

Press Release

Mediaset Group Results for the First Half of 2002

Cost reduction targets achieved:

- Television operating costs: - 4.2%
- Investment in TV rights: - E125 million

Advertising revenues (- 2.6%) outperform the market (- 4.2%)

Record early evening ratings:

- Canale 5 increases its advantage over Rai 1 in spite of the World Cup
- Italia 1 consolidates its position as Italy's 3rd channel

The Board of Directors of Mediaset, which met today under the Chairmanship of Fedele Confalonieri, has approved the management's report on the Mediaset Group's 1st half 2002 results.

Today's results show that the first six months were positive with the advertising company **Publitalia 80 clearly outperforming the overall advertising market** together matched by a careful and rigorous cost reduction policy on the television side. In particular, **first half operating costs in television fell by 4.2%**, from E322.4 in the first half of 2001 to E309.0 million for the first half of this year. Meanwhile, **investments in TV rights fell by E125 million**.

Thanks to these results gross operating profit as a proportion of net revenues has remained essentially unchanged compared with the previous year: 61.5% in the first half of 2002 compared with 61.8% in the same period of 2001.

Advertising sales for Mediaset's channels Mediaset, despite a slight fall (-2.6%) compared with the first half of 2001, remained above (+1,6%) the exceptional figures achieved in the first half of 2000, and markedly better than the overall trend in the national advertising market (-4.2%).

The careful management of costs has also coincided with **a more than positive performance in terms of ratings**. In the first half of the year Mediaset's channels improved their position in the **early evening** slots compared with the same period of last year: **44.4%** vs. 44.0%.

Canale 5 confirmed its position as Italy's most popular channel with a share of **24.3%** and increased its advantage over RaiUno that stalled at 22.9%.

Italia 1 performed extraordinarily well registering a 12.2% share in early evening (compared with 10.9% in the first half of 2001), and consolidated its position as **Italy's third most popular channel** after Canale 5 e Rai 1.

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

- **Consolidated net revenues** totalled E1,301.6 million compared with the E1,369.7 million of the first half of 2001 (-5,0%). Net of the proportional consolidation of the Epsilon Group, the percentage change is -2.9%.
 - In particular third party **advertising sales** came to **E1,386.5 million**, compared with E 1,423.6 million in the same period last year (-2.6%). The result needs to be seen positively in that it is above that forecast for the national reference market. It should also be remembered that the first six months of 2001 recorded further exceptional growth compared with the first half of 2000 of +4.5%).
 - **Other television revenues** came to **E 64.4 million** against the E 71.1 million of the first half of last year, a slight fall of E 6.7 million largely due to the shortfall in advertising revenues from companies of the Group.
- The Group's **operating costs** show a fall of **E 21.6 million**, from E 523.0 million in the first half of 2001 to E **501.4 million** this time (**-4.1%**).
In particular, **television operating costs fell by 4.2%**, from E 322.4 million in the first half of 2001 to E **309.0 million** in the first six months of 2002.
- **Gross operating profit (Ebitda)** came to E **800.2 million**, a fall of 5.5% against the E 846.7 million of the first half of 2001.
- **Operating profit (Ebit)** went from E 500.3 million to **E 413,0 million**. This trend in operating profit (-17.4%) should be seen in the light of the overall trend in amortisation and devaluation costs that went from E346.4 million in the first half of 2001 to E 387.2 million this time. This increase is largely the result of higher amortisation costs for television rights and the impact of investments in in-house drama series productions.

- Operating profit as a proportion of consolidated net revenues (**operating profitability**) remains very high at **31.7%**.
- **Pre-tax profit**, that is affected by the write-down of the Group's stake in Kirch Media (E 31.9 million), was **E 357.2 million**, compared with the E 450.3 million of the first half of 2001.
- The Group's **net financial position**, as at June 30, 2002 (**-E 256.0 million**) remained essentially unchanged from 31 December 2001 (-E 247.8 million) and better than the corresponding period of last year. (-E 274.1 million). Cash flow in the period was higher by around E 390 million compared with the same period last year with the significant contribution of around E 150 million generated by the core business.

FORECAST FOR THE YEAR

- **Television advertising sales grew by 1.5%** in July-August (compared with the same period of last year) confirming the growth trend recorded since June. Given this results advertising sales for the first eight months of the year show a more contained fall of 2%, an improvement on the result for the first half. On current evidence September sales are on course to match those of the same month last year.
While forecasts for the advertising market remain extremely prudent, current evidence would appear to suggest that the trend for the final quarter of the year will lead to full year sales in line with those of 2001 and 2000.
- **In the first eighth months** of 2002, Mediaset's **overall prime time ratings** reached **43.9%**, a 0.7 point increase on the previous year. Rai, meanwhile, with 45.9%, fell by 1.8%. Canale 5 prime time ratings of 23.5%, confirm the channels lead over Rai 1 (22.5%).
- On the basis of current evidence, concerning both advertising sales and television costs, the company confirms its intention to pursue stability in the level of gross operating profit and the generation of a significant level of operating profit in line with that of 2001.

The Board of Directors also approved a Code of Ethics for the company. The code is laid out in a document that outlines the company approach and behaviour and is inspired by the values of diligence, correctness and loyalty, as well as respect for current legislation.

Cologno Monzese, 10 September 2002

Highlights from the consolidated income statement
in E m

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
2,351.1	Total consolidated net revenues	1,301.6	1,369.7
285.7	Labour costs	157.6	149.8
744.9	Procurement, services and other costs	343.8	373.2
1,030.6	Operating costs	501.4	523.0
1,320.5	Gross operating profit	800.2	846.7
733.3	Amortisations and depreciations	387.2	346.4
587.2	Operating profit	413.0	500.3
(14.8)	Financial income /(charges)	(10.9)	(5.5)
(183.7)	Income/(charges) from investments	(43.8)	(43.8)
388.7	Profit before extraordinary items	358.3	451.0
29.4	Extraordinary income/(charges)	(1.1)	(0.7)
418.1	Pre-tax profit	357.2	450.3

Highlights from the consolidated balance sheet

31/12/2001		30/06/2002	30/06/2001
1,881.8	Television rights	1,848.6	1,895.0
430.1	Other tangible/intangible assets	459.3	462.5
687.6	Financial assets	471.1	623.5
(304.0)	Net working capital & other assets/liabilities	37.4	(60.8)
(93.1)	Severance indemnity reserve	(96.6)	(89.3)
2,602.4	Net invested capital	2,719.8	2,830.9
(247.8)	Net financial position	(256.0)	(274.1)
2,354.6	Shareholders' equity and minority interest	2,463.8	2,556.8