2000, 9 April 2001 and 24 April 2002, according to which the Board of Directors is entitled by proxy to purchase up to a maximum of 30,000,000 shares (2.54% of the share capital).

The value of own shares owned at 30 June 2002 amounts to EUR 28.2 million (EUR 12.1 million at 31 December 2001), equal to 3,825,001 shares, of which 3,130,000 are intended for the approved Stock Option Plans. This value is recorded net of a EUR 4.7 million write-down (of which EUR 3.1 million was already allocated for provisions at 31 December 2001) made in order to adjust the book value to the stock-option right value.

As for the remaining 695,001 shares, their value at 30 June 2002 is recorded net of a EUR 0.6 million

write-down in order to adjust their book value to the market price at the end of June 2002. During the six months, in order to stabilise the share trend and to meet the requirements of the approved Stock Option Plans, a total of 8,379,893 shares were purchased for EUR 75.0 million and 6,030,892 shares were sold for EUR 54.2 million. The economic effect of these operations generated net income amounting to EUR 0.7 million.

### Other securities

This item amounts to EUR 165.0 million and includes:

- shares and bonds held by the subsidiary company Mediaset Investment S.a.r.l. and worth EUR 48.1 million (net of a write-down of EUR 0.1 million to bring them in line with market value);
- investment fund units of EUR 116.9 million purchased by the subsidiary company Mediaset Investment S.a.r.l., net of a write-down of EUR 0.6 million to bring them in line with market value, and managed by the relative fund management company in which it has a stake.

### Liquid funds

This item is made up as follows:

	30/06/2002	31/12/2001
Bank and postal deposits	273.0	101.0
Cash in hand and cash equivalents	0.1	-
<b>Total</b>	<b>273.1</b>	<b>101.0</b>

### Net financial position

The net financial position of the Mediaset Group at 30 June 2002, compared with the position at 31 December 2001, is as follows:

	30/06/2002	31/12/2001
Liquid funds	273.1	101.0
Financial income and securities (which are not fixed assets)	174.9	215.5
<b>Total financial assets</b>	<b>448.0</b>	<b>316.5</b>
Due to banks	(698.8)	(553.0)
Due to other financial institutions:		
Factoring companies	-	-
Lease companies	(5.2)	(5.5)
Other	-	(5.8)
<b>Total financial liabilities</b>	<b>(704.0)</b>	<b>(564.3)</b>
<b>Net financial position</b>	<b>(256.0)</b>	<b>(247.8)</b>

*Financial liabilities* are shown above only for the purpose of reporting the net financial position of the Mediaset Group at 30 June 2002 and comparing it with that at 31 December 2001. For a more detailed analysis of changes, see the Report on Operations. It should also be noted that the item **Securities and financial assets not classified as fixed assets** does not include own shares intended for the approved Stock Option Plans.

## Prepayments and accrued income

	30/06/2002	31/12/2001
Accrued income	0.9	7.2
Prepayments	15.4	10.0
<b>Total</b>	<b>16.3</b>	<b>17.2</b>

**Accrued income** is almost entirely attributable to the splitting into instalments on an accruals basis of the positive deadlines of hedging operations of foreign exchange risks existing at 30 June 2002.

**Prepayments** mainly relates bartering arrangements involving the subsidiary company Promoservice Italia S.r.l, for EUR 3.9 million, as well as rent payable, various services and insurance premiums not pertaining to the period.

## **COMMENTS ON THE MAIN SHAREHOLDERS' EQUITY AND LIABILITIES ITEMS**

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(amounts in EUR millions)

### **Shareholders' equity**

Movements in shareholders' equity are provided in an attachment as is a reconciliation of the shareholders' equity of Mediaset S.p.A. to consolidated shareholders' equity.

The main items making up shareholders' equity and the movements therein are as follows:

#### **Share capital**

At 30 June 2002, the share capital of the Mediaset Group, which is the same as that of the parent company and was converted into Euro under the decision taken by the General Meeting on 9 April 2001, was fully subscribed and paid up and consisted of 1,181,227,564 shares with a par value of EUR 0.52 each for a total of EUR 614.2 million. No changes occurred in the period.

#### **Share premium reserve**

At 30 June 2002 the share premium reserve, which is the same as that of the parent company, amounted to EUR 739.7 million. No changes occurred in the period.

#### **Legal reserve**

At 30 June 2002 this reserve amounted to EUR 74.3 million (EUR 61.2 million at 31 December 2001). It increased by EUR 13.1 million during the period following the allocation of 5% of 2001 net profit of Mediaset S.p.A., as approved by the General Meeting held on 24 April 2002. This reserve is the same as that reported in the financial statements of the parent company.

#### **Reserve for own shares**

At 30 June 2002 the reserve for own shares amounted to EUR 28.2 million, corresponding to the share value recorded in the item **Financial assets not classified as fixed assets**, in compliance with art. 2357 of the Civil Code. During the period, the company bought and sold 8,379,893 and 6,030,892 of its own shares, respectively.

#### **Other reserves**

At 30 June 2002 other reserves amounted to EUR 111.4 million (EUR 125.7 million at 31 December 2001); the decrease of EUR 14.3 million was mainly attributable to the following movements:

- increase of EUR 1.8 million, deriving from the allocation of the 2001 profit as decided by the General Meeting of 24 April 2002;
- transfer of EUR 16.1 million to the reserve for own shares, following the purchase of own shares in the period.

Other reserves also include EUR 9.0 million in capital grants; taxes are deferred on 50% of the grants received and this portion of grants will be included in the income for the year if utilised for purposes other than to cover losses.

The remaining portion of the grants is taxed over ten years and is recorded here net of deferred tax.

**Retained earnings**

This item has increased following the retention of a position of consolidated net profit for the year ended 31 December 2001 and decreased due to dividends paid during the period (EUR 247.8 million).

**Profit for the year**

This item includes the net profit for the period from 1 January to 30 June 2002, equal to EUR 358.5 million.

**Provisions for risks and charges**

The make up of these provisions and movements therein are set out below:

	1/1/2002	Allocations	Uses	Other changes	30/06/2002
1. Provision for pension benefits and similar obligations	1.0	0.1	(0.6)	-	0.5
2. Provision for taxation:					
deferred taxes	(29.2)	-	-	-	(29.2)
current taxes	-	-	-	-	-
3. Other provisions	210.0	4.5	(183.8)	-	30.7
<b>Total</b>	<b>181.8</b>	<b>4.6</b>	<b>(184.4)</b>	<b>-</b>	<b>2.0</b>

**Reserves for retirement benefits and similar commitments** (item 1) mainly consist of the supplementary social security reserve established pursuant to the supplementary corporate agreement stipulated on 4 July 1992 and incorporated in the supplementary corporate agreement of 13 January 1997.

**Tax reserves (item 2)** entirely consist of the provision for deferred taxation relating to consolidation adjustments and temporary differences between taxable earnings and liabilities and the value reported in the financial statements used for consolidation purposes.

Under article 81, clause 7 of Regulation approved by Consob deliberation no. 11971 of 14 May 1999 and subsequent modifications, the Group has presented its period results gross of taxes, therefore deferred tax receivables and payables for the six months period have not been accounted for.

With regard to contingent tax liabilities, no provision has been made in the consolidated financial statements in relation to events preceding 15 July 1996, the date Mediaset S.p.A. became listed on the stock exchange. All such liabilities are covered by a guarantee issued by Fininvest S.p.A., as is explained in the section **contingent liabilities guaranteed by the parent company**.

As to the sphere of application of this guarantee, it should be noted that Publitalia '80 S.p.A. has received tax assessments that have been forwarded to the parent company Fininvest S.p.A.; in particular, Publitalia '80 S.p.A. paid additional tax assessments totalling EUR 4.0 million between 1996 and 2000 and requested reimbursement thereof from Fininvest S.p.A.. During the six months, no amount was paid to taxation authorities for taxes included in the above guarantee.

It should also be noted, as already stated in the financial accounts at 31 December 2001, that - following criminal proceedings for unfair presentation of financial statements of which Mediaset was notified as the offended subject - on 21 December 2001 a notice of assessment was communicated to the Company which contested the income declared for the year 1995 suggesting an accrued taxable value for EUR 22.3 million and subsequent taxes due for EUR 11.9 million plus penalties for an equal amount.

This notice of assessment contested the deduction from income of part of the amortisation due to part of the rights purchased by Mediaset in 1994 and 1995. According to taxation authorities, they were purchased at a higher than "normal" value (violation of art. 76 TUIR, paragraph 5).

On 1 March 2002, at the end of the audit required by the notice of assessment dated 21 December 2001, a summary of the ascertainment proceedings was notified to Mediaset in which the taxation authorities contested the deduction from income of the whole amount of amortisation concerning part of the TV rights purchased in the years 1994 and 1995 and booked by Mediaset in the years from 1996 to 2000 for a total of EUR 164.9 million.

The Company, supported by authoritative legal advice, claims that the accusations of taxation authorities are groundless. For these reasons, no provisions are made. It should also be noted that copies of the above acts were transmitted by the parent company Fininvest S.p.A., as established in the guarantee the latter issued in connection with the public offer for sale and subscription of Mediaset S.p.A.

**Other reserves** (item 3) mainly consist of the following:

- reserve for litigation risks totalling EUR 7.4 million (EUR 7.8 million at 31 December 2001). The purpose of this reserve is to cover likely liabilities resulting from lawsuits involving compensation requested for defamation or the violation of personal rights, sanctions imposed by the Regulatory Authority and compensation for damages. The outcome of these lawsuits is uncertain and, accordingly, the amount provided represents a prudent estimate of the potential liability;
- reserve for ongoing disputes with employees and social security institutions totalling EUR 8.9 million (EUR 10.6 million at 31 December 2001): at the time being, the outcome of these disputes is uncertain and, therefore, the amount provided represents a prudent estimate of the potential liability. The amount provided during the year relates to social security disputes, the amount expected to be paid to employees and other staff in the form of settlements and damages arising under claims not covered by the guarantee issued by Fininvest S.p.A. on 6 June 1996, as examined elsewhere in these explanatory notes;
- reserve for contractual risks totalling EUR 13.4 million (EUR 14.0 million at 31 December 2001). The most significant elements of this reserve include the amount provided in respect of the risk that artistic resources will be under-utilised compared to contractual provisions and amounts provided in respect of possible disputes with suppliers of rights and bad debts in the form of goods (resulting from the sale of advertising under bartering arrangements).
- Provisions for miscellaneous risks and charges totalling EUR 1.0 million (EUR 177.6 million at 31 December 2001). The main decrease equal to EUR 171.9 is due to the use – thus reducing the investment value held in KirchMedia GmbH & Co KgaA. – of the amount provided at 31 December 2001. This item further decreased by EUR 3.1 million as a consequence of the use of the fund allocated at 31 December 2001 for the possible charges connected with the Stock Option Plan approved by the Shareholders' Plan Committee following the decision of the General Meeting of 9 April 2001. The above use (as already said in the section **Financial assets not classified as fixed assets**) was reclassified with a view to partially balancing the charges incurred to adjust the book value of own shares intended for the stock option scheme to the value of exercising the rights connected to this plan.

This fund also includes pro-quota provisions for EUR 0.7 million, prudentially allocated to balance the losses at 31 December 2001 mainly generated by the assessment of the portfolio securities at that date in the EuroMedia Venture Fund (a US fund investing in new technology industries), of which the subsidiary company Mediaset Investment S.a.r.l. indirectly holds, through EuroMedia Luxembourg Two S.A., a 3.2% share.

As for the pending controversy with the company Editorial Planeta S.A., it should be noted that – as already said in the financial statements at 31 December 2001 – on 28 November 2001 this company

summoned Mediaset S.p.A. and Mediaset Investment S.a.r.l. before the Civil Court of Madrid claiming compensation for damage allegedly suffered by Planeta with reference to the negotiations for the purchase of a 5% stake in Gestevisión Telecinco S.A. and Publiespana S.A. held by the Planeta Group, negotiations which took place in the second half of 2000. Mediaset S.p.A. and Mediaset Investment S.a.r.l. appeared before the court on 13 December contesting Planeta's claims and proposing a preliminary exception whereby the competence of Spanish Courts in settling the controversy was challenged. This preliminary exception was accepted by the Court of Madrid that – with a warrant issued on 2 April 2002 – denied its competence in ruling the claim and condemned Planeta to pay court costs. Planeta filed an appeal against this decision. Therefore, according to authoritative legal advice and based on the evolution of the procedure so far, with reference to this controversy, it was decided – as occurred on 31 December 2001 – to make no provisions at 30 June 2002.

It should also be noted that, also for the types of risks specified in item 3, no provision have been made for potential charges and liabilities regarding events prior to 15 July 1996 as these are covered by the guarantee issued by Fininvest S.p.A.. For charges that have already been incurred or whose amount was ascertained during the period, the companies belonging to the Mediaset Group have made requests for reimbursement to Fininvest S.p.A., as reported in the comments on **value of production** and **receivables** in the explanatory notes. No provision has been made in respect of potential liabilities and risks that are only possible; The Group companies have informed Fininvest S.p.A. about the type and amount of these risks.

### Employee severance indemnity

Changes in this provision during the period were as follows:

<b>Balance at 1/1/2001</b>	<b>93.1</b>
Amount accrued and charged to income statement	10.7
Indemnities paid during the period and changes in the consolidation area	(7.2)
<b>Balance at 30/06/2001</b>	<b>96.6</b>

### Payables

Details of the make-up of this item, together with movements therein, are provided below:

#### Due to banks

Amounts due to banks are analysed as follows:

	Balance at 30/06/2002				Balance at 31/12/2001
	Total	within 1 year	Due 1-5 years	after 5 years	
Payables without collateral:					
credit lines	695.0	695.0	-	-	524.9
overdraft	2.0	2.0	-	-	26.0
easy-terms loans	1.8	0.6	1.2	-	2.1
<b>Total</b>	<b>698.8</b>	<b>697.6</b>	<b>1.2</b>	<b>-</b>	<b>553.0</b>

#### Due to other financial institutions

Amounts payable to other financial institutions totalled EUR 5.2 million at 30 June 2002 (EUR 11.2 million at 31 December 2001). They exclusively refer to payables to leasing companies (EUR 5.5 million at 31 December 2001) for real estate leased for the television group and are entirely of a short term nature.

**Advance payments received**

This item, totalling EUR 18.5 million at 30 June 2002 (EUR 8.7 million at 31 December 2001), consists of both advance payments received from customers for advertising services to be provided and advance payments for the development of television productions.

**Trade accounts**

The main components of this item, which totalled EUR 715.8 million at 30 June 2002 and the main changes since 31 December 2001 are analysed below:

	Balance at 30/06/2002				Balance at 31/12/2001
	Total	Due			
		within 1 year	1-5 years	after 5 years	
Trade payables	715.8	655.4	60.4	-	897.4
<b>Total</b>	<b>715.8</b>	<b>655.4</b>	<b>60.4</b>	<b>-</b>	<b>897.4</b>

- payables for the purchase of rights totalling EUR 475.6 million (EUR 641.1 million at 31 December 2001). This item includes a long-term element of EUR 60.0 million regarding the purchase of rights that have not yet taken effect;
- payables for the completion of television productions totalling EUR 140.8 million (EUR 151.6 million at 31 December 2001);
- payables to free-lance artists and professionals of the television group totalling EUR 35.5 million (EUR 40.6 million at 31 December 2001);
- payables to agencies and miscellaneous suppliers of the advertising group totalling EUR 43.1 million (EUR 41.9 million at 31 December 2001);
- payables for the purchase of miscellaneous goods and technical services totalling EUR 20.8 million (EUR 21.0 million at 31 December 2001).

**Due to subsidiary companies, affiliated companies, parent company and Fininvest Group and Mediolanum Group companies**

Amounts due to subsidiary companies, affiliated companies, parent company and Fininvest Group and Mediolanum Group companies are analysed below:

	Balance at 30/06/2002			Balance at 31/12/2001
	Total	Due		
		within 1 year	after 1 year	
Due to subsidiaries	1.5	1.5	-	1.7
Due to affiliated companies	6.3	6.3	-	11.3
Due to parent company	1.1	1.1	-	1.1
Due to Fininvest Group companies	73.7	73.7	-	18.0
<b>Total</b>	<b>82.6</b>	<b>82.6</b>	<b>-</b>	<b>32.1</b>

**Due to affiliated companies**

The balance at 30 June 2002, equal to EUR 6.3 million (EUR 11.3 million at 31 December 2001), includes trade payables to Fascino Gestione Teatro S.r.l equal to EUR 5.7 million and amounts due to the Consorzio Aeromobili Fininvest totalling EUR 0.6 million (EUR 0.4 million at 31 December 2001).

**Due to parent company**

At 30 June 2002, this sum amounted to EUR 0.8 million to be paid to the parent company Fininvest S.p.A., because of recharged services, and to EUR 0.3 million for the royalty contract for the use of the trademark.

**Due to Fininvest Group and Mediolanum Group companies**

Reference should be made to the table showing relations with Fininvest Group and Mediolanum Group companies (included in the Report on Operations) for further analysis of this item.

**Due to taxation authorities**

This item may be analysed as follows:

	30/06/2002	31/12/2001
Withholding tax on employees' wages and salaries	9.1	9.1
Current taxes	5.9	12.0
VAT payables	19.6	-
Other payables	4.9	5.5
<b>Total</b>	<b>39.5</b>	<b>26.6</b>

**Due to social security institutions**

This item relates to year-end liabilities towards social security institutions for employer and employee social security contributions on wages and salaries for June.

The balance at 30 June 2002 was analysed as follows:

	30/06/2002	31/12/2001
INPS	3.7	3.4
ENPALS	4.7	4.5
INPDAl e INPGI	1.8	1.8
FASl and FASDAC	0.1	0.1
Other	0.9	1.4
<b>Total</b>	<b>11.2</b>	<b>11.2</b>

**Other sums payable**

This item may be analysed as follows:

	30/06/2002	31/12/2001
Personnel (holidays, Christmas bonus, etc.)	27.7	20.4
Employees	2.2	12.6
Participants in games and quiz shows	1.2	4.4
Emoluments to Directors and Statutory Auditors	0.8	0.9
Other	20.3	18.4
<b>Total</b>	<b>52.2</b>	<b>56.7</b>

Amounts due to employees include EUR 7.8 million for incentives accruing but not yet paid (EUR 8.8 million at 31 December 2001).

Other sums payable primarily include:

- EUR 5.2 million (EUR 4.3 million at 31 December 2001), regarding advance payments on options;
- EUR 2.9 million regarding the unpaid portion of share capital to the affiliated company Euromedia Luxembourg Two S.A.

## Accruals and deferred income

At 30 June 2002 this item was analysed as follows:

	30/06/2002	31/12/2001
Accruals:		
forex	22.2	2.7
other accruals	10.9	0.8
<b>Total accruals</b>	<b>33.1</b>	<b>3.5</b>
Deferred income:		
long-term rentals	7.2	10.3
other deferred income	2.7	1.8
<b>Total deferred income</b>	<b>9.9</b>	<b>12.1</b>
<b>Total</b>	<b>43.0</b>	<b>15.6</b>

The balance of the item *other accruals* includes EUR 9.3 million regarding the annual fee for television concessions.

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## COMMENTS TO THE OFF-BALANCE SHEET ITEMS

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(amounts in EUR millions)

### Personal sureties given

At 30 June 2002 the Group had outstanding guarantees given to third parties, on behalf of affiliated companies, totalling EUR 24.6 million (EUR 22.1 million at 31 December 2001), of which EUR 18.4 million (EUR 17.7 million at 31 December 2001) were non-bank sureties referring to the guarantee issued in favour of Milan VAT Office following the VAT surplus.

### Commitments

The main commitments of the Mediaset Group companies may be summarised as follows:

- long-term commitments mainly relating to contracts for the rental of satellite channels. These contracts have various duration times and will involve outlays totalling around EUR 102.1 million (EUR 68.7 million at 31 December 2001) over the coming years. Long-term commitments also include EUR 0.4 million (EUR 0.4 million at 31 December 2001) of lease commitments;
- commitments for artistic services, television productions, long serial dramas and press agency agreements totalling around EUR 74.7 million (EUR 135.3 million at 31 December 2001);
- commitments to acquire rights: the Group has entered into "volume deal" contracts with several major US studios to guarantee the availability of their films and television productions. These contracts ensure that the Group can maintain a level of investments in line with the Group's strategy to strengthen its library and entail a total commitment of around EUR 684.9 million (EUR 863.8 million at 31 December 2001), EUR 122.8 million of which with the subsidiary company Medusa Film S.p.A.
- commitments for financial foreign currency operations to hedge the exchange risk, and for the purchase and sale of securities, totalling EUR 810.8 million (EUR 951.1 million at 31 December 2001);
- commitments for the purchase of new equipment, works and supplies to the company offices totalling EUR 11.6 million (EUR 10.6 million at 31 December 2001);
- commitments for long-term leases and rents totalling EUR 37.5 million (EUR 23.0 million at 31 December 2001).

### Contingencies

Contingencies include around EUR 1.8 million in equipment owned by third party companies which is stored at Mediaset Group companies.

At 30 June 2002 there were also EUR 0.6 million of discounted bills.

### Potential liabilities counter-guaranteed by the parent company Fininvest S.p.A.

In connection with the public offering for the sale and subscription of shares in Mediaset S.p.A., Fininvest S.p.A. issued an irrevocable guarantee for an unlimited amount, covering a period corresponding to that applying to the prescription of tax liabilities, whereby it agrees to hold harmless and indemnify Mediaset S.p.A. and its subsidiary companies as at 30 June 1996 against any damage, cost, liability, out-of-period liability (resulting from a primary debt or fine), substantiated capital loss, reversal of assets or detrimental effect, including legal expenses (the "losses") which may arise to any of these companies in relation to a

breach of contractual obligations or obligations regarding civil, criminal, administrative and tax proceedings, breach of law and breach of conditions set forth in television broadcasting licences, which occurred prior to the listing date.

On the basis of this guarantee, Fininvest S.p.A. will pay any applicable damages, at the time the loss actually occurs, net of any provisions existing at the time in respect of such risks and net of out-of-period extraordinary items solely due to agency refunds that are subject to a 10 year prescription and were recorded in the liabilities of Publitalia '80 S.p.A. in its financial statements at 31 December 1995.

No compensation is due for any losses in respect of which Fininvest S.p.A. has already compensated Mediaset S.p.A.

With respect to the above, Fininvest S.p.A. has agreed, for the entire duration of the guarantee, to comply with the following parameters: (i) the absolute difference between (a) liquid funds (cash, deposits, government bonds and similar securities, securities traded in regulated markets including the securities of subsidiary companies) and (b) payables due to third parties (financial payables, payables due to taxation authorities, excluding trade accounts) must not be less than EUR 1,549.4 million and (ii) the ratio of liquid funds to payables due to third parties, as defined above, must not be less than 3:1. In the event of a breach of these conditions, Fininvest S.p.A. will be required to provide a first call bank guarantee to Mediaset S.p.A., for an amount equal to that required to restore the level of the parameters described above.

Based on the financial statements for the year ended 31 December 2001, Fininvest S.p.A. is in compliance with the covenants indicated in the text of the aforementioned guarantee.

It should be noted that such guarantee will expire on 31 December 2002.

The following events were covered by the guarantee:

- with regard to expenses that have already been verified and recorded in the 2002 half year's report, Mediaset Group companies have requested Fininvest S.p.A. to receive compensation totalling EUR 1.6 million, as is described in the notes on **value of production** and **receivables**;
- with regard to potential liabilities that have not yet become certain, the total risk has been put at EUR 11.0 million; this amount relates almost entirely to litigation and other matters regarding R.T.I. S.p.A. A request for compensation will be made once the loss has been finalised;
- the parent company Fininvest S.p.A. has been informed of the potential tax liabilities of the subsidiary company Publitalia '80 S.p.A., as required by the guarantee.

In relation to the guarantee and related interpretative agreements, on 16 December 1997, upon request of Fininvest S.p.A., the Board of Directors of Mediaset S.p.A. resolved to accept the request of Fininvest S.p.A. concerning non-operating income recorded in the financial statements of Publitalia '80 S.p.A. for the years from 1997 onwards. This non-operating income is limited to that resulting from agency refunds subject to a 10-year prescription period and recorded as a liability in the financial statements of Publitalia '80 S.p.A. at 31 December 1995.

Pursuant to these agreements, Publitalia '80 S.p.A. has acknowledged to Fininvest S.p.A. EUR 0.8 million of agency refunds that have fallen into ten-year prescription (recorded under other operating costs).

It should also be noted that Fininvest S.p.A. has given Mediaset S.p.A. a guarantee for an unlimited amount to cover any overstated assets and/or capital losses resulting from mistakes or problems regarding the ownership of television rights of the Mediaset Group, as reported in the consolidated financial statements at 31 December 1995 or in the accounting records at 31 March 1996; in the years after 1996, there have been no material circumstances involving the application of this guarantee.

## COMMENTS ON THE MAIN ITEMS OF THE INCOME STATEMENT

(amounts in EUR millions)

### Value of production

#### Revenues from sales and services

The break-down of revenues from sales and services is as follows:

	Ist half 2002	Ist half 2001
Television advertising	1,202.5	1,246.3
Printed advertising	0.6	0.5
Other advertising revenues	24.9	19.4
Rental of rights/programmes	10.7	10.2
Marketing of rights and television products	30.6	54.3
Sale of merchandise	3.5	3.4
Construction and maintenance of television equipment	8.2	8.7
Publishing revenues	0.9	2.6
Other	1.1	4.4
<b>Total</b>	<b>1,283.0</b>	<b>1,349.8</b>

Revenues from the sale of *television advertising* consist of:

- revenues from the sale of advertising slots on the three national television networks, totalling EUR 1,195.8 million, net of agency discount, over EUR 1,232.7 million in the first half of 2001, with a 3% decrease;
- revenues from the resale of television time in exchange for goods carried out by Promoservice Italia S.r.l. Such revenues amounted to EUR 6.7 million (EUR 9.8 million in the first half of 2001).

Revenues from the sale of *printed advertising* entirely consist of the resale by Promoservice Italia S.r.l. of advertising space acquired from third party publishers.

*Other advertising revenues* mainly consist of advertising bill posters in sports stadiums and revenues from advertising on the Internet and from commercial services on Mediavideo.

Revenues from *rental of rights/programmes* were mostly earned from the distribution of schedules for theme channels to the digital platforms by the subsidiary company Mediadigit S.p.A.

The item *sale of rights and television products* primarily includes the revenues from the sale to Stream S.p.A. of the rights of a few *Champions League*, matches, equal to EUR 28.2 million (EUR 25.6 million in the first half of 2001).

Compared to the same period of the previous year there is a considerable decrease which is attributable to the disposal of the company Beta Film following the agreements contained in the Joint-Venture Termination Agreement regarding the conclusion of the joint-venture between the Mediaset Group and the Kirch Group which occurred in September 2001. On a like-for-like basis, that is, without considering the effect of the Epsilon Group, the revenues from sales of rights and television products show a 4.8% increase.

Revenues from the *sale of goods* primarily relate to the sale of goods and services received from Promoservice Italia S.r.l. in exchange for advertising.

Revenues from *construction and maintenance of television equipment* relate to the sale of equipment by Elettronica Industriale S.p.A. to third party customers totalling around EUR 1.3 million (EUR 1.5 million approx. in the first half of 2001) and sales and maintenance of television equipment to the Telepiù Group for around EUR 6.8 million (EUR 7.2 million approx. in the first half of 2001).

Revenues from *publishing* exclusively refer to the new monthly magazine *MT - La macchina del tempo*.

### **Changes in the inventories of work in progress, semi-finished and finished goods**

This item shows a positive balance of EUR 0.4 million, mainly as a result of changes recorded by R.T.I. S.p.A. in relation to television programmes produced, which are reflected as inventory until they are broadcast.

### **Own work capitalised**

EUR 19.4 million of the increase in the six months, totalling EUR 20.5 million, is due to the cost cuts pertaining to long serial drama production (EUR 26.3 million in the first half of 2001); the remaining amount – EUR 1.1 million (EUR 1.2 million in the first half of 2001) - is due to cost capitalisation for the maintenance and operation of the signal broadcasting network.

### **Changes in the work in progress made to order**

This item, totalling EUR 8.1 million, primarily consists of the cost cuts pertaining to television products in progress, made to order upon request of Mediastore S.p.A. and intended for sale to third party companies after completion.

### **Other revenues and income**

This item is made up as follows:

	Ist half 2002	Ist half 2001
Lighting service	2.9	3.0
Compensation from Fininvest S.p.A.	1.6	3.1
Other	14.1	13.8
<b>Total</b>	<b>18.6</b>	<b>19.9</b>

Other income from the *lighting service* refers to the sub-let of television posts and the recharging of electricity costs to the Telepiù Group.

The item *compensation from Fininvest S.p.A.* consists of claims made to the parent company Fininvest S.p.A. in relation to liabilities (mainly lawsuits and related costs, settlements with personnel and tax amnesties) covered by the guarantee it issued on 6 June 1996.

The item *other* is primarily made up of recovery of costs.

## Cost of production

### Raw materials, consumables and supplies

This item can be broken down as follows:

	Ist half 2002	Ist half 2001
Raw, ancillary materials and supplies	6.4	8.9
Consumables	2.5	2.7
Advertising space	0.7	3.9
Other purchases	7.9	11.5
<b>Total</b>	<b>17.5</b>	<b>27.0</b>

The components of *raw materials, consumables and supplies* are as follows:

- purchases of EUR 5.5 million (EUR 7.1 million in the first half of 2001) from the company that manages the merchandise barter operations. The decrease arises from the decreased use of merchandise barter operations carried out by Promoservice Italia S.r.l.;
- purchases of materials used for the construction of television devices and equipment for resale and purchases for the maintenance of the Group's own equipment, totalling EUR 0.9 million (EUR 1.8 million in the first half of 2001).

The main elements of *other purchases* are prizes for games and quiz shows for EUR 3.1 million (EUR 5.0 million in the first half of 2001) and purchases of materials for sets for EUR 3.9 million (EUR 5.7 million in the first half of 2001).

### Service costs

This item is made up as follows:

	Ist half 2002	Ist half 2001
Consultants, temporary staff and services	77.5	88.2
Emoluments to directors and statutory auditors	1.1	1.0
Fees and commissions	11.7	11.4
SIAE/AFI/SCF/IMAIE dues	35.2	34.0
Production services	86.2	81.0
Publishers' fees	9.9	25.6
Auditel	4.2	4.7
Advertising space and public relations	8.9	8.8
Maintenance costs	6.1	6.3
Travel expenses	5.3	5.7
Electricity, water and gas	5.3	5.8
Post and telephone expenses	3.7	3.4
EDP	8.2	10.0
Canteen, cleaning and security services	7.7	7.7
Research, training and other personnel expenses	0.5	0.8
Transportation and shipping	3.1	3.8
Bank charges and fees	0.6	0.1
Insurance	1.5	1.3
Other services	16.2	12.8
<b>Total</b>	<b>292.9</b>	<b>312.4</b>

The main items included in service costs are analysed below:

- *consulting, outside contractors and services*: the most significant items are artistic services for EUR 43.3 million (EUR 44.6 million in the first half of 2001), television filming for EUR 5.9 million (EUR 7.8 million in the first half of 2001) and journalism services equal to EUR 3.1 million (EUR 5.4 million in the first half of 2001); the remaining part primarily refers to professional and technical services;

- *emoluments to directors and statutory auditors*: include fees paid to directors totalling EUR 0.8 million (EUR 0.8 million in the first half of 2001) and statutory auditors amounting to EUR 0.3 million (EUR 0.2 million in the first half of 2001);
- *fees and commissions*: these entirely refer to fees paid to agencies and media centres in relation to the sale of advertising space;
- *SIAE, AFI, SCF and IMAIE dues*: these are the payments made to the said associations for the use of intellectual property under their protection. The total amount includes the costs incurred in order to meet the rules regarding copyright (fair payment);
- *production services*: these increased by EUR 5.2 million over the first half of 2001 mainly as a result of the capitalised costs for domestic drama production;
- *publishers' fees*: this item includes the rights paid for bill poster advertising and advertising in the Internet portals. The decrease in the period, equal to EUR 15.7 million, is due to the effect of the exit of the Epsilon Group from the consolidation area (EUR 18.2 million in the first half of 2001);
- *purchase of advertising space and public relations*: this item includes the purchase of advertising space by Publitalia '80 S.p.A. for bill posters in stadiums as well as the purchase of advertising space from third party publishers to promote the Group's activities.

### Leasing and rental

This item may be analysed as follows:

	1st half 2002	1st half 2001
Real estate rentals	11.4	11.6
Royalties	6.3	8.6
Signal broadcasting and transmission	9.5	8.4
Rentals and leases	16.2	15.4
<b>Total</b>	<b>43.4</b>	<b>44.0</b>

*Real estate rentals* consist of lease payments for the companies' premises and signal broadcasting stations.

*Royalties* primarily consist of recording royalties totalling EUR 0.4 million (EUR 0.9 million in the first half of 2001) and licensing royalties regarding television productions amounting to EUR 3.6 million (EUR 6.0 million in the first half of 2001); this item also includes a market rate accrual for the use of the "Biscione" trademark owned by Fininvest S.p.A..

*Rent and leasing costs* are for the use of studios, television equipment and motor vehicles.

### Personnel expenses

During the half year, the following changes occurred in the personnel levels of the Group companies:

Mediaset Group Workforce	01/01/2002	30/06/2002	Average
Managers	295	298	300
Middle managers	614	643	632
Office staff	3,132	3,150	3,168
Manual workers	61	-	-
Journalists	294	303	297
<b>Total (without Epsilon Group)</b>	<b>4,396</b>	<b>4,394</b>	<b>4,397</b>

The personnel levels of the Mediaset Group companies have remained substantially unchanged since 31 December 2001.

Personnel expenses (net of the Epsilon Group) for the workforce in the table above increased from EUR 148.6 million in the first half of 2001 to EUR 157.6 million in the first half of 2002. The increase therefore amounts to EUR 9.0 million (6.1%). This figure is in line both with wage policies and the impact of contract renewals which took effect starting from the second half of last year.

	Ist half 2002	Ist half 2001
Ordinary pay	79.5	76.6
Overtime	2.6	3.0
Special benefits	15.1	11.7
Christmas and summer bonuses	11.6	11.1
Accrued holiday pay	5.4	5.0
<b>Total wages and salaries (without Epsilon Group)</b>	<b>114.2</b>	<b>107.4</b>
Social security contributions	32.3	30.6
Employee severance indemnity	10.7	10.1
Pension benefits and similar obligations	-	0.3
Other expenses	0.5	0.2
<b>Total personnel expenses (without Epsilon Group)</b>	<b>157.6</b>	<b>148.6</b>

### **Amortisation, depreciation and write-downs**

Details on the amortisation of intangible assets and the depreciation of tangible assets, as well as the relevant write-downs, are provided in the tables analysing the changes, and are commented upon in the section of these notes devoted to **fixed assets**.

As to **intangible assets**, it should be noted that, over the same period of the previous year, the effect arising from the exit of the Epsilon Group from the consolidation area entailed a total reduction of amortisation for EUR 4.0 million, primarily attributable to the amortisation quotas of the net goodwill that the joint-venture operation had produced on the Mediaset Group (EUR 2.9 million in the first half of 2001).

The item **provision for doubtful receivables** represents the change for the year necessary to bring the value of receivables in line with their estimated realisable value.

### **Provisions for risks and other provisions**

The most significant components of **other provisions** are accruals for risks regarding disputes with employees and litigation (which arose in the period following Mediaset S.p.A.'s market flotation and are, thus, not covered by the guarantee issued by Fininvest S.p.A.), and for risks and losses caused by the inability to recover contractually set artists' fees through television productions.

The positive impact of this item on the results at 30 June 2002 arises from the higher utilisation of the provisions for risks following the events which occurred in the six months, than that allocated.

### **Sundry operating costs**

This item may be analysed as follows:

	Ist half 2002	Ist half 2001
Television concession fee	9.3	9.2
Tax charges	1.0	2.2
Other	10.6	7.9
<b>Total</b>	<b>20.9</b>	<b>19.3</b>

## Financial income and charges

This item may be analysed as follows:

	Ist half 2002	Ist half 2001
<b>Income from equity investments</b>		
Dividends	3.0	1.5
<b>Other financial income:</b>		
From receivables included in fixed assets	0.1	0.1
From securities included in current assets	4.7	5.8
<b>Other income:</b>		
Interest on bank accounts and deposits	2.6	2.5
Foreign exchange gains	43.8	36.4
Interest on trade receivables	0.2	0.3
Other	1.6	4.5
<b>Total income</b>	<b>56.0</b>	<b>51.1</b>
<b>Interest and financial charges:</b>		
Interest on short-term loans	(9.4)	(9.9)
Foreign exchange losses - third parties	(50.0)	(37.3)
Interest on advances and discount	(1.1)	(0.2)
Interest on trade payable	(0.1)	-
Other financial charges	(6.3)	(9.2)
<b>Total charges</b>	<b>(66.9)</b>	<b>(56.6)</b>
<b>Total financial income and charges</b>	<b>(10.9)</b>	<b>(5.5)</b>

**Income from investments** includes the dividends paid during the first six months by the subsidiary company Publieuros Ltd. The value at 30 June 2001 totalling EUR 1.5 million included the dividends paid by E.I.S. S.p.A. and Olivetti S.p.A.

**Other financial income** includes the gains made with respect to stabilisation operations regarding the Mediaset stocks, equal to EUR 1.3 million (EUR 1.6 million in the first half of 2001).

The item **other financial charges** includes:

- costs connected to the stabilisation of Mediaset stocks for EUR 0.6 million;
- losses on the sale of securities held by Mediaset Investment S.a.r.l. for EUR 3.4 million;
- unrealised charges connected to the stabilisation of stocks for EUR 0.6 million (EUR 4.3 million in the first half of 2001); determined by the restatement at market price of Mediaset S.p.A. own shares;
- write-down of own shares for EUR 1.7 million connected to the adjustment of the book value to the stock option right value for the own shares intended for the approved Stock Option Plans.

**Foreign exchange gains and foreign exchange losses** resulted in a net loss of EUR 6.2 million (EUR 0.9 million loss in the first half of 2001). This negative balance is primarily attributable to the market assessment of exchange rate risk hedging existing at 30 June 2002.

## Adjustments to the value of financial investments

### Write-ups of investments

This item regards the income statement effect of the valuation using the net equity method of the investment in the Telecinco Group (Publiespana S.A. and Gestevisión Telecinco S.A.). It includes:

- an income of EUR 13.5 million representing the change in the shareholders' equity of the companies belonging to the Telecinco Group, with respect to the Group's share;
- a charge of EUR 10.1 million representing the amortisation on the goodwill allocated to the assets of subsidiary companies. The gross value of the said goodwill is EUR 201.5 million. EUR 74.1 million of this amount arose at the time of the purchase of 25% of the above companies by Mediaset S.p.A. in

1996 and 1997 while EUR 127.4 million arose on 30 June 1999 when Mediaset Investment S.a.r.l. acquired a further stake of 15%. Both portions of goodwill are being amortised over ten years from the date they arose.

### Write-downs of investments

This item primarily relates to the valuation of the investment in Albacom S.p.A., Fascino P.G.T. S.r.l., by means of the net equity method, and the write-downs of the investments recorded at cost. The balance at 30 June 2002, totalling EUR 47.2 million, therefore includes:

- the portion of losses of Albacom S.p.A. pertaining to the Group, equal to EUR 11.3 million;
- the portion of amortisation of Albacom S.p.A. goodwill, equal to EUR 1.1 million;
- the portion of losses of Fascino P.G.T. S.r.l. pertaining to the Group, equal to EUR 0.1 million, EUR 0.2 million of which refers to the portion of profits and EUR 0.3 million refers to the amortisation quota for the period.

This item also includes the following write-downs:

- EUR 31.9 million regarding the 2.28% shareholding by the subsidiary company Mediaset Investment in Kirch Media;
- EUR 1.9 million regarding the 13% shareholding by the subsidiary company Mediaset Investment in TV Breizh S.A.;
- EUR 0.2 million regarding the 26% shareholding by Mediaset S.p.A. in Veleno S.p.A.;
- EUR 0.7 million regarding the indirect 3.2% shareholding by the subsidiary company Mediaset Investment in the EuroMedia Venture Fund.

### Extraordinary income and charges

The above item may be analysed as follows:

	1st half 2002	1st half 2001
<b>Income:</b>		
Gains on disposals	-	-
Out-of-period income	1.3	0.8
<b>Charges:</b>		
Losses on disposals	-	(0.3)
Out-of-period expenses	(2.4)	(1.2)
<b>Extraordinary income and (charges)</b>	<b>(1.1)</b>	<b>(0.7)</b>

For the Board of Directors  
the Chairman

## **ATTACHMENTS**

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The following attachments supplement the information provided in the notes to the financial statements, of which they form an integral part:

- analysis of changes in shareholders' equity at 30 June 2002;
- analysis of changes in intangible assets at 30 June 2002;
- analysis of changes in tangible assets at 30 June 2002;
- analysis of changes in financial assets at 30 June 2002;
- consolidated cash flow statement for the periods ended 30 June 2002 and 30 June 2001;
- reconciliation between shareholders' equity and period results for Mediaset S.p.A. with consolidated data for the periods ended 30 June 2002 and 30 June 2001;
- list of companies included in the consolidated financial statements at 30 June 2002.

**Analysis of changes in shareholders' equity  
at 30 June 2002**

*(EUR millions)*

	Share capital	Share premium reserve	Legal reserve	Reserve for company's own shares	Other reserves (accumulated losses)	Retained earnings	Profit (loss) for the period	Total shareholders' equity
<b>Balance at 31/12/2001</b>	<b>614.2</b>	<b>739.7</b>	<b>61.2</b>	<b>12.1</b>	<b>125.7</b>	<b>551.7</b>	<b>248.4</b>	<b>2,353.0</b>
Issue:								
rights issue	-	-	-	-	-	-	-	-
bonus issue	-	-	-	-	-	-	-	-
Allocation of 2001 net income	-	-	13.1	-	1.8	233.5	(248.4)	-
Dividends paid on 2001 profits	-	-	-	-	-	(247.8)	-	(247.8)
Other changes:								
purchase of own shares	-	-	-	16.1	(16.1)	-	-	-
changeover to EUR	-	-	-	-	-	-	-	-
capital contributions/other changes	-	-	-	-	-	(0.1)	-	(0.1)
Profit/(loss) for the period	-	-	-	-	-	-	357.1	357.1
<b>Balance at 30/06/2002</b>	<b>614.2</b>	<b>739.7</b>	<b>74.3</b>	<b>28.2</b>	<b>111.4</b>	<b>537.3</b>	<b>357.1</b>	<b>2,462.2</b>

**Analysis of changes in intangible assets  
at 30 June 2002**

*(EUR millions)*

	Opening balance at 31/12/2001	Changes during the year					Closing balance at 30/06/2002
		Purchases	Other changes	Disposals	Amortisation, depreciation and write-downs	Changes in the consolidation area	
Start-up and expansion costs	2.7	0.2	-	-	(0.7)	-	2.1
Research, development and advertising costs	2.3	-	-	-	(0.5)	-	1.8
Patents and intellectual property rights	15.1	4.2	0.3	-	(4.7)	-	14.9
Television rights	1,881.8	294.8	15.3	(0.4)	(342.9)	-	1,848.6
Brands	26.6	0.2	-	-	(4.9)	-	21.8
Concessions	0.1	-	-	-	-	-	0.1
Goodwill	20.5	-	-	-	(2.7)	-	17.8
Intangible assets in progress and advance payme	106.1	50.9	(18.1)	-	-	-	138.9
Other intangible assets	6.3	1.6	0.2	-	(2.4)	-	5.7
Differences arising from consolidation	16.2	0.1	-	-	(2.1)	-	14.3
<b>Total</b>	<b>2,077.6</b>	<b>352.0</b>	<b>(2.3)</b>	<b>(0.4)</b>	<b>(360.9)</b>	<b>-</b>	<b>2,066.0</b>

**Analysis of changes in tangible assets  
at 30 June 2002**

*(EUR millions)*

	Opening balance at 31/12/2001	Changes during the year					Closing balance at 30/06/2002
		Purchases	Other changes	Disposals	Amortisation, depreciation and write-downs	Changes in the consolidation area	
Land and buildings	67.2	0.5	0.2	-	(1.5)	-	66.5
Plant and machinery	120.7	23.6	6.6	(0.2)	(16.2)	-	134.5
Industrial and commercial equipment	17.6	0.8	0.2	(0.1)	(1.6)	-	16.9
Other tangible assets	19.8	1.9	0.1	(0.1)	(2.5)	-	19.3
Assets under construction and advance paymer	8.9	3.1	(7.2)	-	-	-	4.7
<b>Total</b>	<b>234.2</b>	<b>29.9</b>	<b>-</b>	<b>(0.4)</b>	<b>(21.8)</b>	<b>-</b>	<b>241.9</b>

**Analysis of changes in financial assets  
at 30 June 2002**

*(EUR millions)*

	Opening balance at 31/12/2001	Changes during the year			Other changes	Closing balance at 30/06/2002
		Purchases and increases	Decreases	(Write-downs) write-ups		
<b>Investments</b>						
Subsidiary companies:						
valued at cost	8.3	-	-	-	-	8.3
Affiliated companies:						
valued at cost	1.6	-	-	(0.2)	-	1.5
recorded using the equity method	294.0	0.1	-	3.2	-	297.2
Other companies:						
valued at cost	309.4	-	(1.3)	(205.6)	-	102.5
recorded using the equity method	68.2	-	-	(12.4)	-	55.8
<b>Total</b>	<b>681.5</b>	<b>0.1</b>	<b>(1.3)</b>	<b>(214.9)</b>	<b>-</b>	<b>465.3</b>

**Consolidated cash flow statement for the periods  
ended 30 June 2002 and 30 June 2001**

(EUR millions)

	30/06/2002	30/06/2001
Net profit for the period	357.2	450.1
Amortisation, depreciation and write-downs	598.1	407.8
Provisions, net	(179.8)	(43.8)
Changes in net shareholders' equity attributable to minority interests	-	-
<b>Cash flow from operations</b>	<b>775.5</b>	<b>814.1</b>
Change in receivables	(103.7)	(325.0)
Change in prepayments and accrued income	0.8	(4.8)
Change in payables	(125.8)	1.5
Change in accruals and deferred income	27.4	(6.5)
Change in inventory	(7.9)	1.3
Change in tax payables	12.5	(27.8)
Change in employee severance indemnity	3.5	4.2
Change in other assets/liabilities	3.2	(0.3)
<b>Change in working capital and other assets/liabilities</b>	<b>(190.0)</b>	<b>(357.4)</b>
<b>Cash generated by operations</b>	<b>585.5</b>	<b>456.7</b>
Revenues from the sale of intangible assets	0.4	0.2
Revenues from the sale of tangible assets	0.4	1.0
Revenues from the sale of financial assets	1.4	-
<b>Total revenues from disposals</b>	<b>2.2</b>	<b>1.2</b>
<b>Total cash generated during the period</b>	<b>587.7</b>	<b>457.9</b>
Investments in rights	(310.1)	(435.2)
Investments in intangible assets	(8.0)	(8.7)
Investments in tangible assets	(29.9)	(27.6)
Investments in financial assets	(0.1)	(103.2)
<b>Total cash (invested) during the period</b>	<b>(348.1)</b>	<b>(574.7)</b>
<b>Changes in the consolidation area</b>	<b>-</b>	<b>-</b>
Rights issue	-	-
Dividends paid	(247.8)	(283.2)
Other changes in shareholders' equity	-	0.6
<b>Change in Group shareholders' equity</b>	<b>(247.8)</b>	<b>(282.6)</b>
<b>Change in net financial position</b>	<b>(8.2)</b>	<b>(399.4)</b>
Liquid funds/short-term securities	316.6	471.3
Financial receivables from Fininvest Group	-	-
Financial payables to banks/other financial institutions	(564.4)	(346.0)
<b>Opening net financial position</b>	<b>(247.8)</b>	<b>125.3</b>
Liquid funds / short-term securities	448.0	377.3
Financial receivables from Fininvest Group	-	-
Financial payables to banks/other financial institutions	(704.0)	(651.4)
<b>Closing net financial position</b>	<b>(256.0)</b>	<b>(274.1)</b>
<b>Change in net financial position</b>	<b>(8.2)</b>	<b>(399.4)</b>

**Reconciliation between shareholders' equity and period results for Mediaset S.p.A.  
with consolidated data for the periods ended 30 June 2002 and 30 June 2001**

*(EUR millions)*

	Shareholders' equity at 30/06/2002	Gross earnings the period ended 30/06/2002	Shareholders' equity at 30/06/2001	Gross earnings the period ended 30/06/2001
<b>As per balance sheet and income statement of Mediaset S.p.A.</b>	<b>1,726.3</b>	<b>167.0</b>	<b>1,882.2</b>	<b>337.8</b>
Excess of shareholders' equity, including income for the year over book value of investments in subsidiary and affiliated companies	673.7	425.5	829.1	588.8
Consolidation adjustments arising from:				
Elimination of adjustments and provisions solely of a tax nature and adoption of Group accounting policies	199.0	(239.4)	(29.3)	(482.0)
Elimination of unrealised intra-group gains / losses	(16.6)	4.1	(25.3)	5.7
Deferred taxation	(116.3)	-	(97.6)	-
Other adjustments	(2.3)	-	(2.3)	-
<b>Total</b>	<b>2,463.8</b>	<b>357.2</b>	<b>2,556.8</b>	<b>450.3</b>
Profit (loss) attributable to minority interests	(1.6)	(0.1)	(1.8)	(0.2)
<b>As per consolidated financial statements</b>	<b>2,462.2</b>	<b>357.1</b>	<b>2,555.0</b>	<b>450.1</b>

## List of companies included in the consolidated financial statements at 30 June 2002

(millions)

<b>Companies consolidated on a line-by-line basis</b>	<b>Registered office</b>	<b>Currency</b>	<b>Share capital</b>	<b>% held by Group</b>
Mediaset S.p.A.	Milano	euro	614.2	-
Publitalia '80 S.p.A.	Milano	euro	52.0	100.00%
Promoservice Italia S.r.l.	Milano	euro	2.1	100.00%
Mediadigit International S.a.r.l.	Lussemburgo	euro	41.5	100.00%
Mediadigit S.p.A.	Milano	euro	26.1	100.00%
R.T.I. S.p.A.	Roma	euro	56.7	100.00%
Mediatrade S.p.A.	Milano	euro	26.0	100.00%
Videotime S.p.A.	Milano	euro	52.0	98.01%
Elettronica Industriale S.p.A.	Lissone (Mi)	euro	5.2	100.00%
RTI Music S.r.l.	Milano	euro	0.3	100.00%
International Media Services Ltd. in liquidazione	Malta	euro	0.05	99.99%
Mediaset Investment S.a.r.l.	Lussemburgo	euro	67.6	100.00%
<b>Companies recorded using the equity method</b>	<b>Registered office</b>	<b>Currency</b>	<b>Share capital</b>	<b>% held by Group</b>
Albacom S.p.A.	Roma	euro	342.3	19.50%
Fascino Produzione Gestione Teatro S.r.l.	Roma	euro	0.01	30.00%
Gestelevision Telecinco S.A.	Madrid	euro	92.5	40.00%
Publiespana S.A.	Madrid	euro	0.6	40.00%
Titanus Elios S.p.A.	Roma	euro	29.5	30.00%
<b>Companies valued at cost</b>	<b>Registered office</b>	<b>Currency</b>	<b>Share capital</b>	<b>% held by Group</b>
Auditel S.r.l.	Milano	euro	0.3	30.00%
Beigua S.r.l.	Milano	euro	0.05	24.50%
Class Financial Network S.p.A.	Milano	euro	0.6	9.94%
Consorzio Aeromobili Fininvest (Cafin)	Milano	euro	0.5	48.00%
E.I.S. S.p.A.	Sesto S. Giovanni (Mi)	euro	0.5	10.00%
Epsilon TV Production S.r.l.	Milano	euro	85.5	50.00%
Euromedia Luxembourg Two S.A.	Lussemburgo	USD	42.5	11.76%
KirchMedia GmbH & Co KGaA	Monaco	euro	45.7	2.28%
Mediaset Ireland Ltd.	Dublino	euro	0.005	100.00%
Olivetti S.p.A.	Ivrea	euro	8,795	0.45%
Publieuros Ltd	Londra	sterlina	5.0	100.00%
Radio e Reti S.r.l.	Milano	euro	1.0	10.00%
Talk Show S.r.l. in liquidazione	Roma	euro	0.05	100.00%
TV Breizh S.A.	Boulogne (Francia)	euro	15.0	13.00%
Veleno S.p.A.	Milano	euro	5.0	26.00%