



# **MEDIASET GROUP**

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*Report on  
operating  
performance  
for the first half  
of 2001*

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***Interim Report 2001***

**MEDIASET S.p.A.** - via Paleocapa, 3 - 20121 Milano

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 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*





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for the first half of 2001

***MEDIASET GROUP***



# **MEDIASET GROUP**

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## **Report on operating performance for the first half of 2001**

Dear Shareholders,

In the first half of 2001, the Group heading your company achieved the following results: consolidated net revenues amounted to EUR 1,369.7 million, a growth of 6.5% compared to the first half of 2000, the operating result amounted to EUR 500.3 million (compared to EUR 471.9 million in the first half of 2000) with a 6.0% increase net of amortisation, depreciation and write-downs amounting to EUR 346.4 million. Operating profitability amounted to 36.5% (37.3% net of the effect arising from the proportional consolidation of the Epsilon group), basically at the same level (36.7%) recorded in the same period of the previous year. The pre-tax result amounted to EUR 450.3 million compared to EUR 465.6 million achieved in the first half of 2000, with a decrease due to the economic effect connected to the write-down of affiliated company Blu S.p.A. The parent company, Mediaset S.p.A., achieved at the end of the period a pre-tax result of EUR 337.8 million (with respect to EUR 284.8 million achieved in the same period of the previous year), after amortisation, depreciation and write-downs amounting to EUR 119.7 million.

The achievement of a Gross operating margin growth rate fundamentally in line with that of revenues and the continuing high operating profitability, also with respect to the exceptional levels achieved in the first half of 2000, represent highly significant results, since they were obtained during a phase marked by a considerable slowdown in the advertising market, both nationally and in Europe.

Based on data published by Nielsen, in the first half of 2001 the value of advertising investment on television in Italy remained unchanged with respect to that of the same period in the previous year. The market was solely sustained by the growth in advertising sales achieved by Mediaset networks (4.4% higher than the first six months of 2000 with third parties), while advertising sales of other national networks – and notably government networks – showed a marked decrease. The result obtained by Mediaset in the period is particularly satisfactory both because it represents one of the best performances among those achieved in the same period by the main companies in the field of television in Europe, and because it was achieved by means of a higher growth in percentage of the unitary value of sold slots, whose number reduced with respect to the same period in the previous year.

Advertising sales on Mediaset networks in the first half of 2001 benefited from excellent audience results achieved by the networks. In the first six months of 2001, Mediaset networks reached an average total day share of 44.4 % (1.2% higher than the same period of the previous year), while in Prime Time the overall audience share of the three networks grew by three points from the same period of 2000. By virtue of these results, Mediaset networks achieved, for the first time in their history, an overall audience share of 45% during the October 2000–June 2001 television season; in the same period, Canale 5 regularly ranked as first national network with a 25% share.

This significant audience success rewards the compact strategy of the networks during the whole television season and the growing commitment to own-productions. In the first half of 2001, Mediaset networks produced nearly half of overall programmes itself, providing their own schedules with new domestic drama series and soap operas, new news programmes and entertainment formats, besides

usual programmes based on *Champions League* European football, game shows, short television series and films, among which *Titanic's* first showing achieving the top audience of the whole television season.

Though in the presence of a general weakness of the advertising market, Mediaset successfully continued its investment strategy in television contents, with a view to strengthening and protecting its own competitive advantage in future years. In the first half of 2001, the Mediaset group confirmed this mission, both in terms of rights, by acquiring television rights for quality films available on the market, and through constant commitment to productions, with the objective of providing its own schedules with contents and formats in line with the needs of continuity in publishing, network positioning and innovation.

The strong impulse to production activities for the development of contents, which will continue in future months through new agreements and partnerships with specialist companies, as well as through the start of operations of Epsilon Tv Production, the newly established company as a Joint-venture with the Kirch Media Group, becomes increasingly fundamental for the Mediaset Group with a view to multichannel distribution and the advent of terrestrial digital television, expected by 2006, based on Law no. 66 of 20 March 2001.

In the first months of the year, to get ready for the start of the envisaged experimentation phase, the Mediaset Group made various equity investments in the telecommunication (stake in Olivetti) and industrial sectors (purchase of publishing activities of the on-line portal Jumpy) and is stipulating the first agreement for the acquisition from local companies of frequencies to use for digital experimentation. Through these operations, the Group wants to progressively develop and acquire skills (access and development of interactive services) as well as the technological assets necessary to achieve a leading role in the area of *New Media* and, in the future, in the new scenario based on terrestrial digital television.

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## **THE GENERAL ECONOMIC SITUATION**

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At the end of June 2001, only the two large economies of Asia, China (not specialised in high-tech goods) and India (relatively closed to trade exchange) seem not to have suffered too much from the worsening of the international situation.

The downturn of the American economy was accompanied by the inflation effect which arose from the persistence of historically high price levels for oil products, which is deteriorating the situation of all net energy importing countries, and specifically of Europe.

In the United States, the expansionary monetary policy pursued by the Federal Reserve contributed to curb and dilute over time the advent of recession and alleviated the intensity of the negative trend of stock markets (avoiding highly destabilizing reactions connected to a possible collapse of financial markets). Repeated rate reductions further diminished the burden of private debts and supported the residential building industry (very sensitive to interest rates); expectations of a recovery in the manufacturing industry however are delaying their appearance, while corporate profits continue to shrink. The improvement of the economic situation in the United States seems therefore connected to further adjustments in manufacturing activities that might bring about a further reduction in the demand of labour. The implications of this process, which on the one hand might be positive in terms of corporate productivity, on the other hand might mar the trust of households, determining a lower creation of income to spend and a general limitation to consumption, only partially supported by tax allowances granted in the first part of the year.

In Japan, the sluggish situation that has been present for over ten years worsened, and the weakness of the Yen does not appear able to offset the effects of slowing demand from the United States and South-

East Asia (the two main outlet markets for Japanese products). Without a recovery of foreign demand, only an improvement in domestic conditions (however connected to a wide-ranging restructuring of the industrial and financial system and accompanied by a constant increase in unemployment) seems capable of allowing Japan to reverse the current economic situation.

The countries belonging to non-OECD areas are in turn experiencing a slowdown of the economic cycle, marked by a general weakening of exchange rates with respect to the US Dollar and by an increase in the inflation rate, with a subsequent reduction of purchase power and drop in consumption. In many cases a strong negative effect is added, induced on manufacturing activities by the slowdown of US economy, notably for some Asian countries (like South Korea and Thailand) specialised in high technology goods and telecommunications.

A clear slowdown of economic growth is to be seen in Europe, without the previous expansion cycle having reached its full potential. However, the European economic cycle shows different features from America; the crisis in the field of advanced technologies and telecommunications hits European countries in a different and less important way than the United States. A more significant issue for Europe is, seemingly, the loss of purchasing power determined by the worsening of the exchange rate; however, inflation, which prevented BCE from taking determined steps on interest rates, is now falling.

In Italy, the slowdown of the economic cycle is emerging with some delay and lower intensity than elsewhere (Germany, for example) due to the good level of domestic demand and net exports, supported by an exchange rate depreciation.

## FINANCIAL AND ECONOMIC RESULTS OF THE MEDIASET GROUP

### Drafting criteria

The following income statement and balance sheet information refers to the first half of 2001, the first half of 2000 and to 31 December 2000.

In preparing the accounting situation, the same criteria used for preparing the balance sheet for the year and the consolidated balance sheet at 31 December 2000 were utilised. Tables, in order to ensure continuity and comparability, are homogeneous with those included in the Report on operations of the 2000 Half Year Report and the Annual Report at 31 December 2000.

In line with the adoption, by Mediaset S.p.A. and its subsidiary companies, of accounting in Euro, which occurred in the first half of 2001, income statement and balance sheet data included in the 2001 Half Year Report are given in millions euro. To provide more complete data, corresponding values in billions of lire are kept solely in the summary tables for the income statement, balance sheet and cash flow statement.

We would like to point out that, similarly to the annual report at 31 December 2000, also in the first half of 2001, the Epsilon Group was consolidated by means of proportional integration, since at 30 June 2001 corporate operations had not been carried out yet, by means of which current Epsilon shareholders shall buy back the assets transferred to the joint-venture company, and Mediaset Investment S.a.r.l. shall acquire a 2.28% stake in KirchMedia GmbH & Co. KgaA. The implementation of these operations, as is better explained in the section of the Report devoted to Events after 30 June 2001, is expected to take place by the end of the third quarter 2001.

### Economic Results

A summary of the Mediaset Group income statement is set out below:

Mediaset Group						
31/12/2000	31/12/2000		30/06/2001	30/06/2000	30/06/2001	30/06/2000
(ITL billions)	(EUR millions)		(EUR millions)		(ITL billions)	
4,514.7	2,331.7	Revenues from sales and services	1,349.8	1,273.2	2,613.6	2,465.3
61.8	31.9	Other revenues and income	19.9	12.3	38.5	23.8
<b>4,576.5</b>	<b>2,363.6</b>	<b>Total net consolidated revenues</b>	<b>1,369.7</b>	<b>1,285.5</b>	<b>2,652.1</b>	<b>2,489.1</b>
562.1	290.3	Personnel expenses	149.8	151.7	290.1	293.8
1,386.5	716.1	Purchases, services, other costs	373.2	341.5	722.6	661.3
<b>1,948.6</b>	<b>1,006.4</b>	<b>Operating costs</b>	<b>523.0</b>	<b>493.2</b>	<b>1,012.7</b>	<b>955.1</b>
<b>2,627.9</b>	<b>1,357.2</b>	<b>Gross operating margin</b>	<b>846.7</b>	<b>792.3</b>	<b>1,639.4</b>	<b>1,534.0</b>
1,289.0	665.7	Amortisation, depreciation and write-downs	346.4	320.4	670.7	620.3
<b>1,338.9</b>	<b>691.4</b>	<b>Operating result</b>	<b>500.3</b>	<b>471.9</b>	<b>968.7</b>	<b>913.7</b>
(101.5)	(52.4)	Financial income / (charges)	(5.5)	(11.3)	(10.6)	(21.8)
19.4	10.0	Income/(charges) from investments	(43.8)	6.0	(84.8)	11.6
<b>1,256.8</b>	<b>649.0</b>	<b>Profit (loss) before extraordinary items</b>	<b>451.0</b>	<b>466.6</b>	<b>873.3</b>	<b>903.5</b>
(2.2)	(1.1)	Sundry and extraordinary income /(charges)	(0.7)	(1.0)	(1.4)	(2.0)
<b>1,254.6</b>	<b>647.9</b>	<b>Pre-tax result</b>	<b>450.3</b>	<b>465.6</b>	<b>871.9</b>	<b>901.5</b>

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

Mediaset Group - effects arising from the consolidation of the Epsilon Group						
31/12/2000	31/12/2000		30/06/2001	30/06/2000	30/06/2001	30/06/2000
(ITL billions)	(EUR millions)		(EUR millions)		(ITL billions)	
153.7	79.4	Revenues from sales and services	29.6	27.0	57.3	52.2
(0.5)	(0.3)	Other revenues and income	(0.2)	(0.1)	(0.4)	(0.2)
<b>153.2</b>	<b>79.1</b>	<b>Total net consolidated revenues</b>	<b>29.4</b>	<b>26.9</b>	<b>56.9</b>	<b>52.0</b>
4.2	2.2	Personnel expenses	1.2	0.9	2.3	1.8
126.4	65.3	Purchases, services, other costs	23.2	23.0	44.9	44.6
<b>130.6</b>	<b>67.5</b>	<b>Operating costs</b>	<b>24.4</b>	<b>23.9</b>	<b>47.2</b>	<b>46.4</b>
<b>22.6</b>	<b>11.6</b>	<b>Gross operating margin</b>	<b>5.0</b>	<b>3.0</b>	<b>9.7</b>	<b>5.6</b>
15.9	8.2	Amortisation, depreciation and write-downs	4.0	4.1	7.7	7.9
<b>6.7</b>	<b>3.4</b>	<b>Operating result</b>	<b>1.0</b>	<b>(1.1)</b>	<b>2.0</b>	<b>(2.3)</b>
(4.7)	(2.4)	Financial income / (charges)	(2.1)	(1.1)	(4.1)	(2.1)
(10.2)	(5.2)	Income/(charges) from investments	(2.1)	(2.3)	(4.1)	(4.4)
<b>(8.2)</b>	<b>(4.2)</b>	<b>Profit (loss) before extraordinary items</b>	<b>(3.2)</b>	<b>(4.5)</b>	<b>(6.2)</b>	<b>(8.8)</b>
-	-	Sundry and extraordinary income /(charges)	-	-	-	-
<b>(8.2)</b>	<b>(4.2)</b>	<b>Pre-tax result</b>	<b>(3.2)</b>	<b>(4.5)</b>	<b>(6.2)</b>	<b>(8.8)</b>

For an analysis of the economic results of the Epsilon Group, see the relevant section in the Report, devoted to the analysis of the Group's main international operations.

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

Mediaset Group net of the effects arising from the consolidation of the Epsilon Group						
31/12/2000	31/12/2000		30/06/2001	30/06/2000	30/06/2001	30/06/2000
(ITL billions)	(EUR millions)		(EUR millions)		(ITL billions)	
4,361.0	2,252.3	Revenues from sales and services	1,320.2	1,246.2	2,556.3	2,413.1
62.3	32.2	Other revenues and income	20.1	12.4	38.9	24.0
<b>4,423.3</b>	<b>2,284.5</b>	<b>Total net consolidated revenues</b>	<b>1,340.3</b>	<b>1,258.6</b>	<b>2,595.2</b>	<b>2,437.1</b>
557.9	288.1	Personnel expenses	148.6	150.8	287.7	292.0
1,260.1	650.8	Purchases, services, other costs	350.0	318.5	677.7	616.7
<b>1,818.0</b>	<b>939.0</b>	<b>Operating costs</b>	<b>498.6</b>	<b>469.3</b>	<b>965.4</b>	<b>908.7</b>
<b>2,605.3</b>	<b>1,345.5</b>	<b>Gross operating margin</b>	<b>841.7</b>	<b>789.3</b>	<b>1,629.8</b>	<b>1,528.4</b>
1,273.1	657.5	Amortisation, depreciation and write-downs	342.4	316.3	663.0	612.4
<b>1,332.2</b>	<b>688.0</b>	<b>Operating result</b>	<b>499.3</b>	<b>473.0</b>	<b>966.8</b>	<b>916.0</b>
(96.8)	(50.0)	Financial income / (charges)	(3.4)	(10.2)	(6.6)	(19.7)
29.6	15.2	Income/(charges) from investments	(41.7)	8.3	(80.7)	16.0
<b>1,265.0</b>	<b>653.2</b>	<b>Profit (loss) before extraordinary items</b>	<b>454.2</b>	<b>471.1</b>	<b>879.5</b>	<b>912.3</b>
(2.2)	(1.1)	Sundry and extraordinary income /(charges)	(0.7)	(1.0)	(1.4)	(2.0)
<b>1,262.8</b>	<b>652.1</b>	<b>Pre-tax result</b>	<b>453.5</b>	<b>470.1</b>	<b>878.1</b>	<b>910.3</b>

The percentage impact on net revenues of some of the significant element of the income statement is as follows:

Mediaset Group (net of Epsilon Group)	Mediaset Group		Mediaset Group		Mediaset Group (net of Epsilon Group)	
31/12/2000	31/12/2000		30/06/2001	30/06/2000	30/06/2001	30/06/2000
100.0%	100.0%	<b>Net consolidated revenues</b>	100.0%	100.0%	100.0%	100.0%
41.1%	42.6%	Operating costs	38.2%	38.4%	37.2%	37.3%
58.9%	57.4%	Gross operating margin	61.8%	61.6%	62.8%	62.7%
28.8%	28.2%	Amortisation, depreciation and write-downs	25.3%	24.9%	25.5%	25.1%
30.1%	29.3%	Operating result	36.5%	36.7%	37.3%	37.6%
28.6%	27.5%	Profit (loss) before extraordinary items	32.9%	36.3%	33.9%	37.4%
28.5%	27.4%	Pre-tax result	32.9%	36.2%	33.8%	37.4%

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 result: in 2000 the gross operating margin amounted to 61.6% of net revenues at 30 June, compared to a percentage of 57.4% over the whole year, while the operating result amounted to 36.7% at 30 June with respect to 29.3% at 31 December.

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

### Net Revenues

30/06/2001	1,369.7
30/06/2000	1,285.5
% change	6.5%

Mediaset Group net consolidated revenues increased in the first half of 2001 over the same period of 2000 by EUR 84.2 million.

The following table contains details of revenues:

(EUR millions)

31/12/2000		30/06/2001	30/06/2000
2,068.0	Revenues from the sale of commercials	1,202.7	1,165.5
354.4	Revenues from television sales, promotions, sponsorships	220.9	198.6
<b>2,422.4</b>	<b>Advertising revenues from third parties</b>	<b>1,423.6</b>	<b>1,364.1</b>
21.2	Promoservice revenues	13.9	7.8
111.4	Other revenues from television operations	71.1	44.4
(353.1)	Agency discounts	(212.3)	(199.5)
<b>2,201.9</b>	<b>Total net revenues from television operations</b>	<b>1,296.3</b>	<b>1,216.8</b>
<b>27.4</b>	<b>Revenues from multimedia operations</b>	<b>18.0</b>	<b>11.6</b>
<b>55.2</b>	<b>Total net revenues from non-television operations</b>	<b>26.0</b>	<b>30.2</b>
<b>2,284.5</b>	<b>Total net consolidated revenues Italy</b>	<b>1,340.3</b>	<b>1,258.6</b>
88.9	Revenues 50% Epsilon Group	35.9	32.8
(9.8)	Write-offs	(6.5)	(5.9)
<b>2,363.6</b>	<b>Total net consolidated revenues</b>	<b>1,369.7</b>	<b>1,285.5</b>

The increase in Group net revenues is mainly attributable to the growth in **television revenues** (+ 79.5 million, equal to a percentage increase of 6.5%). In particular:

- **advertising revenues from third parties** reached EUR 1,423.6 million, with an EUR 59.5 million increase compared to the first half of 2000, equal to 4.4%. *Revenues from the sale of commercials* showed a 3.2% increase, achieved by means of a higher growth – in percentage terms – of average revenues, with a lower quantity of commercials sold; revenues from television sales, promotions and sponsorships grew at a markedly higher pace, i.e. 11.2%;
- the increase in **Promoservice revenue** (equal to EUR 6.1 million compared to the first half of 2000), is mainly attributable to advertising sales in exchange for goods.
- **other revenues from television operations** increased by EUR 26.7 million, mainly because of the higher advertising revenues generated from the sale of rights (+24.3 million), basically regarding rights of some *Champions League* matches sold to Stream.

A significant increase (+6.4 million over the first six months of 2000) was also shown by the **revenues from multimedia operations**, mainly attributable to growth in sales from theme channels and the magazine *MT-La macchina del tempo*, distributed since November 2000.

In particular:

- revenues from theme channels amounted to EUR 9.9 million (EUR 5.0 million in the same period of the previous year) and refer to *Happy Channel*, *Comedy Life* and *Duel TV* (the latter two have been distributed since April 2000) and *MT Channel* (distributed since January 2001);
  - net advertising revenues regarding group Internet activities amounted to EUR 1.7 million (EUR 1.2 million in the first half of 2000); there was instead a decrease in net advertising revenues regarding third party portals in concession, equal to EUR 1.9 million;
  - revenues from Mediavideo amounted to EUR 2.3 million (EUR 2.0 million in the same period of the previous year);
  - revenues from the monthly magazine *MT-La macchina del tempo* amounted to EUR 2.6 million.
- The decrease in **revenues from non-television operations**, despite the increase (equal to EUR 2.3 million) of Publitalia '80 S.p.A. revenues for fixed advertising, resulted from the absence in 2001 of revenues from the international rights trading activity .

The share belonging to the Mediaset Group (50%) regarding the **revenues of the Epsilon Group** can be analysed as follows:

- revenues deriving from the international sale of television rights generated by Betafilm GmbH, amounting to EUR 26.1 million (EUR 18.2 million in the first half of 2000);
- revenues from the sale of advertising spaces on media managed under licence or sub-licence, partly generated by Publieurope International Ltd., amounting to a total of EUR 9.8 million (EUR 13.6 million in the first half of 2000).

*Write-offs* regard services rendered and invoiced between companies belonging to the Mediaset Group and companies belonging to the Epsilon Group.

## Operating costs

30/06/2001	523.0
30/06/2000	493.2
% change	6.0%

The operating costs of the Mediaset Group have shown an increase of EUR 29.8 million in the first half of 2001, compared to the same period of the previous year.

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

## Personnel expenses

30/06/2001	149.8
30/06/2000	151.7
% change	-1.3%

Personnel expenses of the companies belonging to the Mediaset Group show an EUR 1.9 million decrease, with a lower average workforce and more limited retribution changes.

It should be noted that personnel expenses regarding multimedia activities owned by Mediadigit amount to EUR 2.5 million (EUR 1.1 million in the same period of the previous year), those regarding non television activities belonging to Elettronica Industriale amount to EUR 2.5 million (EUR 2.7 million in the same period of the previous year) and those regarding the Epsilon Group amount to EUR 1.2 million (EUR 0.9 million in the same period of the previous year).

## Purchases, services and other costs

30/06/2001	373.2
30/06/2000	341.5
% change	9.3%

Purchases, services and other costs showed an increase of EUR 31.7 million in the first half of 2001. This growth is mainly caused by the trend of television costs, as is shown in the following breakdown:

(EUR millions)

31/12/2000		30/06/2001	30/06/2000
88.0	Selling costs	46.6	42.3
383.9	Television scheduling costs	229.0	196.2
35.2	Broadcasting costs	14.7	16.2
85.7	Other costs	32.1	34.5
<b>592.8</b>	<b>Total television costs</b>	<b>322.4</b>	<b>289.2</b>
18.6	Multimedia costs	11.7	7.2
39.4	Other non-television costs	15.9	22.1
<b>650.8</b>	<b>Purchases, services and other costs</b>	<b>350.0</b>	<b>318.5</b>
75.1	50% Epsilon Group costs	29.7	29.0
(9.8)	Write-offs	(6.5)	(6.0)
<b>716.1</b>	<b>Total purchases, services and other costs</b>	<b>373.2</b>	<b>341.5</b>

The increase in **television costs**, besides including the variable element of *commercial costs* connected to higher sales by Promoservice (+ EUR 4.3 million over the same period of the previous year), can be mainly attributed to the increase in *scheduling costs* (+32.8 million over the same period of the previous year). The growth has been mainly generated by the presence of different programmes in the networks with respect to those of the same period of 2000, which lead to higher costs linked to the new daily soap opera *Cento Vetrine* (which as from 2001 has accompanied *Vivere* in the afternoon of Canale 5), early

evening and Prime Time game shows (*Passaparola* and *Chi vuole essere miliardario*) and new news programmes.

In order to better appreciate the dynamics of period costs, it should be noted that overall television costs included 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 (mainly regarding Champions League matches) as previously described, showed in the first half of 2001, a modest 3.8% increase.

The increase in the **costs** relating to **multimedia** is mainly due to higher costs for the implementation of theme channels and the monthly magazine *MT-La macchina del tempo* (distributed since November 2000), as well as to higher costs generated by own Internet activities with respect to the reinforcement of the supply of online information contents (TgCom) and the re-styling of the MOL portal.

The decrease in **other non-television costs**, though in the presence of a growth in the variable costs connected to the sale of fixed advertising, was mainly generated by the end, in 2001, of the international rights trading activity, in respect of which the owners of the rights received revenues connected to their trading.

The share (50%) of the **Epsilon Group costs** pertaining to the Mediaset Group can be analysed as follows:

- costs connected to the international distribution of rights paid by Betafilm GmbH, amounting to EUR 18.2 million (EUR 14.5 million in the first half of 2000); this figure shows the owner's share of the right distributed by Betafilm GmbH;
- advertising licence costs borne by Publieurope International Ltd. amounting to EUR 8.1 million (EUR 10.3 million in the first half of 2000);
- other operating costs for the companies belonging to the Epsilon Group, amounting to EUR 3.1 million (EUR 4.2 million in the same period of the previous year).

### Gross operating margin

30/06/2001	846.7
30/06/2000	792.3
% change	6.9%

The gross operating margin show an EUR 54.4 million increase over the previous six months period. Its percentage rate on consolidated net revenues amounts to 61.8%, with respect to 61.6% of the same period of the previous year.

### Operating result

30/06/2001	500.3
30/06/2000	471.9
% change	6.0%

The operating result of the first half of 2001 show an increase of EUR 28.4 million compared to the first half of 2000 net of amortisation, depreciation and write-downs of EUR 346.4 million, including EUR 304.1 million regarding the amortisation of television rights (of which, EUR 3.0 million for theme channels) and EUR 42.3 million regarding amortisation, depreciation and write-downs of other fixed assets. Its percentage of consolidated net revenues is equal to 36.5% and is in line with that recorded in the same period of the previous year (36.7%); net of the effect arising from the 50% consolidation of the Epsilon Group, this percentage of the consolidated net revenues amounts to 7.3%, compared to that recorded in the same period of the previous year at 37.6%.

However, any assessment of period results must be made in the light of the effect deriving from the seasonal character of the Group's results, which emphasizes the performance in the first half of the year.

### **Financial income/(charges)**

30/06/2001	(5.5)
30/06/2000	(11.3)
EUR millions change	5.8

The minus sign in the balance of this item is mainly due to writing-down (equal to EUR 4.3 million) the book value of 2,710,700 own shares to market value at period end, and to charges connected to period end exchange rates of dollar items of the Epsilon Group (equal to EUR 2.2 million). Compared to the same period of the previous year, there is a marked reduction in charges on exchange rates (- EUR 0.9 million in the first half of 2001 compared to - EUR 9.3 million of the same period of the previous year).

### **Income/(charges) from investments**

30/06/2001	(43.8)
30/06/2000	6.0
EUR millions change	(49.8)

This item shows the economic effect of the equity valuation of Albacom S.p.A. (19.5% shareholding), of the companies operating in the Spanish television market that belong to the Telecinco Group (40% shareholding) and, of the Mediaset Group's share (24.5%) of the result of the shareholding held through Euroset in PKS (a holding company which indirectly holds a 16.53% share of ProSiebenSAT1MediaAG), besides the write-down of the stake (9%) held by Mediaset Investment S.a.r.l. in Blu S.p.A.

The negative balance at 30 June 2001, equal to EUR 43.8 million can be analysed as follows:

- EUR 18.9 million net income from the valuation of the companies belonging to the Telecinco Group (EUR 28.9 million, which is the share of the result, and EUR 10.0 million regarding the goodwill amortisation quota);
- net change of EUR 21.3 million regarding Albacom S.p.A. (EUR 20.2 million which is the share of the result and EUR 1.1 million regarding the goodwill amortisation quota);
- write-down of the stake held in Blu S.p.A. for EUR 39.3 million which is the group share of the losses incurred by this company until 31 March 2001, with respect to the making up of such losses decided under article 2.446 of the Italian Civil Code by the Extraordinary General Meeting of Blu S.p.A. of 7 June 2001; no write-down of the losses recorded by Blu S.p.A. in the April-June 2001 quarter was made, due to prospects of future gains from the investments, also with a view to a possible rearrangement of the current shareholders of the company;
- a EUR 2.1 million charge regarding the equity valuation of the PKS Group, mainly attributable to the goodwill amortisation quota.

**Pre-tax result**

30/06/2001	450.3
30/06/2000	465.6
% change	-3.3%

The reduction in the pre-tax result of the period, compared to the first six months of 2000, amounts to EUR 15.3 million; this change can be mainly attributed, in the presence of higher operating result, to the economic effect of the above mentioned write-down of the investment in Blu S.p.A.

**Provisions for income taxes**

Under the provisions envisaged by article 81 clause 7 of the Regulation approved by means of CONSOB decision no. 11971 of 14 May 1999 and subsequent modifications, the period result was shown gross of taxation and, therefore, no positive and negative deferred taxes were accounted for, deriving from the application of the current accounting standard, regarding income taxes.

## Balance sheet and financial position

Here follows the balance sheet summary of the Mediaset Group:

Mediaset Group						
31/12/2000	31/12/2000	Balance sheet summary	30/06/2001	30/06/2000	30/06/2001	30/06/2000
(ITL billions)	(EUR millions)		(EUR millions)	(ITL billions)		
3,415.5	1,763.9	Television rights	1,895.0	1,805.1	3,669.2	3,495.2
871.3	450.0	Other intangible and tangible fixed assets	462.5	484.3	895.5	937.7
1,133.8	585.5	Investments and other financial fixed assets	623.5	484.9	1,207.3	938.9
(872.6)	(450.4)	Net working capital and other current assets /liabilitie	(60.8)	(299.4)	(117.7)	(579.8)
(164.7)	(85.1)	Provision for employee severance indemnity	(89.3)	(81.9)	(172.9)	(158.6)
<b>4,383.3</b>	<b>2,263.9</b>	<b>Net invested capital</b>	<b>2,830.9</b>	<b>2,393.0</b>	<b>5,481.4</b>	<b>4,633.4</b>
<b>242.7</b>	<b>125.3</b>	<b>Net financial position</b>	<b>(274.1)</b>	<b>38.4</b>	<b>(530.7)</b>	<b>74.4</b>
<b>4,626.0</b>	<b>2,389.2</b>	<b>Net Group shareholders' equity and attributable</b>	<b>2,556.8</b>	<b>2,431.4</b>	<b>4,950.7</b>	<b>4,707.8</b>
31/12/2000	31/12/2000	Sources and applications	30/06/2001	30/06/2000	30/06/2001	30/06/2000
(ITL billions)	(EUR millions)		(EUR millions)	(ITL billions)		
<b>2,200.2</b>	<b>1,136.3</b>	<b>Cash flow from operations</b>	<b>814.1</b>	<b>787.6</b>	<b>1,576.4</b>	<b>1,525.0</b>
<b>(1,560.8)</b>	<b>(806.1)</b>	<b>Total investments incl.:</b>	<b>(574.7)</b>	<b>(388.3)</b>	<b>(1,112.7)</b>	<b>(751.9)</b>
(1,186.0)	(612.5)	television rights	(435.2)	(353.4)	(842.7)	(684.3)
(225.9)	(116.7)	equity investments	(103.2)	(2.8)	(199.8)	(5.4)
(26.9)	(13.9)	intangible fixed assets	(8.7)	(1.3)	(16.8)	(2.5)
(122.0)	(63.0)	tangible fixed assets	(27.6)	(30.8)	(53.4)	(59.7)
5.2	2.7	Share capital increases	-	2.7	-	5.2
<b>(418.6)</b>	<b>(216.2)</b>	<b>Dividends paid</b>	<b>(283.2)</b>	<b>(216.2)</b>	<b>(548.4)</b>	<b>(418.6)</b>
<b>(323.2)</b>	<b>(166.9)</b>	<b>Other changes affecting cash flow</b>	<b>(355.7)</b>	<b>(323.0)</b>	<b>(688.9)</b>	<b>(625.4)</b>
<b>(97.2)</b>	<b>(50.2)</b>	<b>Net cash flow</b>	<b>(399.5)</b>	<b>(137.2)</b>	<b>(773.6)</b>	<b>(265.7)</b>

The effects arising from the proportional consolidation (50%) of the Epsilon Group are highlighted below:

Mediaset Group - effects arising from the consolidation of the Epsilon Group						
31/12/2000	31/12/2000		30/06/2001	30/06/2000	30/06/2001	30/06/2000
(ITL billions)	(EUR millions)		(EUR millions)	(ITL billions)		
27.0	13.9	Television rights	13.9	7.8	26.9	15.1
110.3	57.0	Other intangible and tangible fixed assets	53.1	67.2	102.8	130.1
(121.5)	(62.7)	Investments and other financial fixed assets	(64.9)	(59.8)	(125.7)	(115.8)
(42.0)	(21.7)	Net working capital and other current assets/liabilitie	(20.4)	(22.7)	(39.4)	(43.9)
-	-	Provision for employee severance indemnity	-	-	-	-
<b>(26.2)</b>	<b>(13.5)</b>	<b>Net invested capital</b>	<b>(18.3)</b>	<b>(7.5)</b>	<b>(35.4)</b>	<b>(14.5)</b>
<b>8.4</b>	<b>4.3</b>	<b>Net financial position</b>	<b>6.0</b>	<b>2.7</b>	<b>11.6</b>	<b>5.2</b>
<b>(17.8)</b>	<b>(9.2)</b>	<b>Net Group shareholders' equity and attributable</b>	<b>(12.3)</b>	<b>(4.8)</b>	<b>(23.8)</b>	<b>(9.3)</b>

For a comparable analysis of the first half of 2001 against first half of 2000, the balance sheet and the cash flow of the Mediaset Group net of the effects arising from the 50% consolidation of the Epsilon Group are given below:

Mediaset Group net of the effects arising from the consolidation of the Epsilon Group						
31/12/2000	31/12/2000	Balance sheet summary	30/06/2001	30/06/2000	30/06/2001	30/06/2000
(ITL billions)	(EUR millions)		(EUR millions)		(ITL billions)	
3,388.5	1,750.0	Television rights	1,881.1	1,797.3	3,642.3	3,480.1
761.0	393.0	Other intangible and tangible fixed assets	409.4	417.1	792.7	807.6
1,255.3	648.2	Investments and other financial fixed assets	688.4	544.7	1,333.0	1,054.7
(830.6)	(428.7)	Net working capital and other current assets /liabilitie	(40.4)	(276.7)	(78.3)	(535.9)
(164.7)	(85.1)	Provision for employee severance indemnity	(89.3)	(81.9)	(172.9)	(158.6)
<b>4,409.5</b>	<b>2,277.4</b>	<b>Net invested capital</b>	<b>2,849.2</b>	<b>2,400.5</b>	<b>5,516.8</b>	<b>4,647.9</b>
<b>234.3</b>	<b>121.0</b>	<b>Net financial position</b>	<b>(280.1)</b>	<b>35.7</b>	<b>(542.3)</b>	<b>69.2</b>
<b>4,643.8</b>	<b>2,398.4</b>	<b>Net Group shareholders' equity and attributable</b>	<b>2,569.1</b>	<b>2,436.2</b>	<b>4,974.5</b>	<b>4,717.1</b>
31/12/2000	31/12/2000	Sources and applications	30/06/2001	30/06/2000	30/06/2001	30/06/2000
(ITL billions)	(EUR millions)		(EUR millions)		(ITL billions)	
<b>2,211.9</b>	<b>1,142.4</b>	<b>Cash flow from operations</b>	<b>811.3</b>	<b>784.9</b>	<b>1,570.8</b>	<b>1,519.8</b>
<b>(1,547.7)</b>	<b>(799.4)</b>	<b>Total investments incl.:</b>	<b>(574.7)</b>	<b>(387.1)</b>	<b>(1,112.7)</b>	<b>(749.6)</b>
(1,171.8)	(605.2)	television rights	(435.2)	(352.2)	(842.7)	(682.0)
(225.9)	(116.7)	equity investments	(103.2)	(2.8)	(199.8)	(5.4)
(28.0)	(14.5)	intangible fixed assets	(8.7)	(1.3)	(16.8)	(2.5)
(122.0)	(63.0)	tangible fixed assets	(27.6)	(30.8)	(53.4)	(59.7)
<b>5.2</b>	<b>2.7</b>	<b>Share capital increases</b>	<b>-</b>	<b>2.7</b>	<b>-</b>	<b>5.2</b>
<b>(418.6)</b>	<b>(216.2)</b>	<b>Dividends paid</b>	<b>(283.2)</b>	<b>(216.2)</b>	<b>(548.4)</b>	<b>(418.6)</b>
<b>(356.4)</b>	<b>(184.0)</b>	<b>Other changes affecting cash flow</b>	<b>(351.5)</b>	<b>(324.2)</b>	<b>(680.5)</b>	<b>(627.6)</b>
<b>(105.6)</b>	<b>(54.5)</b>	<b>Net cash flow</b>	<b>(398.1)</b>	<b>(139.9)</b>	<b>(770.8)</b>	<b>(270.8)</b>

Below are comments to the main items and the variations to 31 December 2000.

The analysis refers to Mediaset Group including the share of results pertaining to Epsilon Group.

### Net invested capital

30/06/2001	2,830.9
31/12/2000	2,263.9
EUR millions change	567.0

The most significant element of the invested capital of the Mediaset Group is **television rights**, which shows an increase of EUR 131.1 million over 31 December 2000.

This change, due to the higher value of investments recorded in the period (EUR 442.9 million) against amortisation quotas (EUR 304.1 million), reflects the different distribution of investments over the year, which are mainly concentrated in the first part, with respect to that of amortisation, which varies according to the due dates. Over the same period of the previous year, however, a higher value of investments in rights was recorded, also with respect to purchases made, taking opportunities on the market, with the strategic objective of further consolidating the competitive advantage in the field of availability of films to be shown on television.

**Investments and other financial fixed assets** rose by EUR 38.0 million over 31 December 2000 due to the following main variations:

- net decrease of EUR 66.9 million due to the equity valuations of the companies belonging to the Telecinco Group, Albacom S.p.A. and PKS GmbH Group and the write-down of Blu S.p.A. due to its losses;
- purchase of an approx. 0.5% stake in Olivetti S.p.A. share capital, for a value of EUR 103.2 million.

The change in **working capital and other current assets and liabilities** equal to EUR 389.6 million is mainly attributable to the increase in commercial receivables, mainly connected to the trend of advertising sales in the period. Further significant variations are as follows:

- reduction in payables (equal to EUR 27.9 million) with respect to affiliated company Blu S.p.A., for the payment of quotas regarding the capital increase underwritten in 2000 and not paid yet;
- payment of EUR 21.0 million for the granting of a non-interest bearing loan (which will be reimbursed after the flotation) granted by the shareholders of affiliated company Albacom S.p.A. in line with their stakes;
- change in tax payables and receivables connected to the payment of tax for EUR 169.8 million, EUR 34.9 million of which regarding the substitute tax due for the write-up of Mediaset networks trademarks, carried out by R.T.I. S.p.A. in 2000 under Law 342/2000.

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

30/06/2001	2,556.8
31/12/2000	2,389.2
EUR millions change	167.6

The Group net shareholders' equity net of the effect arising from the 50% consolidation of the Epsilon Group amounts to EUR 2,569.1 million. The increase over 31 December 2000 can be attributed to the gross profit for the first six months of 2001, net of dividends paid (EUR 283.2 million).

### **Net financial position**

30/06/2001	(274.1)
31/12/2000	125.3
EUR millions change	(399.4)

The change in the net financial position over 31 December 2000, though with a considerable cash flow generated by current operations, mainly relates to the already mentioned expenses borne for the loan to Albacom S.p.A., Blu S.p.A. and the equity investment in Olivetti S.p.A., the seasonal character of expenses for rights, taxes and dividends.

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

Mediaset S.p.A. achieved a pre-tax result of EUR 337.8 million in the first half of 2001, after amortisation, depreciation and write-downs of EUR 119.7 million.

### Economic results

31/12/2000 (ITL billions)	31/12/2000 (EUR millions)		30/06/2001 (EUR millions)	30/06/2000 (EUR millions)	30/06/2001 (ITL billions)	30/06/2000 (ITL billions)
819.2	423.1	<b>Total net revenues</b>	179.5	212.9	347.6	412.2
599.2	309.4	Amortisation, depreciation and write-downs	119.7	163.9	231.8	317.4
92.3	47.7	Other operating costs	19.2	25.4	37.2	49.2
691.5	357.1	<b>Total operating costs</b>	138.9	189.3	269.0	366.6
127.7	66.0	<b>Operating result</b>	40.6	23.6	78.6	45.6
867.9	448.2	Income/(charges) from equity investments	296.2	264.9	573.5	512.8
(73.6)	(38.0)	Financial income/(charges)	1.0	(3.2)	1.9	(6.0)
794.3	410.2	<b>Total financial income/(charges) and from write-downs</b>	297.2	261.7	575.4	506.8
(0.6)	(0.3)	<b>Extraordinary income/(charges)</b>	-	(0.5)	-	(1.0)
921.4	475.9	<b>Pre-tax result</b>	337.8	284.8	654.0	551.4

**Operating revenues**, which amount to EUR 179.5 million, are mainly generated with respect to Mediatrade S.p.A., for the availability of the company's library. They decreased by EUR 33.4 million (at 30 June 2000 they amounted to EUR 212.9 million), mainly due to the reduction in the marketing of television rights which has become the direct province of Mediatrade S.p.A.

**Operating costs** also decreased, falling from EUR 189.3 million in the first half of 2000 to EUR 138.9 million in the first half of 2001; this EUR 50.4 million reduction is mainly connected to the notable reduction in the value of *amortisation* of intangible assets, mainly regarding television rights, and *other operating costs* which decreased, though more modestly, mainly due to the progressive reduction of personnel expenses and costs of services.

The greater reduction in operating costs compared to that of operating revenues generated a significant positive variation in the **operating result** which rose from EUR 23.6 million in the first half of 2000 to EUR 40.6 million in the first half of 2001, and showed an EUR 17.0 million increase.

However, **financial income and investments** rose from EUR 261.7 million in the first half of 2000 to EUR 297.2 million in the first half of 2001 (+ 35.5), and benefited from the increase in dividends paid by subsidiary and affiliated companies.

The significant growth in operating result, together with the even more significant increase in financial income, determined a growth of the **pre-tax result** from EUR 284.8 million at 30 June 2000 to EUR 337.8 million at 30 June 2001 (+ 53.0 million).

## Balance sheet summary

31/12/2000 (ITL billions)	31/12/2000 (EUR millions)		30/06/2001 (EUR millions)	30/06/2000 (EUR millions)	30/06/2001 (ITL billions)	30/06/2000 (ITL billions)
1,942.2	1,003.0	Investments and other financial fixed assets	1,106.2	922.0	2,141.9	1,785.2
1,200.8	620.2	Television rights	520.2	726.3	1,007.2	1,406.3
39.8	20.5	Other intangible and tangible fixed assets	11.4	63.8	22.1	123.7
173.9	89.9	Net working capital and other current assets/liabilities	47.6	(40.0)	92.2	(77.4)
(6.1)	(3.2)	Provision for employee severance indemnity	(3.4)	(3.2)	(6.6)	(6.2)
<b>3,350.6</b>	<b>1,730.4</b>	<b>Net invested capital</b>	<b>1,682.0</b>	<b>1,668.9</b>	<b>3,256.8</b>	<b>3,231.6</b>
<b>188.1</b>	<b>97.2</b>	<b>Net financial position</b>	<b>200.2</b>	<b>123.8</b>	<b>387.6</b>	<b>239.6</b>
<b>3,538.7</b>	<b>1,827.6</b>	<b>Net shareholders' equity</b>	<b>1,882.2</b>	<b>1,792.7</b>	<b>3,644.4</b>	<b>3,471.2</b>

The most significant share of **net invested capital** of the parent company is represented by *equity investments*, which, at 30 June 2001 amounted to EUR 1,106.2 million. The increase over 31 December 2000 (+103.2 million) is attributable to the purchase of an investment stake, around 0,5%, in Olivetti S.p.A. ordinary share capital, which occurred in April 2001, in execution of the *equity swap* contract stipulated in the last quarter of 2000.

*Television rights*, which still represent a significant share of net invested capital, decreased by EUR 100.0 million over 31 December 2000. This situation is totally attributable to the sharp decrease in these investments in the first half of 2001, for the reasons mentioned before.

**Net shareholders' equity** improved significantly, rising from EUR 97.2 million at 31 December 2000 to EUR 200.2 million at 30 June 2001. This development was particularly influenced by the payment of dividends, as mentioned before, by subsidiary and affiliated companies, as well as the cash flow from operations, with respect to financial charges connected to the payment of dividends for EUR 283.2 million and the equity investment in Olivetti S.p.A.

The **net equity**, showed an increase of EUR 54.6 million over 31 December 2000, resulting to the positive balance between the gross result of the first half of 2001 and the expense for dividends paid to shareholders in May 2001.

## **INVESTMENTS IN SUBSIDIARY AND AFFILIATED COMPANIES**

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In the first half of 2001, the following main operations were carried out with respect to Group investments:

- on 28 March 2001, the General Meeting of Albacom S.p.A. unanimously approved the request to be accepted for official flotation on the Stock Market; with respect to this decision, on 2 April 2001 the Extraordinary General Meeting of Albacom S.p.A. approved the share capital increase for the market for a maximum amount of around 31% of share capital after the increase. The flotation price and the actual quantity of shares to issue will be defined by the Board of Directors of Albacom S.p.A. on a date near the offer. The Company reserves the right to assess the best timing for the flotation with respect to the situation of stock markets;
- on 17 April 2001, Mediaset S.p.A. purchased an investment stake of around 0.5% of Olivetti S.p.A. ordinary share capital for an amount of EUR 103.2 million, in execution of the equity swap contract stipulated with a major bank in the last quarter of 2000;
- on 7 June 2001, the Extraordinary General Meeting of Blu S.p.A., decided under article 2446 of the Civil Code to make up the losses shown in the balance sheet approved at 31 March 2001 (EUR 437.1 million), by means of a share capital reduction from ITL 1,500 to 653.6 billion, to be carried out by writing-off, in line with every shareholders' stake, 8,464,300 shares with a unitary face value of ITL 100,000 and by bringing forward the residual loss, amounting to ITL 1 million; the same Meeting also decided on a capital increase of ITL 700 billion (EUR 361.5 million) to be underwritten by 16 July 2001, to meet financial needs included in the company plans. With respect to this operation, Blu S.p.A. share capital will rise from ITL 653.6 to 1,353.6 billion.

## **OTHER OPERATIONS**

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### **Euro project**

In the first half of 2001 the companies of the Mediaset group adopted the Euro accounting, in line with the objectives of the Group's **Euro Project**, started in 1998, by means of the establishment of the Group **Euro Committee**, which went on with the definition and implementation of individual operating projects and the publication of the document **Progetto Euro di Gruppo - linee guida per la transizione all'Euro**" (Group Euro Project – guidelines for the transition to the Euro), including reference criteria and principles for the implementation of the Euro Project.

This 2001 Half Year Report is the first public document in Euro issued by the Mediaset Group.

## 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>Epsilon Group (50%)</b>	<b>Multimedia</b>
- Publitalia '80 S.p.A. - Promoservice Italia S.r.l.	- R.T.I. S.p.A. - Mediatrade S.p.A. - Videotime S.p.A. - Elettronica Industriale S.p.A. - RTI Music S.r.l.	- Publieuros Ltd. - Publieurope International Ltd. - E.T.N. S.a.r.l. - Betafilm GmbH	- Mediadigit S.p.A.
		<b>Telecinco Group (40%)</b>	<b>Telecommunications</b>
		- Telecinco S.A. - Publiespana S.A.	- Albacom S.p.A. (19.5%) - Blu S.p.A. (9%) - Olivetti S.p.A. (0.5%)

### 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)

31/12/2000		30/06/2001	30/06/2000
2,422.4	Advertising revenues from third parties	1,423.6	1,364.1
39.6	Advertising revenues from Fininvest Group and Mediolanum Group	21.3	25.3
4.7	Advertising revenues from Promoservice	3.5	1.3
-	Advertising revenues from other Mediaset Group companies	0.2	-
2,466.7	Television advertising revenues Publitalia '80 S.p.A.	1,448.6	1,390.7

Again in the first half of 2001 Publitalia '80 S.p.A. confirmed itself as market leader with an increase in television advertising revenues, over the first half of 2000, of EUR 57.9 million (+4.2%); this result was obtained by means of a higher percentage increase in average revenue with respect to a lower quantity of sold slots.

The following table summarises advertising revenues in the so called *traditional area* in the first half of 2001, compared to the first half of 2000:

(source: Nielsen Adex – net figures)

Media	1st half 2001		1st half 2000		Change
	EUR mil	% share	EUR mil	% share	%
Newspapers	988.4	22.9%	1,009.8	23.8%	-2.1%
Magazines	634.8	14.8%	581.9	13.6%	9.1%
Television	2,360.7	54.9%	2,360.7	55.2%	0.0%
Radio	170.4	4.0%	189.1	4.4%	-10.0%
Posters and billboards	112.0	2.6%	99.8	2.3%	12.0%
Cinema	35.0	0.8%	31.6	0.7%	9.5%
<b>Total market</b>	<b>4,301.3</b>	<b>100.0%</b>	<b>4,272.9</b>	<b>100.0%</b>	<b>0.6%</b>

Based on the estimates provided by Nielsen, overall advertising revenues in the first half of 2001 amounted to EUR 4,301.3 million, with a 0.6% increase over the first half of 2000.

Television confirms to be the main media in absolute terms, though the percentage growth shows better *performances* of magazines, billboards and cinema, caused by the availability of spaces.

Television revenues amounted to EUR 2,360.7 million; this result, basically in line with revenues in the first half of the previous year, was determined by the increase of Publitalia'80 and MTV (+5.4%, Nielsen estimate), by the strong decrease of RAI (-7.6%, Nielsen estimate) and TMC (-12.6%, Nielsen estimate).

Publishing showed a slowdown in its growth rates (+1.9%), mainly due to the negative performance of newspapers (-2.1%), offset by the growth in magazines (+9.1%).

The slowdown of radio carries on, with a 10.0% decrease.

Among the industries investing in advertising, conventional sectors (*grocery, no-food and vehicles*) and other sectors (*trade, man and woman fashion and cosmetics*) partly offset the negative difference showed by new industries (*telecommunications and net economy*) that notably supported the market in recent years.

### **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 2001, each network broadcast 4,344 hours of programmes each for a total amount of 13,032 hours, including 6,336 hours of original programmes produced in-house.

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

Types	Canale 5		Italia 1		Retequattro		Total Mediaset	
Films	190	4.4%	552	12.7%	1,312	30.2%	2,054	15.8%
Tv Movies	337	7.8%	129	3.0%	71	1.6%	537	4.1%
Short series	57	1.3%	37	0.9%	27	0.6%	121	0.9%
Television serials	542	12.5%	936	21.5%	352	8.1%	1,830	14.0%
Sit-coms	122	2.8%	409	9.4%	1	0.0%	532	4.1%
Soap operas	58	1.3%	-	0.0%	226	5.2%	284	2.2%
Telenovelas	-	0.0%	-	0.0%	462	10.6%	462	3.5%
Cartoons	36	0.8%	840	19.3%	-	0.0%	876	6.7%
<b>Total rights</b>	<b>1,342</b>	<b>30.9%</b>	<b>2,903</b>	<b>66.8%</b>	<b>2,451</b>	<b>56.4%</b>	<b>6,696</b>	<b>51.4%</b>
News	1,337	30.8%	278	6.4%	606	14.0%	2,221	17.0%
Sport	6	0.1%	294	6.8%	26	0.6%	326	2.5%
Entertainment:	1,355	31.2%	844	19.4%	878	20.2%	3,077	23.6%
<i>light entertainment</i>	470	10.8%	316	7.3%	84	1.9%	870	6.7%
<i>talk shows</i>	564	13.0%	30	0.7%	-	0.0%	594	4.6%
<i>music</i>	3	0.1%	83	1.9%	82	1.9%	168	1.3%
<i>quiz-game-shows</i>	243	5.6%	160	3.7%	217	5.0%	620	4.8%
<i>reality</i>	7	0.2%	126	2.9%	11	0.3%	144	1.1%
<i>soft news</i>	68	1.6%	129	3.0%	484	11.1%	681	5.2%
Culture:	47	1.1%	2	0.0%	262	6.0%	311	2.4%
<i>culture programmes</i>	44	1.0%	-	0.0%	262	6.0%	306	2.3%
<i>documentaries</i>	3	0.1%	2	0.0%	-	0.0%	5	0.0%
<i>theatre</i>	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Soap operas	138	3.2%	-	0.0%	-	0.0%	138	1.1%
Television serials	55	1.3%	-	0.0%	-	0.0%	55	0.4%
Television sales	64	1.5%	23	0.5%	121	2.8%	208	1.6%
<b>Total productions</b>	<b>3,002</b>	<b>69.1%</b>	<b>1,441</b>	<b>33.2%</b>	<b>1,893</b>	<b>43.6%</b>	<b>6,336</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>

The excellent results achieved by Mediaset in the first three months of 2001 are confirmed also at the end of the first half of 2001: the 44.4% share achieved in the 24 hours by our three networks is an all-time high; our best result since 1988, with an increase of over 1 point compared to the same period of 2000.

Total day share	1st half 2001	1st half 2000	Change over 2000
Mediaset networks	44.4%	43.2%	1.2%
RAI networks	46.7%	47.5%	-0.8%
Others	8.9%	9.3%	-0.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

The most significant increase was achieved in Prime Time (+3 share percentage points over 2000), but also the Day Time improved over last year (+0.5 points).

The results achieved by Mediaset result, notably, from the excellent performance of Canale 5 (+2.3 points compared to last year, 24.3% vs. 22.0%). As to Rai networks, the reduction in audience is mainly attributable to the fall of Rai 2, which loses 2 points.

The viewing figures of each of the Mediaset networks are analysed below.

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



The first half of 2001 was extremely positive for Mediaset main channel, which gained 2.3 points over the same period of 2000; with this result, Canale 5 not only bridged the gap with the first government network, but also managed to exceed it (24.3 vs. 24.2).

Canale 5 - Total audience	1st half 2001	1st half 2000	Change over 2000
Total day share	24.3%	22.0%	2.3%
Day Time	24.0%	22.1%	1.9%
Prime Time	24.9%	21.4%	3.5%

As the table shows, the share increase is evenly distributed throughout the day, and Canale 5 has become the favourite network for the 15 - 64 years age target.

More in detail:

- In the **Day Time**, early afternoon and early evening continue to represent the key times of the day for Canale 5 but, thanks to the shifting of the Italian soap opera *Vivere*, also the midday bracket has attained an extremely significant role in terms of the contribution to the excellent network result.

The new position of *Vivere* continued to provide good results: the soap opera, at 21%, shows a markedly growing trend and conquered no less than two points between January and June; thanks to this figure, in the 12:30-13:00 time, Canale 5 gained a good 6.2 points over the same period of the previous year and ranked as first network.

After lunch, the double bill *Beautiful* and *Cento Vetrine* achieved very good results: *Beautiful* obtained an excellent 32.3%, while the new Italian soap opera reached 26% with a strongly growing trend: from its start in January at 23.7, in June it managed to achieve 28.5 (+4.8).

The new formula of the talk show *Uomini & Donne* proved successful at 26.5%, a level 3.8 points higher than the same period of 2000.

In early evening, *Verissimo* continued to grow, and reached 26.1% without being influenced by the change in the presenter which occurred in June.

Great success was achieved by *Chi vuol essere miliardario* (on air from 23 April to 12 May 2001), which obtained excellent results reaching 29.9% and beating its direct competitor, *Quiz show* on Rai I which achieved 27.6% in the same period; it was followed by *Passaparola*, which also increased its share: the game show led by Gerry Scotti ended at 26.9% (a good 3.6 points more than the first half of 2000) showing a growing trend and the ability of meeting and often beating its Rai competitor.

*Buona Domenica* confirmed to be the leading programme on Sundays; not even the presence on Rai networks of Formula 1 Grand Prix and of the Motorcycle Races managed to reduce the enormous

success of our Sunday production, which ended its first part at 29.3 and its second part at 28.6, both record results.

Late at nights, the *Maurizio Costanzo Show* reached 23%, in line with the same period of the previous year.

- In the **Prime Time**, *Striscia la notizia* closed the first half of 2001 at 32%, a level well above average and three points higher than in the same period of 2000 (29%).

All product types achieved in this period excellent results.

Great success has been achieved by *Filmissimi* on Monday: an average of 26.1% with peaks above 30% (*Il matrimonio del mio migliore Amico*: 34.4 and *Così è la vita*: 36.4) and the event *Titanic* even achieved 41.9%.

Drama took on a significant space in schedules, and provided extremely good results: notably, *La uno bianca* obtained an excellent 31.1% average, the long series *Il bello delle donne* reached 25.2, the short series *L'Impero* and *Il Testimone* both went above 24% and finally the second series of *Sei forte maestro* reached a level 6 points higher than the same period in the previous year.

Enormous success was achieved by productions: *C'è posta per te* reached an outstanding 31.5% and managed to face the new Saturday production of Rai I with Fiorello; *Paperissima* confirmed its great success reaching at 28.5; the new production by Pingitore, *Saloon*, reached 29.2%, a level 1.6 points higher than that obtained by the *Bagaglino* show in the same period of 2000 and the game show of Sunday night *Chi vuol essere miliardario* reached an excellent 27%. *La sai l'ultima?* (23.6%) also performed well and then there was a great comeback of Castagna with *Stranamore* which reached 29.7%.



**Italia 1**

In the first half of 2001, Italia 1's result in terms of audience was slightly lower than that obtained in the same period of the previous year. In the full day, the network remained however the first choice in children aged 4 - 14 years – with 27.2% (+ 1.7 over the same period of 2000) – and the third network on young people aged 15-34.

Italia 1 - Total audience	Ist half 2001	Ist half 2000	Change over 2000
Total day share	10.4%	11.3%	-0.9%
Day Time	10.2%	11.2%	-1.0%
Prime Time	10.9%	11.8%	-0.9%

In detail:

- In **Day Time**, in the afternoon, cartoons always obtained very positive results: both *Dragon Ball* and *The Simpsons* almost reached 16%, the programme *Bim Bum Bam* continues to achieve excellent results thanks to the cartoons *Mila e Shiro*, *Fancy Lala* (both at 14.3%), and the new *Pokemon* series, which reached 15.7%.

As to productions, specific mention is to be given to the new programme *Popstar* which reached 15.3% peaking above 17%; also *Wozzup* obtained good results (10.5%) and gained more than two points from January to June.

As to television series, good results were given by the placement of *Dawson's creek* in early afternoon: the overall level (which includes some one hour and some thirty minutes episodes) is 12.4%.

Late at night, the best results were achieved by well established productions like *Zelig* on Mondays (15.6%) and *Le Iene* on Thursdays (14.1%).

- In **Prime Time**, as to productions, *Survivor* struggles to become a trans-generational event, but managed to win the hearts of Italia 1 audience: with young people aged 15 to 34 it reached 14.5% and with children even 16.8%. Good results were also provided by *Matricole*, which reached 13.5%, and by the summer programme *Festivalbar* which reached 15.1%.

Space devoted to films made it possible to exploit the available library at best and obtained an overall level of 11.2%; notably, good results were achieved by *Duro da uccidere* (15.5%), *Sfera* (15.1%), *Il Maggiore Payne* and *Double Team* just below 15%.

A very good overall result was reached by *Champions League* matches (15.9%); in particular, high levels were reached by *Galatasaray - Milan* (18.3%) and *Valencia - Bayern Munich* (22.9%).

## Retequattro

The network did not fail to meet expectations and maintained the same levels of last year on the full day, while it slightly improved in Prime Time. Network audience shares remain higher than Rai 3; the network maintains high appeal among adults, and confirms to be the fourth choice with people over 45.

Retequattro - Total audience	Ist half 2001	Ist half 2000	Change over 2000
Total day share	9.7%	9.9%	-0.2%
Day Time	10.1%	10.5%	-0.4%
Prime Time	8.3%	7.9%	0.4%

In particular:

- in **Day Time**, historical productions confirmed their data: *Forum* maintains a very good 18.6%, in spite of the strength of Rai competitive programmes and the new placement of *Vivere* in the midday bracket of Canale 5, and *La ruota della fortuna* maintained its level around 10.9%. On Sundays, the result of *La Domenica del Villaggio* are always very good at 16.9%, almost one point more than last year; a 1.4 points growth can be seen also for *Melaverde* (8.5% vs. 7.1%). Saturday productions are also above network average: *Sabato vip* reached 16.8% and *Il trucco c'è* at 14.7%.

As to early evening, a positive note was represented by the event *Terra Nostra* and later by *Vento di passioni*, which managed to exploit its heritage; thanks to the strength of these new products, the 19.30-20.30 bracket showed an increase of 2.3 points (5.4% in 2000 vs 7.7% in 2001).

- In **Prime Time**, once again, the careful use of cinema rights proved to be a precious resource and allowed the network to reach an excellent result. In particular, data of evergreen films should be noted: *Nati con la camicia* (13.3%) and *Non c'è due senza quattro* (12.6%) and the films *Scomodì omicidi* (11.3%), *L'incarico* and *Malice il sospetto*, both above 10%.

Even in Prime Time, the above mentioned *Terra nostra* confirmed its success and managed to obtain 11.2%, a result well above average.

Finally, the following productions should be mentioned *Divieto d'entrata* (8.5%), *Viva Napoli* (10.6%) and *Miracoli* (9.4%).

### Production of television programmes

In the first half of 2001, 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 the year by type of programme and separated into television programmes and sales programmes:

Types	Number of productions made								
	30/06/2001			30/06/2000			% change		
	Prime Time	Day Time	Total	Prime Time	Day Time	Total	Prime Time	Day Time	Total
<b>Television programmes</b>									
Entertainment and talk shows	32	62	94	37	57	94	-13.5%	8.8%	0.0%
Other news	8	43	51	7	27	34	14.3%	59.3%	50.0%
News	-	4	4	-	4	4	0.0%	0.0%	0.0%
Sport	3	10	13	2	12	14	50.0%	-16.7%	-7.1%
Quiz-game shows	4	10	14	-	8	8	0.0%	25.0%	75.0%
Mucis	3	7	10	3	7	10	0.0%	0.0%	0.0%
Soap operas	-	2	2	-	1	1	0.0%	100.0%	100.0%
Long dramas	2	-	2	-	-	-	0.0%	0.0%	0.0%
<b>Total television programmes</b>	<b>52</b>	<b>138</b>	<b>190</b>	<b>49</b>	<b>116</b>	<b>165</b>	<b>6.1%</b>	<b>19.0%</b>	<b>15.2%</b>
<b>Commercial programmes</b>									
Television selling	-	19	19	1	19	20	-100.0%	0.0%	-5.0%
<b>Total commercial programmes</b>	<b>-</b>	<b>19</b>	<b>19</b>	<b>1</b>	<b>19</b>	<b>20</b>	<b>-100.0%</b>	<b>0.0%</b>	<b>-5.0%</b>
<b>Overall total</b>	<b>52</b>	<b>157</b>	<b>209</b>	<b>50</b>	<b>135</b>	<b>185</b>	<b>4.0%</b>	<b>16.3%</b>	<b>13.0%</b>

The number of original productions, net of new Soap operas and Drama, increased by 11%, fully generated by Day Time productions.

The following new programmes made in the first half of 2001 are worth a mention:

- for **Canale 5**: *Piccole Canaglie*, *Mezzogiorno di Fuoco*, *Celebrità* and the new news programmes *Link*, *Super Partes*, *Terra* and *Buon Mercato*;
- for **Italia 1**: *Survivor*, *Ciao Belli*, *Popostar*, *Robot Wars*, *Wozzup*, *2008* (the programme by A. Pezzi) and *Da dove digiti* in entertainment and *Vox Populi* in the news;
- for **Retequattro**: *Divieto d'entrata*, *Bravo Bravissimo Club*, *Medici*, *Sabato del Villaggio*, *Sabato Vip* and *Spedizione al Polo Nord* for entertainment and *Millenium* for the news.

The following soap operas were own productions in 2001 for Canale 5: *Vivere* and *100 Vetrine* and the following Prime Time dramas: *Il Bello delle Donne* and *Sei Forte Maestro*.

The hours of programmes produced in the first half of 2001 decreased slightly, compared to June 2000, by 29 hours, equal to -0.7%.

The most significant changes took place in Day Time brackets, in particular for a shifting of hours from the entertainment and Quiz/Games area to the benefit of the News.

As to the last type, the following new programmes are worth a mention: *Terra*, *Link*, *Buon Mercato*, *Super Partes*, *Vox Populi* and *Millenium*. As to entertainment and Quiz/Games areas, the main programmes of 2000 that were not confirmed for the first six months of 2001 are: *A tu per tu*, *Madamadore*, *Fuego*, *Mai dire Gol*, *Bigodini*, *Telenauta*, *C'era due volte*.

The Prime Time grew by 62 hours; the quiz show *Chi Vuol essere Miliardario* and dramas *Il Bello delle Donne* and *Sei Forte Maestro* equally share the 18% increase.

Types	Hours of finished product				
	30/06/2001	%	30/06/2000	%	Change
	on the whole		on the whole		%
Entertainment and talk shows	1,334	34.8%	1,483	38.4%	-10.0%
Other news	610	15.9%	504	13.0%	21.0%
News	880	22.9%	854	22.0%	3.0%
Sport	283	7.4%	296	7.6%	-4.4%
Game and quiz shows	416	10.8%	453	11.7%	-8.2%
Television selling	126	3.3%	170	4.4%	-25.9%
Music	56	1.5%	71	1.8%	-21.1%
Soap operas	108	2.8%	45	1.2%	140.0%
Short series	32	0.8%	-	0.0%	0.0%
<b>Total</b>	<b>3,845</b>	<b>99.4%</b>	<b>3,876</b>	<b>100.1%</b>	<b>-0.8%</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., 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 four to five years.

In 2000, the high pervasive character of digital technology began to change the stage after the production process, i.e. **storage**, which, in turn, comes before the emission, distribution and broadcasting of the signal. The possibility to turn (video) images and (audio) sounds in numeric (digital) format makes it possible to create digital archives. The creation of **digital archives** will eliminate the manual handling of magnetic supports, which instead will be stored away by robots with the subsequent computer cataloguing of the physical content of the archive, and will be remotely examined by many users through an audio/video network infrastructure. This way, the production, post-production and storage phases are strongly integrated

The productive area involved in the project implemented last year is that of information programmes (news), where archive images represent a key element in the process. In the first half of 2001, to conclude a project started in recent years, the first new digital editorial office of the Mediaset Group for the *Studio Aperto* news was completed. From each work station of the new editorial office it will be possible to consult and compose archive images with those from the satellite or external shooting and make the video for the news. The same work station will also make it possible to write the text of the news and include audio on the images, this way completing every piece of news that makes up a whole news programme.

In the next few years, a further assignment of similar analogue systems for other news editorial offices and/or all production environments that may benefit from this new mode of production which virtually integrates the different stages of the process.

In the first half of 2001, besides, subsidiary company Videotime S.p.A. further strengthened its production capacity by signing an agreement with Titanus for the use of the Elios Production Centre in Rome, with studios of around 4,000 square metres and service rooms (warehouses, technical rooms, dressing rooms,

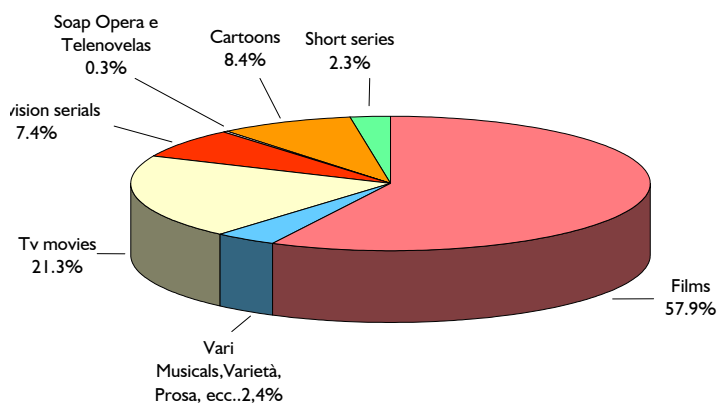
offices) for around 6,000 square metres. Under the agreement, a lease contract is to be signed for the current production area for a duration of at least 6 years, and the acquisition, to be made in the second half of 2001, of 30% of the new company, which will receive the current production area and adjacent land (for about 9 hectares) with a view to having possible future expansions available in the Production Centre.

### 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 2001:

Types	No of titles	Episodes
Films	5,409	5,409
Television serials	671	15,939
Telenovelas	24	3,162
Cartoons	796	22,074
Short series	223	711
Soap operas	18	3,148
Tv movies	1,905	1,955
Sundry (Musicals, Entertainment, Theatre, etc..)	384	1,306
<b>Total</b>	<b>9,430</b>	<b>53,704</b>



All activities regarding the purchase and production of rights for the Italian television market have been brought under Mediatrade 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 televisions 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 2001, in line with the strategy devised in the years 1999/2000 for the strengthening of the Group *core business*, saw a major drive towards increasing the production of dramas, notably long-running drama series (television series and soap operas), which determined a significant increase in hours produced.

In particular, a significant role was played by the exclusive production agreement signed with *Tao Due*, one of the leading operators in the field, with which the Mediaset Group has had a supply relationship for some year; 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.

During the first half of 2001, 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: *Deep Impact*, *Il Dottor Dolittle*, *Z la Formica*, *Il Mondo Perduto: Jurassic Park*, *Vi Presento Joe Black*, *Il Principe d'Egitto*, *Tutti Pazzi per Mary*, *Codice Mercury*, *Piovuta dal Cielo*, *La Leggenda di un Amore: Cinderella*;

- the renewal of the rights to a number of the most successful television series such as: *Beautiful, Sentieri, X Files, I Simpson, Ally Mc Beal, Buffy, Dawson's Creek, I Sopranos, Cosby, Siska*;
- the acquisition of the Brazilian soap opera *Vento di Passione*;
- the acquisition, for the current television season, of high quality TV movies such as *Tommaso, Giuda, Balzac, Madame De* (starring Raul Bova) and short series such as *Don Quixote, Voyage of the Unicorn*, regarding the multiannual agreement with Hallmark;
- the acquisition for the current television season of successful films like: *Lost in Space, I Fobici, Arlington Road, Ferdinando e Carolina, Scherzi del Cuore, Letters from a Killer* with respect to the annual (1998-1999) agreement with the subsidiary company Medusa Film S.p.A. Mediatrade S.p.A. and Medusa Film S.p.A. are defining an agreement which will lead to the acquisition by Mediatrade S.p.A. in the years 2001, 2002 and 2003, of a significant package of *Re-Runs*, including 71 films, available for television screening as of 2005. The package of films that will be acquired, for which the Mediaset Group already acquired the first run cycle based on past years supply agreements, includes films like *Così è la Vita, Sliding Doors, Il Signor Quindicipalle, Chiedimi se sono Felice, Autumn in New York*.
- The acquisition from the Cecchi Gori Group of a package of 170 films, 51 of which with absolute first television screening, mainly regarding cinema seasons 1998-1999 and 1999-2000. Among the most successful films, there are: *Fuochi d'artificio, Scream, Bagnomaria, Soldato Jane, The Game, Spy, Soluzione Estrema, Mimic, Crimini Invisibili, Cruel Intentions, La Nona Porta*.
- the production of several television series, mini-series and television series with very prestigious casts and scriptwriters, such as: *Francesca e Nunziata* (starring Sofia Loren), *Il Testimone* (with Raul Bova), *Il Caso Soffiantini, Le Ali della Vita 2, Incompreso, Distretto di polizia 2, Carabinieri, Sei Forte Maestro 2*.

The production of the third series of *Vivere* is particularly important, as is the first series of *Cento Vetrine*, both Italian soap operas that constantly maintain high audience levels.

### 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, will enable R.T.I. to fully express a highly precious potential: there is redundant broadcasting capacity that may be used for the most varied purposes, for example for the future Terrestrial Digital Television.

In the first half of 2001, following the approval of Law no. 66 of 20 March 2001, the stage of **transition to Terrestrial Digital Television**, was actually started, in the light of the total switch off to terrestrial digital television by 2006. With a view to this deadline, in future years Mediaset will have to prepare the necessary broadcasting technical systems and acquire new frequencies to devote to experimentation, which will be possible in the next three years only for the owners of current analogue concessions.

In this light, subsidiary company R.T.I. S.p.A., owner of current domestic television concessions and authorisations, prepared an agreement with the Profit Group for the acquisition of the company branch including broadcasting systems regarding a network of frequencies with a good coverage in Lombardy. On the basis of this agreement, which will be stipulated in the next few months, current analogue systems will be replaced by new digital systems in order to provide for the start of digital experimentation. This agreement should be the model for further similar acquisitions. Experimentation, as a matter of fact, will not be simply limited to the broadcasting of a numeric signal, but will also have to be, in the concerned areas, a pilot for the future Terrestrial Digital Television, simulating final operations (i.e. model of decoder penetration among users, interactivity, etc.).

In the first half of 2001, there have been significant activities in the area of broadcasting as well, which represents the origin of the distribution of the television signal on the domestic territory. The new automation system of the assembly and broadcasting activity for the three commercial networks of R.T.I. (Canale5, Italia1 and Retequattro), was delivered, to start testing operations. In the next few months, the system, once fully operating, will improve current process quality, reducing the risk of error connected to the numerous manual operations (i.e. handling of the magnetic support, sequence of events, etc.).

### **Music publishing**

RTI Music S.r.l. 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 musical works / soundtracks to audio-visual works.

RTI Music S.r.l. made in the first half of 2001 the soundtracks of films and television series produced by Mediatrade S.p.A. (including *Francesca e Nunziata*, *L'impero*, *Ribelli per caso*), by Medusa S.p.A. (including *Zero in condotta*, *Ravanello pallido*) and by external executive producers (including *Ti voglio bene Eugenio*, *Il commissario Montalbano 3*, *I cavalieri che fecero l'impresa*) and dramas by R.T.I. S.p.A. (*Il bello delle donne*, *Sei forte maestro*). 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*, *Sarrabanda*, *Pop Star*, *Mai dire gol*, etc.).

RTI Music S.r.l. also supplies an important music archive service with its "Music Bank"; it currently owns around 3,000 hours of music with own original recordings of works and around 5,000 hours of original recordings of works owned by third parties and other music leading to a total music coverage of around 20,000 hours.

In the first six months of 2001, this business generated revenues of EUR 2,2 million mainly as a result of broadcasting rights for music used in programmes scheduled on Mediaset networks.

## **Commercial Television - International**

### ***Epsilon Group***

The Epsilon Group, the equal Joint-venture between Mediaset and Kirch Media established in October 1999, carried out advertising selling and rights trading activities internationally.

The economic and financial situation of the Epsilon Group at 30 June 2001 results from the full consolidation of the holding Euroset S.a.r.l. and the subholding companies where it has a 100% shareholding: Publieuros Ltd., Betafilm GmbH and Euroset Television S.a.r.l. ("E.T.N."), which assesses in turn by means of the net equity method its 49% shareholding in PKS GmbH. This company acquired in 2000 a 16.53% stake in the share capital of ProSiebenSAT1MediaAG, by transferring the operations of Sat1 and Media 1, which were joined in the new holding companies together with the operations of the ProSieben Group.

Here is the summary of the Group's income statement at 30 June 2001:

(EUR millions)

31/12/2000	Epsilon Group	30/06/2001	30/06/2000
177.9	Revenues from sales and services	71.9	65.7
-	Other revenues and income	-	-
<b>177.9</b>	<b>Total net consolidated revenues</b>	<b>71.9</b>	<b>65.7</b>
4.4	Personnel expenses	2.4	1.9
150.2	Purchases, services, other costs	59.3	57.9
<b>154.6</b>	<b>Operating costs</b>	<b>61.7</b>	<b>59.8</b>
<b>23.2</b>	<b>Gross operating margin</b>	<b>10.2</b>	<b>5.9</b>
23.9	Amortisation, depreciation and write-downs	11.9	11.9
<b>(0.6)</b>	<b>Operating result</b>	<b>(1.7)</b>	<b>(5.9)</b>
(6.1)	Financial income / (charges)	(4.8)	(2.3)
(10.5)	Income/(charges) from investments	(4.1)	(4.6)
<b>(17.3)</b>	<b>Profit (loss) before extraordinary items</b>	<b>(10.6)</b>	<b>(12.8)</b>
-	Sundry and extraordinary income /(charges)	0.1	-
<b>(17.3)</b>	<b>Pre-tax result</b>	<b>(10.5)</b>	<b>(12.8)</b>

With respect to the starting phase of this joint-venture company, characterising the results for 2000, the Epsilon Group shows a markedly growing profitability from specific operations. In spite of this, the operating result continue to be significantly marred by the goodwill amortisation quotas, arising from the consolidation of the activities included during the setting up of the Group, while the pre-tax result are affected by significant exchange rate losses, determined by the current assessment of payables in US dollars.

The consolidated **net revenues** of the Epsilon Group, amounting to EUR 71.9 million, show the two main kinds of operations:

- *selling of television rights* carried out by Betafilm GmbH for EUR 50,2 million. This business concerns internationally distributing (with the exclusion of the Italian and German markets, directly served by Mediaset and Kirch Media) television and cinema rights;
- *advertising revenues* equal to EUR 19,6 million, regarding the sale of advertising spaces in European television networks and newspapers (carried out by Publieurope International Ltd. for international customers residing outside the country of the licensed medium).

The **gross operating margin** amount to EUR 10.2 million, equal to 14.2% of net revenues. The main cost component is variable according to revenues and is borne by both Betafilm (as commissions paid to the rights owners on whose behalf it makes international sales) and Publieurope (as commissions paid to publishers or concessionaries from which it acquires the sub-concession to sell advertising spaces abroad). Personnel expenses amount to EUR 2.4 million, with an average number of 63.5 employees in the companies belonging to the subholding companies Betafilm and Publieurope Ltd.

The **operating result** amount to minus EUR 1.7 million, due to goodwill amortisation quotas (EUR 9.5 million) mainly arising from consolidating Betafilm into Euroset and those from ETN setting up costs and the put option granted to the group on the sale of PKS.

The **investment charge** of EUR 4.1 million, corresponds to the equity valuation of the 49% shareholding in the PKS Group, including the share of the profit for the year, equal to EUR 4.9 million and the yearly goodwill amortisation quota included in the value of ETN shareholding in PKS, equal to EUR 9.0 million.

The **pre-tax result** are minus EUR 10.5 million, also due to the negative balance of the financial operations, mainly due to losses on exchange rate operations deriving largely from the foreign currency debt appreciation of Betafilm and a few of its subsidiary companies.

Here is the balance sheet summary of the Group at 30 June 2001:

(EUR millions)

31/12/2000	Epsilon Group	30/06/2001	30/06/2000
27.9	Television rights	27.9	15.6
475.9	Other intangible/tangible fixed assets	169.2	204.8
267.1	Investments and other financial fixed assets	263.0	273.1
(44.9)	Net working capital and other assets/liabilities	(36.6)	(45.2)
-	Provision for employee severance indemnity	-	-
<b>725.9</b>	<b>Net invested capital</b>	<b>423.5</b>	<b>448.3</b>
<b>8.7</b>	<b>Net financial position</b>	<b>5.8</b>	<b>5.4</b>
<b>439.6</b>	<b>Group shareholders' equity and attributable to minority interests</b>	<b>429.3</b>	<b>453.7</b>

*Equity investments and other financial fixed assets*, whose balance is equal to EUR 263.0 million, mainly include the 49% shareholding in PKS GmbH (equal to EUR 223.1 million) and the 3.95% shareholding in Monarchy Holding BV, a company that controls 100% of New Regency (equal to EUR 39.6 million).

*Other net fixed assets*, equal to EUR 169.2 million, mainly include net consolidation differences, depreciated in 10 years, arising from shareholdings of Betafilm GmbH and Publieurope International Ltd.

The value of the **net equity** of the Epsilon Group, equal to EUR 429.3 million, shows the initial capital down-payment made when setting up the joint venture company, modified by results so far.

\* \* \* \* \*

The superseding of the Joint-venture agreements of 13/14/15 October 1999, preliminarily drafted and approved on 11 September 2000 by the Board of Directors of the companies concerned, is currently under way. The Joint-venture Termination Agreement, i.e. the contract for the buy back by the parties of the assets originally transferred to the joint-venture company Epsilon and the conversion of Mediaset investment in the purchase of a 2.28% stake in the holding company KirchMedia GmbH & Co KgaA., was definitively signed on 8 August 2001. The parties shall execute the company operations envisaged by the contract by the end of the third quarter 2001.

### **Telecinco Group**

In the first half of 2001 the Spanish television advertising market (estimated in EUR 916.5 million) recorded a significant reduction over the same period of the previous year (EUR 957.5 million); this slowdown, common to all major European countries, was accompanied in Spain by the consolidation of the market after three years of exceptional expansion, mainly due to the marked fall of advertising investments from the telecoms and Internet industries.

In a situation of generalized market weakness, the situation of Publiespana advertising sales for Telecinco (equal to EUR 257.6 million compared to 276.6 million in the same period of the previous year), was strongly influenced by the extremely aggressive pricing policy carried out by its two main competitors.

In the first six months of 2001 Telecinco achieved a full day audience share of 21.8% (compared to 22.9% in the same period of the previous year), while its main private competitor, Antena 3, at 20.3%, recorded a 1.5 points fall. The reduction in the audience share recorded by the two main private televisions was accompanied by an increase in the audience share of state networks (which rose from 24.3% to 24.7%) and especially of local networks and pay-TVs. Audience results on the commercial target confirm however in the first half of 2001 the unquestioned leadership of Telecinco which basically maintained the audience share of the same period of the previous year (above 25%) before Antena 3

(that fell from 22.8% to 21.6%) and TVEI at 19.6%. In the first half of 2001, the extraordinary success in audience share achieved by Telecinco with the second series of *Grande Fratello* is worth a mention.

At the end of the first half of 2001, the Telecinco Group achieved the operating result of EUR 109.3 million (equal to a 36% profitability), while the net profit for the period amounted to EUR 72.3 million. The equity assessment of the investment, including goodwill amortisation quota for EUR 10.0 million, implied for the Mediaset Group net income for EUR 18.9 million.

## **Multimedia and telecommunications division**

### ***Multimedia operations***

The Mediaset Group's New Media operations (theme channels, Internet and teletext) are concentrated in Mediadigit S.r.l., a company that has been active since 2000, 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 different platforms (Pay Tv, Internet and Telecommunications). These operations are supported by Publitalia '80 as to Internet based advertising sales.

With reference to **theme channels**, starting from 8 January 2001, Mediadigit started the broadcasting of *MT Channel*, a channel distributed by Stream, dedicated to science education within the policy of *brand extension* of the television programme bearing the same name, from which the specialist monthly magazine has derived, whose first issue was distributed in November 2000. Overall revenues generated by theme channel operations in the first six months of 2001 amounted to EUR 9.9 million.

As to **Internet** activities, the graphic updating of Mediaset Online carried on, the vertical portal which includes all information and entertainment contents for the Group, both by reformatting television contents (TG5.it) and by contents specifically developed for the Net, like the *games* or news for *Tgcom*, the site that since 5 March 2001 has been representing the new version of web news for Mediaset Online with real time updates around the clock, analyses, video news, surveys and forums that provide for interaction with the users. *Tgcom* is made by the new editorial office of the Mediaset group bearing the same name, that has been created with the objective of developing information contents that can be transmitted through different platforms, among which the Internet, Mediavideo and mobile terminals. The constant enrichment of editorial contents of Mediaset Online led, in the first half of 2001, to a constant increase in pages views and one-time users generated by owned sites.

Net advertising sales of Publitalia'80 regarding Group Internet operations amounted, in the first half of 2001, to EUR 1.7 million compared to EUR 1.2 million in the same period of the previous year, with the addition of EUR 1.9 million regarding net revenues generated by Publitalia'80 as exclusive concessionary for other third-party portals.

Mediadigit, as is described in the section of this Report devoted to events after 30 June 2001, acquired in July 2001 the portal Jumpy which, a little more than one year from its launch, has consolidated a strong brand identity and with 1.4 million one-time users and around 90 million page views per months is constantly among the most visited portals in Italy. Thanks to this operation, Mediadigit will be able to accelerate the development plan of its *online* sector, thus completing its current publishing profile, in line with the strategy followed by Mediaset in *New Media*, also aimed at acquiring skills in areas that may represent necessary supplements to future interactive digital television.

## **Telecommunications**

At present, the Mediaset Group is active in the field of telecommunications through a 19.5% stake held by Mediaset S.p.A. in Albacom S.p.A., a company in the fixed telephone market, and through a 9% stake held by Mediaset Investment S.a.r.l. in Blu S.p.A., the fourth national mobile phone network in Italy. In the first half of 2001 Mediaset S.p.A. purchased a stake of around 0.5% in Olivetti S.p.A. share capital, in line with the objective of being present in a field that, in future years, with the advent of terrestrial digital television, will play a significant role in a key segment of the television core business (distribution, interactivity and access to the customer).

In the field of fixed telephony, **Albacom S.p.A.**, now one of the major players with domestic coverage in the field of fixed telecommunications in the business area, started in the first months of 2001 the project for the admission of the company to the flotation on the stock market, with the objective of exploiting the strategic potential of the company in the field of high value added services for corporate customers.

On 28 March 2001, the General Meeting of Albacom S.p.A., unanimously approved the request to be accepted for official flotation on the Stock Market organised and managed by Borsa Italiana S.p.A.. The operation, whose structure will be precisely defined close to the offer, will be carried out by means of a Global Offer that will include, with the objective of guaranteeing the company suitable financial resources as included in the Strategic Plan, a placement with Italian professional investors and foreign institutional investors and a public offer in Italy of newly issued shares within the capital increase decided on 2 April 2001 and possibly, and in a very limited way, a public sale offering by current shareholders. The placement will be organised by the following banks: Bnl, Mediobanca and Schroder Salomon Smith Barney, the latter are also the sponsors of the operation.

In the light of this operation, Albacom shareholders undertook, in line with their stakes, to cover the financial needs of the company, according to the resolution of the Board of Directors of Albacom, until 31 October 2001, by granting a non-interest bearing loan. At 30 June 2001, shareholders paid on the whole EUR 107.7 million for this purpose, and the share of Mediaset S.p.A. paid in the period amounts to EUR 21 million.

Albacom achieved, at the end of the year ended 31 March 2001, a turnover of EUR 465 million, with an increase of more than 35% on the previous year, and the number of customers grew from 26,500 at 31 March 2000 to 96,000 at 31 March 2001. In the same period, Albacom recorded a consolidated net loss of EUR 141.6 million, also because of extraordinary provisions made at the end of the year. Consolidated data in the first months of the year that will end on 31 March 2002, show an economic development in line with objectives; notably, sales recorded in the April-June 2001 quarter amounted to EUR 123 million (+28 % over the same period of the previous year), while the net loss for the period amounted to EUR 39.4 million, (EUR 58 million at 30 June 2000), thanks to a marked improvement in terms of operations results.

Due to this result, and to that regarding the last three months of the year ended 31 March (first quarter 2001) and goodwill amortisation (EUR 1.1 million) the equity valuation of the investment in Albacom S.p.A. implied for the Mediaset Group at 30 June 2001 an overall charge of EUR 21.3 million.

In the field of mobile telephony, **Blu S.p.A.** reached 1,300,000 customers at the end of the first half of 2001 which, one year after its commercial launch, is clearly a figure above initial objectives and confirmed Blu as an extremely dynamic company, capable of imposing its brand in a short time and to become known by virtue of its highly innovative services.

In the first half of 2001 the company had revenues for approximately EUR 97 million, and recorded a loss of EUR 226 million, basically in line with company plans. The General Meeting of 7 June 2001 already

made up, under article 2446 of the Italian Civil Code, for the losses regarding the first three months of 2001 (equal to EUR 102.1 million) together with those recorded at 31 December 2000 (EUR 335 million) by means of a reduction in share capital for the same amount. In the same period, Blu S.p.A. shareholders made a payment of EUR 310 million regarding the remaining tenths of the share capital increase decided on 7 April 2000, and not yet paid ; Mediaset Investment S.a.r.l. paid its own share, amounting to EUR 27.9 million. Following the above share capital reduction for losses and with respect to financial needs of the company in function of company plans, the Meeting decided upon a capital increase of EUR 361.5 million, that will be paid during the remaining part of the year.

In respect of the share capital reduction carried out by writing off an appropriate number of ordinary shares, Mediaset Investment S.a.r.l. made at 30 June 2001 the write-down of the investment for EUR 39.3 million. In consideration of the nature of such losses, connected to the start-up phase of corporate activity and the expected future increase of the investment, connected to a possible new arrangement of company shareholders and strategic alternatives that are currently being examined by merchant banks, as was commissioned by shareholders, this loss is considered to be recoverable. No further write-down was therefore made for the investment, with respect to losses incurred by Blu S.p.A. in the period April-June 2001.

It should be noted, finally, that with reference to the litigation started in respect of the decision taken in October 2000 by the Committee of Ministers, regarding the request to cash the ITL 4,000 billion guarantee issued by Blu S.p.A. to take part in the bid for the allocation of UMTS licences, on 24 January 2001, the Regional Administrative Court of Lazio issued the decision, by means of which Blu S.p.A.'s petition was accepted, and therefore the decision taken by the Committee of Ministers was annulled. On 19 February 2001, the reasons for this judgement were made public, which show the correct and legitimate behaviour followed by Blu S.p.A. during the bid and its previous stages. On 9 May 2001, the State Attorney gave notice to Blu S.p.A. that it will appeal before the Council of State for the annulment of the judgement. As is shown in Events after 30 June 2001, this appeal was not accepted by the Council of State with a judgement dated 26 July 2001, while on 6 July 2001 Blu S.p.A. received notice of the deliberation of the Antitrust authority, at the conclusion of the relevant investigation, according to which no elements that prove the existence of agreements limiting competition between Blu and the other companies that took part in the UMTS bid.

## **PERSONNEL**

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

<b>31/12/2000</b>	<b>Workforce at period end including temporary staff.</b>	<b>30/06/2001</b>	<b>30/06/2000</b>
270	Managers	274	270
294	Journalists	295	277
609	Middle managers	623	609
3,141	Office staff	3,116	3,158
70	Manual workers	64	68
<b>4,384</b>	<b>Mediaset Group</b>	<b>4,372</b>	<b>4,382</b>

Compared to 31 December 2000, the situation of overall workforce does not show significant changes, since there is a decrease of just 12 employees, due to normal turn-over of personnel in the relevant 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 2001 was marked by the final approval of the regulation (Law 66 of 20 March 2001) by means of which the legislator started the experimental stage of digital broadcasting and fixed 2006 as the deadline within which the whole television system shall migrate to this technique.

Based on this law, the Authority started a public survey with all companies, in order to define the most appropriate contents of the Enacting Regulation for the Law.

The above mentioned law and its enforcing acts shall make for a positive end of the investigation carried out by the Authority on the development of satellite users, which should result into an element for the requirements envisaged by article 3 clause 7 of Law 249/97.

The Authority approved in May 2001 the Regulation regarding the Register of communication companies and in July 2001 the Regulation for advertising.

The litigation on the Seat/Telecom/TMC case ended before the Council of State which considered to be no longer existing the limitation as per article 4 clause 8 Law 249/97, and asked the Authority to authorise the operation.

The Authority, in the authorisation decision, expressly reserved the right to carry out further investigations and verifications to protect pluralism and competition.

## **RELATIONSHIPS WITH COMPANIES IN THE FININVEST GROUP AND THE MEDIOLANUM GROUP**

In the first six months of 2001, 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.	-	5.5	3.4	3.2	3.0	-	-
Alba Servizi Aerotrasporti S.p.A.	-	-	0.2	-	0.4	-	-
Arnoldo Mondadori Editore S.p.A.	-	7.4	1.2	15.8	1.4	-	-
Mondadori Pubblicità S.p.A.	-	0.8	0.2	0.9	0.1	-	-
Banca Mediolanum S.p.A.	-	1.5	-	3.9	-	-	-
Blockbuster Italia S.p.A.	-	-	-	-	-	-	-
Edilnord Gestioni S.p.A.	-	0.2	0.2	-	0.4	-	(0.1)
Euridea S.p.A.	-	-	-	-	-	-	-
European Communications Ltd.	-	0.1	0.1	-	-	-	-
Fininvest Servizi S.p.A.	-	-	-	-	-	-	-
GSMBOX S.p.A.	-	2.6	-	-	-	-	-
Jumpy S.p.A.	-	0.1	1.8	0.1	0.7	-	-
Mediolanum Vita S.p.A.	0.1	0.1	0.1	-	0.3	-	-
Medusa Film S.p.A.	-	2.6	18.6	4.0	-	-	-
Medusa Cinema S.p.A.	-	-	-	0.1	-	-	-
Medusa Video S.r.l.	-	0.1	-	0.1	-	-	-
Milan A.C. S.p.A.	-	-	3.4	0.1	1.3	-	-
Pagine Italia S.p.A.	-	0.9	-	0.7	0.1	-	-
Reteitalia S.p.A.	-	-	-	-	-	-	-
S.E.E. S.p.A.	-	0.2	-	-	-	-	-
S.F.I.I. S.A.	-	-	-	-	-	-	-
Trefinance S.A.	-	-	-	-	-	-	-
Yond S.p.A.	-	-	1.0	0.1	0.6	-	-
Other	-	0.3	-	0.1	0.2	-	-
<b>Total</b>	<b>0.1</b>	<b>22.4</b>	<b>30.2</b>	<b>29.1</b>	<b>8.5</b>	<b>-</b>	<b>(0.1)</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 were 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, regarded the sale of television advertising spaces.

We also point out that in the first six months of 2001, the Mediaset Group purchased television rights from companies belonging to the Fininvest Group or related to them, for an overall amount of EUR 22.5 million, regarding the company Medusa Film S.p.A.

## SIGNIFICANT EVENTS AFTER 30 JUNE 2001

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- With reference to the UMTS litigation, we point out that on 3 July 2001, a hearing was held before the Council of State in respect of the appeals of the State Attorney and the Codacons, which countered the judgement of the Regional Administrative Court of Lazio, Section II no. 1300 of 19 February 2001 in favour of Blu S.p.A. By means of judgement dated 26 July 2001, the Council of State rejected the appeal of the State Attorney and the Codacons, and confirmed the above mentioned judgement of the Regional Administrative Court of Lazio. On 6 July 2001, Blu S.p.A. also received notice of the deliberation of the Antitrust Authority dated 27 June 2001, at the end of its investigation, started by the same Antitrust Authority on 26 October 2000, regarding the UMTS bid. According to the decision, no elements have emerged that prove the existence of agreements for the limitation of competition, forbidden by article 2 of Law 287/90, between Blu S.p.A. and the other participants in the bid.
- On 5 July 2001, Mediaset Investment S.a.r.l. sold to Kirch Media GmbH & Co. KgaA a 50% stake in Epsilon TV Production S.r.l.'s share capital, for an amount of EUR 5,000, equal to the par value of the stake sold. The company established by Mediaset Investment S.a.r.l. on 20 December 2000, with main office in Milan, shall work on a non exclusive basis in the field of international production and co-production of television contents.
- On 9 July 2001, Mediadigit S.p.A. purchased from Jumpy S.p.A. (a subsidiary company, through NewMedia Investment S.a.r.l., of Fininvest S.p.A.) the branch regarding publishing activities in Italian of the online portal Jumpy. The operation includes the acquisition by Mediadigit of the Jumpy trademark, of publishing contents and application software of the Jumpy.it Portal, activities connected to e-commerce and customer database and the transfer of personnel working in the operation purchased. The amount paid for the purchase of the branch is around EUR 16 million, equal to the difference between acknowledged value of assets (26.3 million) and payables (10.3 million). The valuation about the fairness of the price agreed was expressed by the *fairness opinion* prepared by JP Morgan. Following this operation, Jumpy S.p.A., which changed its name into Logilab S.p.A., will keep control of technological activities developed by the company. Mediadigit also simultaneously stipulated with Logilab a three-year outsourcing contract for a yearly amount of EUR 6.2 million, (value supported by the estimate made by a major valuation company specialised in the field of Information Technology) in order to have the performances of the necessary technological services for the support and development of the portal.
- On 16 July 2001, Mediaset Investment S.a.r.l. accepted for its own share, equal to EUR 32.5 million, the capital increase amounting to a total of EUR 361.5 million, decided by the Extraordinary Meeting of Blu S.p.A. held on 7 June 2001, and paid three tenths of this amount (equal to EUR 9.8 million); on 7 August 2001 a further payment of EUR 4.1 million was made.
- On 27 July 2001 the Authority regulation about television advertising was passed. It will introduce, from the next Autumn season, some changes about the modes of advertising interruptions in cartoons and during the broadcasting of some sports events, and regulates the ways of signalling and setting advertising.
- On 31 July 2001, R.T.I. S.p.A. purchased a 30% stake in Fascino S.r.l., a company belonging to Maurizio Costanzo and Maria De Filippi, that is active in the field of creation, conception and acquisition of formats for entertainment, drama programmes and contents for multimedia use; the amount for the operation, equal to EUR 5.6 million, was supported by the assessment made by an independent expert. According to the agreement, Fascino will have the exclusive publishing

performance of the two anchorpeople for eight years and R.T.I. S.p.A. will have the video exclusive of both for five years. It also includes an option for R.T.I. S.p.A. regarding the purchase, based on a pre-set amount, of a further stake until 20% of the company share capital, to be exercised by 31 December 2004.

- On 7 August 2001, the Authority decided that 31 December 2003 will be the deadline by which Retequattro and Telepiù Nero must broadcast their programmes by means of digital techniques, and Rai 3 must relinquish advertising. This deadline was established estimating that at that date, there will be a percentage not lower than 50% of “digital families”. The Authority reserves the right to check the actual development of digital systems by 31 January 2003 and possibly to put back or put off the established date, in respect of the achievement by 31 December 2002, of a penetration of 45% or 35%.
- On 8 August 2001 Mediaset S.p.A., Mediaset Investment S.a.r.l. and Medusa Film S.p.A. (a company belonging to the Fininvest Group) on the one side and Kirch Media GmbH & Co. KgaA and some companies belonging to the Kirch Group on the other side, stipulated the Joint-venture Termination Agreement, i.e. the final contract that reflects the fundamental contents already established in the draft agreement defined by the parties and approved by the Board of Directors of the companies concerned on 11 September 2000. The contract includes:
  - the implementation of the various corporate operations aimed at the buy back by Mediaset and Kirch Media of the operations transferred into the Joint-venture company Epsilon;
  - the acquisition by Mediaset Investment S.a.r.l. of a 2.28% stake of Kirch Media GmbH & Co. KgaA share capital;
  - Mediaset Investment S.a.r.l. will join the shareholders’ pact currently in force between some companies of the Kirch Group, Fininvest S.p.A., the Group of Prince Al Waleed and Lehman Brothers, that will make it possible to acquire significant rights, among which the one regarding representation in Kirch Media boards.

The implementation of these operations, that will take place in the third quarter 2001, as soon as both parties have fulfilled the preliminary requirements requested, will supersede the Joint-venture Agreement stipulated on 13/14/15 October 1999.

## **FORESEEABLE DEVELOPMENTS**

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- In the first six months of 2001 advertising sales on Mediaset networks grew, over the same period of the previous year, by EUR 57.9 million. In the first eight months of 2001 the growth in advertising sales amounted to EUR 56 million, which corresponds to a 3.5% percentage increase over the same period of the previous year. In July and August, a conventionally low season period for advertising investment, which has a limited percentage influence on overall year revenues, sales reached a basically similar level to that obtained in the same period of the previous year. These results confirm the European leading position of Publitalia'80, strongly countering in 2001 the current advertising market situation.
- In the first eight months of 2001, Mediaset networks obtained audience shares in the full day of 43.5%, growing by 0.8 share points over the same period of the previous year.
- In respect of the nature of our activity, period results are marked by a high seasonal character and do not fully represent the expected year trend. However, based on currently available evidence, we hope that the revenue trend that has already been recorded will carry on in the next few months, though in presence of a marked slowdown of advertising investment. As was the case in the first six months of the year, we also confirm, for the remaining part of the year, our commitment to keep operating costs under control, in order to safeguard in the year a profitability level which is one of the highest compared to industry average.

for the Board of Directors  
the Chairman



# **Interim Report 2001**

Report on the limited auditing  
by the External Auditors

***MEDIASET GROUP***



**AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2001**

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

1. We have reviewed the accompanying interim financial information for the six months ended June 30, 2001, 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. Our review was carried out 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 opinion 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 December 31, 2000 reference is made to the reports issued on September 25, 2000 and March 23, 2001 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, 2001, we draw your 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.

Patrizia Arienti  
Partner

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

Milan, September 14, 2001

**Deloitte  
Touche  
Tohmatsu**

# **Interim Report 2001**

Consolidated balance sheet  
and income statement  
at 30 June 2001

***MEDIASET GROUP***



# MEDIASET GROUP

## Consolidated balance sheet at 30 June 2001

(EUR millions)

ASSETS	30/06/2001	31/12/2000	30/06/2000
<b>A) RECEIVABLES FROM SHAREHOLDERS</b>	-	-	-
<b>B) FIXED ASSETS</b>			
<b>I Intangible fixed assets</b>			
1 start-up and expansion costs	3.7	4.5	8.9
2 research, development and advertising costs	3.4	3.3	1.8
3 industrial patents and intellectual property rights	9.9	8.1	7.0
4 concessions, licences, trademarks and similar rights			
a) television rights	1,895.0	1,763.9	1,805.1
b) trademarks	22.8	27.2	31.4
c) concessions	0.1	0.1	0.1
5 goodwill	10.4	12.5	14.6
6 intangible assets under formation and advances	116.6	101.0	132.2
7 other	9.7	10.4	10.2
8 differences arising from consolidation	67.2	71.9	76.6
<b>Total</b>	<b>2,138.8</b>	<b>2,002.9</b>	<b>2,087.9</b>
<b>II Tangible fixed assets</b>			
1 land and buildings	60.0	57.6	56.9
2 plant and machinery	117.6	108.5	105.6
3 industrial and commercial equipment	17.4	17.6	15.9
4 other tangible fixed assets	16.8	15.4	18.0
5 fixed assets under construction and payments on account	6.9	12.1	5.1
<b>Total</b>	<b>218.7</b>	<b>211.2</b>	<b>201.5</b>
<b>III Financial fixed assets</b>			
1 investments in:			
a) subsidiary companies	-	-	0.1
b) affiliated companies	402.7	407.1	410.8
c) other companies	214.2	171.7	65.7
<b>Total</b>	<b>616.9</b>	<b>578.8</b>	<b>476.6</b>
2 receivables:			
a) Fininvest Group and Mediolanum Group companies	0.1	0.1	0.1
b) other companies	6.5	6.6	8.2
<b>Total</b>	<b>6.6</b>	<b>6.7</b>	<b>8.3</b>
3 other securities	-	-	-
<b>Total</b>	<b>623.5</b>	<b>585.5</b>	<b>484.9</b>
<b>TOTAL FIXED ASSETS (B)</b>	<b>2,981.0</b>	<b>2,799.6</b>	<b>2,774.3</b>

# MEDIASET GROUP

## Consolidated balance sheet at 30 June 2001

(EUR millions)

<b>ASSETS</b>	<b>30/06/2001</b>	<b>31/12/2000</b>	<b>30/06/2000</b>
<b>C) CURRENT ASSETS</b>			
<b>I Inventory</b>			
1 raw materials, consumables and supplies	1.8	2.0	1.9
2 work in progress and semi-finished products	3.1	3.2	1.9
3 contracts in progress	-	0.3	
4 finished goods and products	12.1	12.9	11.6
<b>Total</b>	<b>17.0</b>	<b>18.4</b>	<b>15.4</b>
<b>II Receivables</b>			
1 trade receivables	791.7	651.1	713.5
2 due from subsidiary companies	8.3	12.6	8.4
3 due from affiliated companies	0.7	3.2	3.5
4 due from parent company	5.5	6.0	4.9
5 due from Fininvest Group and Mediolanum Group companies	16.9	18.0	20.2
6 other receivables	274.7	97.1	245.0
<b>Total</b>	<b>1,097.8</b>	<b>788.0</b>	<b>995.5</b>
<b>III Financial assets (which are not fixed assets)</b>			
5 own shares	27.5	36.0	28.8
6 other securities	199.7	192.3	174.2
7 receivables due from subsidiary and affiliated companies	-	-	
<b>Total</b>	<b>227.2</b>	<b>228.3</b>	<b>203.0</b>
<b>IV Liquid funds</b>			
1 bank and postal deposits	150.0	243.0	232.0
3 cash in hand and cash equivalents	0.1	0.1	2.0
<b>Total</b>	<b>150.1</b>	<b>243.1</b>	<b>234.0</b>
<b>TOTAL CURRENT ASSETS (C)</b>	<b>1,492.1</b>	<b>1,277.8</b>	<b>1,447.9</b>
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>			
1 accrued income	10.0	7.0	5.4
2 prepayments	12.2	10.4	10.4
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME (D)</b>	<b>22.2</b>	<b>17.4</b>	<b>15.8</b>
<b>TOTAL ASSETS</b>	<b>4,495.3</b>	<b>4,094.8</b>	<b>4,238.0</b>

# MEDIASET GROUP

## Consolidated balance sheet at 30 June 2001

(EUR millions)

SHAREHOLDERS' EQUITY AND LIABILITIES	30/06/2001	31/12/2000	30/06/2000
<b>A) SHAREHOLDERS' EQUITY</b>			
I Share capital	614.2	610.0	610.0
II Share premium reserve	739.7	739.7	739.7
III Revaluation reserve	-	-	-
IV Legal reserve	61.2	45.2	45.2
V Reserve for own shares	27.5	36.0	28.8
VI Statutory reserves	-	-	-
VII Other reserves	110.5	85.5	92.7
VIII Retained earnings (losses)	551.8	447.6	447.7
IX Profit (loss) for the year		423.5	
Profit (loss) for the first six months	450.1		465.5
<b>Total Group shareholders' equity</b>	<b>2,555.0</b>	<b>2,387.5</b>	<b>2,429.6</b>
Shareholders' equity attributable to minority interests	1.8	1.7	1.8
<b>TOTAL CONSOLIDATED GROUP SHAREHOLDERS' EQUITY AND ATTRIBUTABLE TO MINORITY INTERESTS (A)</b>	<b>2,556.8</b>	<b>2,389.2</b>	<b>2,431.4</b>
<b>B) PROVISIONS FOR RISKS AND CHARGES</b>			
1 for pension benefits and similar obligations	3.1	2.9	2.7
2 tax reserves	(9.5)	(9.5)	59.0
3 Other reserves	34.2	78.2	32.1
<b>TOTAL PROVISIONS FOR RISKS AND CHARGES (B)</b>	<b>27.8</b>	<b>71.6</b>	<b>93.8</b>
<b>C) EMPLOYEE SEVERANCE INDEMNITY</b>	<b>89.3</b>	<b>85.1</b>	<b>81.9</b>
<b>D) PAYABLES</b>			
3 due to banks	644.2	337.4	394.7
4 due to other financial institutions	7.2	8.7	4.0
5 advance payments received	3.3	3.4	2.9
6 trade accounts	978.1	944.9	1,056.5
8 due to subsidiary companies	-	-	-
9 due to affiliated companies	0.4	1.1	1.0
10 due to the parent company	3.4	0.3	4.2
10bis due to Fininvest Group and Mediolanum Group companies	26.7	31.8	11.8
11 due to taxation authorities	37.6	65.4	41.0
12 due to social security institutions	10.2	10.9	12.6
13 other sums payable	81.6	109.9	72.4
<b>TOTAL PAYABLES (D)</b>	<b>1,792.7</b>	<b>1,513.8</b>	<b>1,601.1</b>
<b>E) ACCRUALS AND DEFERRED INCOME</b>			
1 accruals	12.5	20.6	14.6
2 deferred income	16.2	14.5	15.2
<b>TOTAL ACCRUALS AND DEFERRED INCOME (E)</b>	<b>28.7</b>	<b>35.1</b>	<b>29.8</b>
<b>TOTAL LIABILITIES</b>	<b>1,938.5</b>	<b>1,705.6</b>	<b>1,806.6</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>4,495.3</b>	<b>4,094.8</b>	<b>4,238.0</b>

# MEDIASET GROUP

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## Consolidated balance sheet at 30 June 2001

(EUR millions)

<b>OFF-BALANCE SHEET ITEMS</b>	<b>30/06/2001</b>	<b>31/12/2000</b>	<b>30/06/2000</b>
personal securities given	202.3	188.4	4.0
collateral security	-	-	-
commitments	2,341.8	2,797.6	1,433.1
contingencies	3.3	4.9	11.9
potential liabilities counter-guaranteed by the parent company	11.8	13.4	10.6
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>	<b>2,559.2</b>	<b>3,004.3</b>	<b>1,459.6</b>

# MEDIASET GROUP

## Consolidated income statement at 30 June 2001

(EUR millions)

INCOME STATEMENT		30/06/2001	31/12/2000	30/06/2000
<b>A) VALUE OF PRODUCTION</b>				
1	revenues from sales and services	1,349.8	2,331.7	1,273.2
2	changes in inventories of work in progress, semi-finished and finished goods	(0.9)	2.8	0.2
3	changes in contracts in progress	(0.3)	0.1	(0.1)
4	own work capitalised	27.5	16.5	1.5
5	other revenues and income	19.9	31.9	12.3
<b>TOTAL VALUE OF PRODUCTION (A)</b>		<b>1,396.0</b>	<b>2,383.0</b>	<b>1,287.1</b>
<b>B) COST OF PRODUCTION</b>				
6	raw materials, consumables and supplies	27.0	62.4	31.9
7	services	312.4	540.4	251.5
8	leasing and rental	44.0	78.0	37.8
9	personnel expenses:			
	a) wages and salaries	108.5	204.3	105.7
	b) social security contributions	30.6	60.6	31.9
	c) employee severance indemnity	10.1	19.6	9.8
	d) pension benefits and similar obligations	0.3	0.6	0.3
	e) other expenses	0.3	5.2	4.0
	Total personnel expenses	149.8	290.3	151.7
10	amortisation, depreciation and write-downs			
	a) amortisation of intangible fixed assets	323.5	616.3	298.6
	b) depreciation of tangible fixed assets	19.2	35.9	17.9
	c) write-downs of fixed assets	-	6.5	-
	d) write-downs of receivables included in current assets and liquid funds	3.7	7.0	3.9
	Total amortisation, depreciation and write-downs	346.4	665.7	320.4
11	changes in the inventories of raw materials, consumables and supplies	(0.2)	(1.6)	(2.0)
12	provisions for risks	-	-	0.8
13	other provisions	(3.0)	8.9	0.9
14	sundry operating costs	19.3	47.4	22.2
<b>TOTAL COST OF PRODUCTION (B)</b>		<b>895.7</b>	<b>1,691.5</b>	<b>815.2</b>
<b>DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)</b>		<b>500.3</b>	<b>691.5</b>	<b>471.9</b>
<b>C) FINANCIAL INCOME AND (CHARGES)</b>				
15	income from investments			
	a) Fininvest Group and Mediolanum Group companies	1.5	-	0.1
	b) other companies	-	0.2	-
	Total income from investments	1.5	0.2	0.1
16	other financial income			
	a) from receivables included in fixed assets	0.1	0.1	0.1
	b) from securities included in fixed assets which are not investments	-	0.1	0.1
	c) from securities included in current assets which are not investments	5.8	12.8	3.7
	d) other income	43.7	58.3	23.6
	Total other financial income	49.6	71.3	27.5
<b>Total financial income</b>		<b>51.1</b>	<b>71.5</b>	<b>27.6</b>

# MEDIASET GROUP

## Consolidated income statement at 30 June 2001

(EUR millions)

INCOME STATEMENT		30/06/2001	31/12/2000	30/06/2000
17	interest and financial charges			
	a) subsidiary companies	-	-	-
	b) parent company	-	(0.1)	(0.1)
	c) Fininvest Group and Mediolanum Group companies	-	-	-
	d) other	(56.6)	(123.8)	(38.8)
	<b>Total interest and other financial charges</b>	<b>(56.6)</b>	<b>(123.9)</b>	<b>(38.9)</b>
	<b>TOTAL FINANCIAL INCOME AND (CHARGES) (C)</b>	<b>(5.5)</b>	<b>(52.4)</b>	<b>(11.3)</b>
<b>D) ADJUSTMENTS TO THE VALUE OF FINANCIAL INVESTMENTS</b>				
18	revaluations			
	a) investments	18.9	41.7	28.3
19	write-downs			
	a) investments	(62.7)	(31.7)	(22.3)
	<b>TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL INVESTMENT</b>	<b>(43.8)</b>	<b>10.0</b>	<b>6.0</b>
<b>E) EXTRAORDINARY INCOME AND (CHARGES)</b>				
20	income			
	a) gains on disposals	-	0.4	0.4
	b) other extraordinary income	0.8	0.7	0.5
	<b>Total extraordinary income</b>	<b>0.8</b>	<b>1.1</b>	<b>0.9</b>
21	charges			
	a) losses on disposals	(0.3)	(0.2)	-
	b) other extraordinary charges	(1.2)	(2.0)	(1.9)
	<b>Total extraordinary charges</b>	<b>(1.5)</b>	<b>(2.2)</b>	<b>(1.9)</b>
	<b>TOTAL EXTRAORDINARY INCOME AND (CHARGES) (E)</b>	<b>(0.7)</b>	<b>(1.1)</b>	<b>(1.0)</b>
	<b>Profit before taxation</b>	<b>450.3</b>	<b>648.0</b>	<b>465.6</b>
	Profit (loss) attributable to minority interests	0.2	0.1	0.1
	<b>GROUP PROFIT BEFORE TAXATION</b>	<b>450.1</b>	<b>647.9</b>	<b>465.5</b>
22	income taxes for the year			
	a) current taxation		292.6	
	b) deferred taxation		(68.2)	
	<b>Total income taxes for the year</b>		<b>224.4</b>	
26	<b>PROFIT (LOSS) FOR THE YEAR</b>		<b>423.5</b>	

# **Interim Report 2001**

Notes to the consolidated  
financial statements

***MEDIASET GROUP***



# **MEDIASET GROUP**

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## **Half year report at 30 June 2001 Notes to the consolidated financial statements**

### **FORM AND CONTENT**

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The consolidated financial statements at 30 June 2001 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 2001, 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 Councils of Professional Accountants and Bookkeepers.

As is allowed by aforementioned CONSOB deliberation, the 2001 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, as well as the balance sheets and income statements of those companies belonging to the joint-venture with the Kirch Group, for the 50% share belonging to the Mediaset Group.

Mediaset Ireland Ltd. and Epsilon TV Production S.r.l. have been consolidated at cost, rather than on a line-by-line basis, even though these are (directly and indirectly) controlled by Mediaset S.p.A., since these companies are inactive. Thasos GmbH, where the Mediaset Group holds a 50% stake within the aforementioned joint venture, has also been consolidated at cost, as it was not considered significant.

### ***MAIN CHANGES IN THE CONSOLIDATION AREA AND INVESTMENTS IN SUBSIDIARY AND AFFILIATED COMPANIES MADE IN THE FIRST HALF OF 2001***

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The following corporate operations took place during 2001:

- **Consorzio Aeromobili Fininvest:** on 19 March 2001, the General Meeting of the consortium approved a redistribution of the consortium stakes, which with respect to the Mediaset Group resulted in an increase from 45% to 48% .
- **Olivetti S.p.A.:** on 17 April 2001, Mediaset S.p.A. purchased a stake of about 0.5% of Olivetti S.p.A. share capital, in execution of the equity swap contract stipulated in the last quarter of 2000. This investment is valued at cost.

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

## **GROUP OPERATIONS AND REGULATORY FRAMEWORK**

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The bulk of the Mediaset Group's activities continue to take place in Italy, especially in the fields involving the production and sale of television programmes and the sale of advertising.

The first half of 2001 was marked by the final approval of the regulation (Law no. 66 of 20 March 2001) by means of which the legislator started the experimental phase of digital broadcasting, and fixed the 2006 deadline, by which the whole television system should migrate to the sole digital broadcasting technique.

Based on this law, the Authority body started a public survey with all operators, in order to define the most appropriate contents of the Regulation for the implementation of the law.

The aforementioned law and its regulations for the implementation should lead to a positive conclusion of the investigation carried out by the Authority body, regarding the development of satellite users, which should in turn provide information about the requirements envisaged in article 3 clause 7 of Law 249/97.

In May the Authority body approved the Regulation regarding the register of communication operators and in July it approved the Regulation regarding advertising.

The litigation regarding the Seat/Telecom/TMC case came to a conclusion before the Council of State which, considering no longer valid the limitation arising from article 4 clause 8 Law 249/97, delegated the Authority body to authorise the operation. However, the Authority body, in its deliberation regarding the authorisation, expressly reserved the right to carry out further investigation and verifications for the protection of pluralism and competition.

## **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 difference between acquisition cost and shareholders' equity reflected in the financial statements of subsidiaries at the time of their acquisition, net of any negative adjustments, is recorded as **difference arising from consolidation** and amortised using the methods indicated in the *valuation criteria*.

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 companies jointly owned with the Kirch Group within the Epsilon Joint-venture company are consolidated on a **proportional basis**, replacing the book value of investments in these companies with their assets and liabilities in line with the Group's share, which amounts to 50%.

The difference between acquisition cost and shareholders' equity reflected in the financial statements of subsidiaries at the time of their acquisition, net of any negative adjustments, is recorded as **difference arising from consolidation** and amortised using the methods indicated in the *valuation criteria*.

All unrealised intercompany receivables and payables, expenses and revenues and profits or losses are eliminated on a proportional basis.

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 2001 are, in general, the same as those used for the financial statements at 31 December 2000, 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 costs incurred by the parent company Mediaset S.p.A. for the private placement of its stock on the Electronic Trading System of the Italian Stock Exchange, almost entirely amortised, besides 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.

The straight-line amortisation method was adopted (except for sporting rights) 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 on a straight-line basis over 10 years.

**"Goodwill"** is recorded on the basis of the appraisal regarding the transfer of the Reteitalia S.p.A. business to Mediaset S.p.A. in 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.

**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**

In the case of finance leases for fixed assets, if their amount is large and the term is substantially shorter than the useful life of the relevant assets, their market value at the beginning of the lease is booked to fixed assets and depreciated.

If these conditions do not apply, lease payments are charged to the income statement on an accruals basis.

## **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 area foreign currencies were translated into Italian Lira using 30 June 2001 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. If written down, the lower value is not maintained in subsequent years if the reasons for the write-down no longer apply.

## **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 2001 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.

## **Dividends**

Dividends are recorded in the accounting period in which distribution is approved. The tax credit for dividends received is accounted for in the accounting period that such dividends are received.

## **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; those used to optimise financial income and charges are booked by recognising income and charges in the income statement on an accruals basis.

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## **ADDITIONAL INFORMATION**

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

### **Changeover to the Euro**

In the first half of 2001, Mediaset S.p.A. and its subsidiaries changed accounts into Euro, in line with the objectives included in the "Euro Project" which the Mediaset Group began in 1998.

This 2001 Consolidated Half Year Report is the first public document drafted in Euro by the Mediaset Group.

Tables and notes to this Consolidated Half Year Report are shown in Euro millions, to one decimal point and rounded to the nearest figure.

Values for a comparison with the previous period of reference have also been converted to Euros, always by means of rounding to the nearest one decimal point.

### **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

(values 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 and costs incurred for the flotation of the parent company at the stock exchange.

	30/06/2001	31/12/2000
Start-up and expansion costs	3.7	4.5
<b>Total</b>	<b>3.7</b>	<b>4.5</b>

The decrease in the first six months, of EUR 0.8 million, refers to amortisation quotas, EUR 0.1 million of which is for start-up costs of the Epsilon Group.

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 2001 was equal to EUR 3.4 million (EUR 3.3 million at 31 December 2000), include the capitalisation of consulting expenses for the creation of in-house information systems. Increases in the period, equal to EUR 0.6 million di euro represent the progress in this project, while decreases of EUR 0.5 million are attributable to amortisation quotas.

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

	30/06/2001	31/12/2000
Industrial patents and intellectual property rights	9.9	8.1
<b>Total</b>	<b>9.9</b>	<b>8.1</b>

During the period, increases totalled EUR 5.3 million, mainly as a result of software purchased, EUR 1.8 million of which regarded trade payments on account which were classified as **intangible assets under formation and advances** at 31 December 2000.

Decreases totalling EUR 3.5 million mainly related to amortisation quotas.

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

	30/06/2001	31/12/2000
Television rights	1,895.0	1,763.9
Trademarks	22.8	27.2
Concessions	0.1	0.1
<b>Total</b>	<b>1,917.9</b>	<b>1,791.2</b>

**Television rights:** in the period, there were investments of EUR 390.9 million (EUR 340.2 million in the first six months of 2000). EUR 50.6 million of advance payments previously made to suppliers were capitalised under this heading (classified under **intangible assets under formation and advances** at 31 December 2000), whose contracts were finalised, or production was completed during the period. EUR 12.6 million of these advances relate to contracts with Medusa Film S.p.A..

The overall balance at 30 June 2001 of the Group's share of rights owned by the Epsilon Group was EUR 13.9 million (EUR 13.9 million at 31 December 2000). These rights, which regard last showings (the so called *tail rights*) for movies currently exploited by others, are the guarantee on an *output deal* agreement between the Kirch Group and the distribution company of the independent US producer New Regency. Since these rights will become effective only in 2007, they did not generate any amortisation in the period.

Rights that have not come into effect yet amount on the whole to around EUR 611.8 million (around EUR 623.2 million at 31 December 2000).

In addition, around EUR 6.7 million (EUR 9.0 million at 31 December 2000) 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.

Decreases for the period of EUR 310.4 million were mainly due to amortisation totalling EUR 304.1 million (EUR 277.3 million in the first half of 2000), and the cancellation of prior year contracts of around EUR 6.3 million.

**Trademarks** includes network and television production trademarks. They increased by EUR 0.1 million during the period, and decreased by EUR 4.5 million, as a result of amortisation.

The revaluation of this category of assets by subsidiary company R.T.I. S.p.A. 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**.

**Goodwill** fell by EUR 2.1 million during the period as a result of amortisation. It consists of the goodwill recorded in 1994, following the transfer of the business activity of Reteitalia S.p.A. to Mediaset S.p.A.. Amortisation of this goodwill began in 1994 and will take 10 years, as explained in the section **valuation criteria**.

**Intangible assets under formation and advances**, amounted to EUR 116.6 million at 30 June 2001 (EUR 101.0 million at 31 December 2000). They mainly consist of payments made to suppliers for the acquisition or rights, advances paid for dubbing services, for options on the completion of programmes and production start-ups. This item includes EUR 37.5 million (EUR 45.8 million at 31 December 2000), paid to Medusa Film S.p.A., a Fininvest Group company operating in the film 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 65.6 million. They primarily consisted of advances paid to suppliers of rights, and advances paid for the production of long serial dramas (EUR 26,3 million). Medusa Film S.p.A. received advances for EUR 5.0 million.

Decreases amounted to EUR 50.0 million. They mainly resulted from completion of productions and the finalisation of contracts under negotiation at 31 December 2000; these balances were reclassified to **television rights** (EUR 50.6 million).

**Other intangible assets**, at 30 June 2001 amounted to EUR 9.7 million. They consist of the following:

- EUR 3.0 million regarding the 50% Group's share of the put option granted by the Kirch Group to Euroset Television S.a.r.l. This irrevocable and unconditioned option gives the company the right to sell by December 31, 2002, at a value equal to the initial investment plus interest, its shareholding in PKS GmbH, the holding company that held 59% of the Sat 1 Group and of Media 1 GmbH, and currently indirect holding company of a 16.53% stake in the newly established ProSiebenSat1MediaAg Group. This right of option is recorded in fixed assets and amortised based on duration, according to the number of months.
- EUR 6.7 million mainly regarding leasehold improvements (EUR 6.4 million at 31 December 2000).

Increases in the period, equal to EUR 2.6 million, are mainly attributable to works carried out on television posts, recording studios and leased premises. Decreases are mainly due to amortisation, totalling EUR 3.3 million. EUR 1.0 million of these are the amortisation of the put option on the Epsilon Group described before.

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

The balance at 30 June 2001, equal to EUR 67.2 million including the effects arising from the proportional consolidation of the Epsilon Group, can be analysed as follows:

- EUR 18.2 million represent the overall net goodwill generated on the Mediaset Group following acquisitions previous to the setting up of the Joint-venture company with the Kirch Group (EUR 20.1 million at 31 December 2000);
- EUR 80.5 million represent 50% of the overall goodwill generated following the establishment of the Epsilon Group, and precisely:
  - EUR 78.7 million from the goodwill recognised with respect to the accounting shareholders' equity of Beta Film GmbH;
  - EUR 1.8 million from the goodwill recognised with respect to the accounting shareholders' equity of Publieurope Ltd.;
- Minus EUR 31.5 million, deducted from the figures above; this item is the difference arising from the consolidation of Epsilon in Mediaset that corresponds to the surplus in the shareholders' equity quota of the Joint-venture company with respect to the percentage held by the Mediaset Group.

Increases for the year, 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 4.9 million included EUR 2.0 million of amortisation quotas of the goodwill generated before the Joint-venture agreement, and EUR 2.9 million of amortisation quotas of the goodwill of the Epsilon Group.

### **Tangible fixed assets**

Increases for the period were primarily 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 1.8 million;
- plant and machinery: EUR 18.9 million;

- industrial and commercial equipment: EUR 1.5 million;
- other tangible fixed assets: EUR 3.7 million.

Decreases for the period regarding these categories totalled EUR 20.1 million, and resulted from depreciation for the period, totalling EUR 19.2 million and disposals equal to EUR 0,9 million.

**Fixed assets under construction and payments on account** amounted to EUR 6.9 million, with a net decrease of EUR 5,2 million in the period. This decrease is mainly connected to the completion of projects to which advances at 31 December 2000 referred, mainly regarding the construction of the new studio in Cologno Monzese and digital editing for news programmes.

The balance includes EUR 0.4 million, arising from the proportional consolidation of the Epsilon Group and mainly related to industrial buildings and equipment.

### **Financial fixed assets**

#### **Investments**

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

	30/06/2001	31/12/2000
Affiliated companies:		
Gestevision Telecinco S.A.	243.3	246.6
Publiespana S.A.	46.1	45.1
PKS GmbH	111.5	113.6
Other companies:		
Albacom S.p.A.	50.8	72.1
<b>Total investments recorded using the net equity method</b>	<b>451.7</b>	<b>477.4</b>

The figure booked for these investments at 30 June 2001 reflects their valuation under the equity method as explained in greater detail in the comments on the Income statement.

As regards the investment in Albacom S.p.A., the General Meeting decided in the first six months of the year to request flotation on the market of its ordinary shares.

The following investments are valued at cost:

	30/06/2001	31/12/2000
Subsidiaries	0.1	0.1
Affiliated companies:		
Consorzio Aeromobili Fininvest	0.2	0.2
Other	1.5	1.5
Other companies		
Blu S.p.A.	30.4	69.7
Monarchy Holding (New Regency)	19.8	19.8
Olivetti S.p.A.	103.2	-
Other	10.0	10.1
<b>Total investments valued at cost</b>	<b>165.2</b>	<b>101.4</b>

In the first half of 2001, the following changes occurred:

- Olivetti S.p.A. : on 17 April 2001, the equity swap contract was implemented, regarding the purchase of a share of around 0.5% in Olivetti, for a value of EUR 103.2 million. This value has been included as such in the financial statements, since the current stock value, which reflects the negative trend in the industry, cannot be considered to be indicative of a durable loss for the company.
- Blu S.p.A.: the Extraordinary General Meeting held on 7 June 2001 decided, under article 2446 of the Italian Civil Code, to make up the losses resulting from the balance sheet at 31 March 2001 by means of a capital reduction. With respect to the subsequent cancellation of shares, the investment was written down by EUR 39.3 million. The write-down of losses incurred in the April-June 2001 quarter was not carried out based on prospect of a future increase in the investment value, also with a view to a possible rearrangement of the company shareholders.

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 year can be found in the Report on Operations.

### **Receivables**

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

**Receivables from other companies**, amounted to EUR 6.5 million at 30 June 2001 (EUR 6.6 million at 31 December 2000). It includes EUR 1.9 million in guarantee deposits made for leases and utilities and EUR 4.6 million due from taxation authorities for advance taxation paid on the Provision for employee severance indemnity.

Of the total balance, EUR 4.8 million is due after more than one year.

## Current assets

### Inventory

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

	Gross	Write-downs	30/06/2001 Net Value	31/12/2000 Net Value
Raw and ancillary materials, consumables	4.4	(2.6)	1.8	2.0
Work-in-progress and semi-finished products	3.1	-	3.1	3.2
Contracts in progress	-	-	-	0.3
Finished products and goods	17.2	(5.1)	12.1	12.9
<b>Total</b>	<b>24.7</b>	<b>(7.7)</b>	<b>17.0</b>	<b>18.4</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.

**Finished goods and products** primarily include:

- television productions held by R.T.I. S.p.A. totalling EUR 7.3 million (EUR 8.0 million at 31 December 2000), and productions for theme channels owned by Mediadigit S.p.A. for EUR 0.4 million;
- television broadcasting equipment and equipment for system construction purposes totalling EUR 4.0 million (EUR 4.6 million at 31 December 2000);

### Receivables

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

	Balance at 30/06/2001			Balance at 31/12/2000
	Total	Due		
		within 1 year	after 1 year	
Receivables from customers	791.7	788.3	3.4	651.1
Receivables from subsidiaries	8.3	8.3	-	12.6
Receivables from affiliated companies	0.7	0.7	-	3.2
Receivables from parent company	5.5	5.5	-	6.0
Receivables from Fininvest Group and Mediolanum Group companies	16.9	16.9	-	18.0
Other receivables	274.7	274.7	-	97.1
<b>Total</b>	<b>1,097.8</b>	<b>1,094.4</b>	<b>3.4</b>	<b>788.0</b>

### Trade receivables

	30/06/2001		
	Gross	Write-down	Net value
Receivables from customers due within one year	825.4	(37.1)	788.3
Receivables from customers due after one year	6.1	(2.7)	3.4
<b>Total</b>	<b>831.5</b>	<b>(39.8)</b>	<b>791.7</b>

**Trade receivables** primarily relate to the sale of advertising space to Italian clients (EUR 664.9 million net of the allowance for doubtful accounts; EUR 549.7 million at 31 December 2000). The balance at 30 June 2001 includes EUR 62.6 million of Epsilon Group's receivables mainly connected to rights distribution and advertising contracts. The remainder consists of receivables for the sale of rights and television productions and for the sale of radio and television equipment.

The allowance for doubtful accounts reflects adjustments to bring receivables in line with their estimated realisable value. During the six months, EUR 4.4 million of the allowance for doubtful accounts was utilised, mainly in respect of losses on receivables from advertising clients, while a further EUR 3,7 million was provided.

Receivables sold to factoring companies without recourse totalled EUR 159.9 million (EUR 234.5 million at 31 December 2000). Receivables not yet collected at 30 June 2001 amounted to EUR 66.7 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:

	30/06/2001	31/12/2000
Receivables from subsidiaries	8.3	12.6
Receivables from affiliated companies	0.7	3.2
Receivables from parent company	5.5	6.0
Receivables from Fininvest Group and Mediolanum Group companies	16.9	18.0
<b>Total</b>	<b>31.4</b>	<b>39.8</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** are exclusively attributable to the Epsilon Group and are due by Thasos GmbH to Beta Film GmbH because of rights sold to the former.

**Receivables due from affiliated companies** relate to Publiespana S.A. for recharged services (EUR 0.1 million) and for existing advertising contracts with the Epsilon Group (EUR 0.1million), to Gestevisión Telecinco S.A. mainly for the sale of rights (EUR 0.5 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 June 6, 1996, equal to EUR 5.2 million, and recharged services amounting to EUR 0.3 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:

	30/06/2001	31/12/2000
Due from taxation authorities	133.7	8.1
Advances to suppliers, temporary staff and agents	18.5	12.7
Advances to employees	2.0	1.2
Transfer of receivables	79.3	53.0
Other	41.2	22.1
<b>Total</b>	<b>274.7</b>	<b>97.1</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 33.8 million of overpayments for direct taxes relating to prior years, EUR 32.9 million of which have been brought forward, and EUR 0.9 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 94.5 million; at 31 December 2000 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 4.6 million, to suppliers, artists and other professionals for television productions amounting to EUR 9.7 million and to sundry suppliers amounting to EUR 4.2 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* includes EUR 21.0 million regarding the non-interest bearing loan given by shareholders to Albacom S.p.A. in proportion to their own stake, which will be reimbursed after the flotation. It also includes an EUR 10.4 million receivable from U.E.F.A. regarding the recovery of the 5% withholding tax applied on payments for the Champions League contract; with reference to the possibility of recovering this receivable, an equal amount was prudentially allocated to the provision for future risks.

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

### **Own shares**

This item include Mediaset S.p.A. shares purchased following the decisions taken by the General Meetings held on 20 April 2000 and 9 April 2001.

The value of own shares owned at 30 June 2001 amounts to EUR 27.5 million, equal to 2,710,700 shares; this value is recorded net of a EUR ITL 4.3 million write-down made in order to adjust the book value to the market valuation. During the six months, in order to stabilise the share trend, a total of 3,031,100 shares were purchased for EUR 32.9 million and 2,970,400 shares were sold for EUR 36.7 million. The economic effect of these operations generated net charges amounting to EUR 0.4 million.

## Other securities

this items amounts to EUR 199,7 million and includes:

- shares and bonds held by the subsidiary company Mediaset Investment S.a.r.l. and worth EUR 42.5 million, net of a write-down of EUR 2.7 billion to bring them in line with market value;
- investment fund units of EUR 157.2 million purchased by the subsidiary company Mediaset Investment S.a.r.l., net of a write-down of EUR 3.1 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:

	30/06/2001	31/12/2000
Bank and postal deposits	150.0	243.0
Cash in hand and cash equivalents	0.1	0.1
<b>Total</b>	<b>150.1</b>	<b>243.1</b>

The balance at 30 June 2001 includes EUR 6.0 million, corresponding to our share of liquid funds of the Epsilon Group.

## Net financial position

The net financial position of the Mediaset Group at 30 June 2001, compared with the position at 31 December 2000, is as follows:

	30/06/2001	31/12/2000
Liquid funds	150.1	243.1
Financial income and securities (which are not fixed assets)	227.2	228.3
<b>Total financial assets</b>	<b>377.3</b>	<b>471.4</b>
Due to banks	(644.2)	(337.4)
Due to other financial institutions:		
Factoring companies	-	(2.7)
Lease companies	(0.5)	(0.6)
Other	(6.7)	(5.4)
<b>Total financial liabilities</b>	<b>(651.4)</b>	<b>(346.1)</b>
<b>Net financial position</b>	<b>(274.1)</b>	<b>125.3</b>

*Financial liabilities* are shown above only for the purpose of reporting the net financial position of the Mediaset Group at 30 June 2001 and comparing it with that at 31 December 2000. The change over the period is largely due to investment charges and the payment of dividends and taxes, as analysed in the Report on Operations.

## Prepayments and accrued income

	30/06/2001	31/12/2000
Accrued income	10.0	7.0
Prepayments	12.2	10.4
<b>Total</b>	<b>22.2</b>	<b>17.4</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 2001.

The balance at 30 June 2001 also includes EUR 0.2 million generated by the consolidation of the Epsilon Group, which basically refer to the Group's share of Publieuros Ltd. and Publieurope International Ltd. advertising contracts.

**Prepayments** mainly relates bartering arrangements involving the subsidiary company Promoservice Italia S.r.l. for EUR 5.8 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 during the year are as follows:

### **Share capital**

At 30 June 2001, 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. The increase compared to 31 December 2000, equal to EUR 4.2 million, can be fully attributed to the rounding up of the par value of shares that proved necessary following the conversion from Lira to Euro. This was done by drawing the same amount from the extraordinary reserve.

### **Share premium reserve**

At 30 June 2001 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 2001 this reserve amounted to EUR 61.2 million (EUR 45.2 million at 31 December 2000). It increased during the period following the allocation of 5% of 2000 net profit of Mediaset S.p.A., as approved by the General Meeting held on 9 April 2001. This reserve is the same as that reported in the financial statements of the parent company.

### **Reserve for own shares**

At 30 June 2001 the reserve for own shares amounted to EUR 27.5 million. During the period, the company bought and sold 3,031,100 and 2,970,400 of its own shares, respectively.

### **Other reserves**

At 30 June 2001, other reserves amounted to EUR 110.5 million (EUR 85.5 million at 31 December 2000); the increase of EUR 25.0 million was mainly attributable to the following movements:

- decrease of EUR 4.2 million for the above mentioned share capital conversion operation;
- increase of EUR 20.4 million, deriving from the allocation of the net profit for 2000 as decided by the General Meeting of 9 April 2001;
- transfer of EUR 8.5 million from the reserve for own shares, following the disposal of own shares in the period;

- increase of EUR 0.4 million, equal to the amount directly included in the balance sheet, gross of deferred taxation, capital grants received in the first half of the year by subsidiary company Elettronica Industriale S.p.A.

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 2000 and decreased due to dividends paid during the period (EUR 283.2 million).

This item also includes the Mediaset Group's share of Epsilon Group's accumulated loss at December 31, 2000, equal to EUR 9.1 million.

### **Profit for the year**

This item includes the net profit for the period from 1 January to 30 June 2001, equal to EUR 450.1 million. As described in further detail in the Income statement section, this result includes a loss amounting to EUR 3.2 million which represents the share of the Epsilon Group's loss pertaining to the Mediaset Group.

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

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

	1/1/2001	Allocations	Uses	Other changes	30/06/2001
Provision for pension benefits and similar obligations	2.9	0.2	-	-	3.1
2. Provision for taxation:					
deferred taxes	(9.5)	-	-	-	(9.5)
current taxes	-	-	-	-	-
3. Other provisions	78.2	1.3	(45.3)	-	34.2
<b>Total</b>	<b>71.6</b>	<b>1.5</b>	<b>(45.3)</b>	<b>-</b>	<b>27.8</b>

**The reserves included in 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.

For most Group companies, tax years from 1995 onwards are still open to review for income tax purposes. Publitalia '80 S.p.A. has settled all periods up to and including 1990 by means of a tax amnesty and Mediaset S.p.A. has agreed open tax years for direct and in direct (VAT) taxes up to 1993, by

accepting a Tax settlement. The merged company Reteitalia Productions S.p.A. is excluded from this arrangement and its results are significant for tax purposes from 1990 onwards. Should Reteitalia S.p.A. (the grantor) prove to have failed to meet income tax requirements for the 1993 tax period, taxation authorities could proceed against the grantee to collect the amount due.

With regard to contingent tax liabilities, no provision has been made in the consolidated financial statements in relation to events preceding July 15, 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 4.8 million and requested reimbursement thereof from Fininvest S.p.A..

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

- reserve for litigation risks (EUR 7.0 million): 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 cases 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 (EUR 8.0 million): at the time being, the outcome of these disputes is uncertain and 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 June 6, 1996, as examined elsewhere in these explanatory notes;
- reserve for contractual risks (EUR 10.1 million): 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).

During the period, concomitantly with the execution of the equity swap contract connected to the purchase of the stake in Olivetti S.p.A., the provision for other risks was used, allocated for EUR 39.9 million at 31 December 2000.

Also for these types of risks, no provisions have been made for potential charges and liabilities regarding events prior to July 15, 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**.

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 1/1/2000</b>	<b>85.1</b>
Amount accrued and charged to income statement	10.2
Indemnities paid during the period and changes in the consolidation area	(6.0)
<b>Balance at 30/06/2001</b>	<b>89.3</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 30/06/2001				Balance at 31/12/2000
	Total	within 1 year	Due 1-5 years	after 5 years	
Payables without collateral:					
credit lines	637.7	635.5	1.5	0.7	336.7
overdraft	6.5	6.5	-	-	0.7
<b>Total</b>	<b>644.2</b>	<b>642.0</b>	<b>1.5</b>	<b>0.7</b>	<b>337.4</b>

The balance includes EUR 3.1 million that represent the Group's share of Epsilon Group payables.

### Due to other financial institutions

Amounts payable to other financial institutions totalled EUR 7.2 million at 30 June 2001. They include EUR 6.7 million of amounts due for *lending* operations on securities carried out by the subsidiary company Mediaset Investment S.a.r.l. and EUR 0.5 million due to leasing companies (EUR 0.6 million at 31 December 2000). The balance due concerns real estate leased for the television group and is entirely of a short-term nature.

### Advance payments received

This item, totalling EUR 3.3 million at 30 June 2001 (EUR 3.4 million at 31 December 2000), primarily consists of advance payments received from customers for advertising services to be provided.

### Trade accounts

The main components of this item, which totalled EUR 978.1 million at 30 June 2001 and the main changes since 31 December 2000 are analysed below:

	Balance at 30/06/2001				Balance at 31/12/2000
	Total	within 1 year	Due 1-5 years	after 5 years	
Trade payables	973.5	702.6	268.2	2.7	944.9
<b>Total</b>	<b>973.5</b>	<b>702.6</b>	<b>268.2</b>	<b>2.7</b>	<b>944.9</b>

- payables for the purchase of rights totalling EUR 684.0 million (EUR 645.9 million at 31 December 2000). This item includes a long-term element of EUR 270.9 million regarding the purchase of rights that have not yet taken effect;
- payables for the completion of television productions totalling EUR 141.2 million (EUR 160.4 million at 31 December 2000);
- payables to free-lance artists and professionals of the television group totalling EUR 34.4 million (EUR 38.7 million at 31 December 2000);
- payables to artists and professionals in the music group totalling EUR 0.2 million (EUR 0.9 million at 31 December 2000);
- payables to agencies and miscellaneous suppliers of the advertising group totalling EUR 48.4 million (EUR 44.1 million at 31 December 2000);
- payables for the purchase of miscellaneous goods and technical services totalling EUR 13.0 million (EUR 8.7 million at 31 December 2000);
- payables totalling EUR 52.3 million, representing the Mediaset Group's share, regarding rights distribution operations and the sale of advertising under licence agreements carried out by the Epsilon Group.

***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 30/06/2001			Balance at 31/12/2000
	Total	Due within 1 year	after 1 year	
Due to subsidiaries	-	-	-	-
Due to affiliated companies	0.4	0.4	-	1.1
Due to parent company	3.4	3.4	-	0.3
Due to Fininvest Group companies	26.7	26.7	-	31.8
<b>Total</b>	<b>30.5</b>	<b>30.5</b>	<b>-</b>	<b>33.2</b>

***Due to affiliated companies***

The balance at 30 June 2001, equal to EUR 0.4 million (Eur 1.1 million at 31 December 2000), includes trade payables to Gestelevision Telecinco S.A. and Publiespana equal to EUR 0.1 million, and amounts due to the Consorzio Aeromobili Fininvest amounting to EUR 0.3 million (EUR 0.4 million at 31 December 2000).

***Due to parent company***

At 30 June 2001, this sum amounted to EUR 0.5 million to be paid to the parent company Fininvest S.p.A., because of recharged services, and to EUR 2.9 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:

	30/06/2001	31/12/2000
Withholding tax on employees' wages and salaries	8.3	8.7
Current taxes	5.2	15.3
Withholding tax on dividends	-	-
VAT payables	18.8	1.8
Other payables	5.3	39.6
<b>Total</b>	<b>37.6</b>	<b>65.4</b>

The *liability for current taxes* at 30 June 2001 relates to foreign companies. The amount belonging to the Epsilon Group is of EUR 4.0 million.

### **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 2001 was analysed as follows:

	1st half 2001	1st half 2000
INPS	3.4	3.3
ENPALS	4.4	4.6
INPDAl e INPGI	1.5	1.8
FASI and FASDAC	0.1	0.1
Other	0.8	1.1
<b>Total</b>	<b>10.2</b>	<b>10.9</b>

### **Other sums payable**

This item may be analysed as follows:

	30/06/2001	31/12/2000
Personnel (holidays, Christmas bonus, etc.)	25.7	19.5
Employees	3.7	18.7
Participants in games and quiz shows		2.8
Emoluments to Directors and Statutory Auditors	1.0	0.8
Other	51.2	68.1
<b>Total</b>	<b>81.6</b>	<b>109.9</b>

*Amounts due to employees* include EUR 8.6 million for incentives accruing but not yet paid (EUR 13.2 million at 31 December 2000).

*Other sums payable* primarily include:

- EUR 9.2 billion (EUR 9.4 million at 31 December 2000), equal to the Mediaset Group's share of the amounts due by MiReg I GmbH, a subsidiary company of Euroset S.a.r.l., to Monarchy Holding, regarding the purchase of its stake in New Regency;
- EUR 17.9 million (EUR 16.2 million at 31 December 2000), equal to the Mediaset Group's share of the amounts due by MiReg II GmbH, a subsidiary company of Euroset S.a.r.l., to Monarchy Holding and connected to the acquisition of the package of rights of New Regency described in these notes in the section devoted to intangible fixed assets.
- EUR 2.9 million (EUR 5.7 million at 31 December 2000), regarding advance payments on options
- EUR 2.9 million (EUR 3.8 million at 31 December 2000), regarding the unpaid portion of share capital to the affiliated companies Blu S.p.A. and Euromedia Luxembourg Two S.A.

### **Accruals and deferred income**

At 30 June 2001 this item was analysed as follows:

	30/06/2001	31/12/2000
Accruals:		
forex	1.9	15.3
other accruals	10.6	5.3
<b>Total accruals</b>	<b>12.5</b>	<b>20.6</b>
Deferred income:		
long-term rentals	10.3	12.0
other deferred income	5.9	2.5
<b>Total deferred income</b>	<b>16.2</b>	<b>14.5</b>
<b>Total</b>	<b>28.7</b>	<b>35.1</b>

The balance of the item *other accruals* includes EUR 9.2 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 2001 the Group had outstanding guarantees given to third parties, primarily on behalf of affiliated companies, totalling EUR 202.3 million (EUR 188.4 million at 31 December 2000). The main element of these sureties is represented by the guarantee given to B.N.L. so that the company BLU S.p.A. could take part in the bid for the allocation of the UMTS licences, for an amount of EUR 185.9 million.

### 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 47.4 million (EUR 52.4 million at 31 December 2000) over the coming years. Long-term commitments also include EUR 0.6 million (EUR 0.8 million at 31 December 2000) of lease commitments, EUR 0.1 million of which regarding lease contracts stipulated by Publieurope International Ltd.;
- commitments for artistic services, television productions and press agency agreements totalling around EUR 93.6 million (EUR 127.7 million at 31 December 2000);
- 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 the level of investments it made in previous years and entail a total commitment of around EUR 900.9 million (EUR 1,020.6 million approx. at 31 December 2000), EUR 83.8 million of which with Medusa Film S.p.A.  
  
Beta Film GmbH has also commitments totalling EUR 153.5 million (EUR 153.5 million at 31 December 2000), regarding agreements stipulated prior to the Joint-venture; these commitments have been accepted jointly and severally with some companies belonging to the Kirch Group, which are not part of the Epsilon Group. Pursuant to the *Joint-venture Agreement* regarding the establishment of the aforementioned Joint-venture, Kirch Media KGaA shall keep Beta Film GmbH exempt from any detrimental effects that may arise to the latter from such commitments.
- commitments for financial foreign currency operations to hedge the exchange risk, and for the purchase and sale of securities, totalling EUR 1,107.7 million (EUR 1,403.7 million at 31 December 2000);
- commitments for the design and construction of the new Cologno Monzese studio and commitments for works and supplies to the company offices totalling EUR 10.5 million (EUR 9.9 million at 31 December 2000);
- commitments for long-term leases and rents totalling EUR 27.2 million (EUR 29.7 million at 31 December 2000).

## Contingencies

Contingencies include around EUR 2.6 million in equipment owned by third party companies which is stored at Mediaset Group companies.

At 30 June 2001 there were also EUR 0.9 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 June 30, 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 1995 financial statements.

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 2000, Fininvest S.p.A. is in compliance with the covenants indicated in the text of the aforementioned guarantee.

The following events were covered by the guarantee:

- with regard to expenses that have already been verified and recorded in the 2001 half year's report, Mediaset Group companies have requested Fininvest S.p.A. to receive compensation totalling EUR 3.1 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 11.8 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 0.5 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 1996, 1997, 1998, 1999, 2000 and in the first half of 2001 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:

	1st half 2001	1st half 2000
Television advertising	1,246.3	1,201.7
Printed advertising	0.5	1.8
Other advertising revenues	19.4	16.8
Rental of rights/programmes	10.2	6.7
Marketing of rights and television products	54.3	29.9
Sale of merchandise	3.4	2.7
Construction and maintenance of television equipment	8.7	8.4
Publishing revenues	2.6	-
Sales of records	-	0.2
Other	4.4	5.0
<b>Total</b>	<b>1,349.8</b>	<b>1,273.2</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 1,232.7 million, net of agency discount, over EUR 1,189.9 million in the first half of 2000, with a 3.6 % increase;

revenues from the resale of television time in exchange for goods carried out by Promoservice Italia S.r.l. Such revenues amounted to EUR 9.8 million (EUR 3.6 million in the first half of 2000);

- revenues from international advertising carried out by Publieurope International Ltd. within the Epsilon Group for EUR 3.8 million (EUR 6.1 million in the first half of 2000), representing the consolidated amount attributable to the Mediaset Group.

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 following:

- amounts included in the consolidation of the revenues from the distribution of television rights carried out by Beta Film GmbH, a company belonging to the Epsilon Group, for EUR 25.1 million (EUR 18.2 million in the first half of 2000);
- revenues from the sale to Stream S.p.A. of the rights of a few *Champions League* matches, equal to EUR 25.6 million ( EUR 1.8 million in the first half of 2000);

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 1.5 million (EUR 2.0 million

approx. in the first half of 2000) and sales and maintenance of television equipment to the Telepiù Group for around EUR 7.2 million (EUR 6.4 million approx. in the first half of 2000).

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

*Other revenues* include various revenues from the consolidation of the Epsilon Group, amounting to EUR 1.0 million (EUR 1.3 million in the first half of 2000).

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

This item shows a positive balance of EUR 0.9 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 26.3 million of the increase in the six months, totalling EUR 27.5 million, is due to the cost cuts pertaining to fiction production, which started in the second half of 2000; the remaining amount - EUR 1.2 million (EUR 1.5 million in the first half of 2000) - is due to cost capitalisation for the maintenance and operation of the signal broadcasting network.

### **Other revenues and income**

This item is made up as follows:

	Ist half 2001	Ist half 2000
Lighting service	3.0	2.8
Compensation from Fininvest S.p.A.	3.1	1.8
Other	13.8	7.7
<b>Total</b>	<b>19.9</b>	<b>12.3</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 law suits 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 2001	Ist half 2000
Raw, ancillary materials and supplies	8.9	14.2
Consumables	2.7	2.6
Advertising space	3.9	8.4
Other purchases	11.5	6.7
<b>Total</b>	<b>27.0</b>	<b>31.9</b>

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

- purchases of EUR 7.1 million (EUR 3.6 million in the first half of 2000) from the company that manages the merchandise barter operations. The increase arises from the increased 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 1.8 million (EUR 2.3 million in the first half of 2000).

The purchase of *advertising spaces* is entirely made up by the Mediaset Group's share of the cost incurred by Publieurope International Ltd., connected to the activities of advertising sub-rentals.

The main elements of *other purchases* are prizes for games and quiz shows for EUR 5.0 million (EUR 2.2 million in the first half of 2000) and purchases of materials for sets for EUR 5.7 million (EUR 3.7 million in the first half of 2000).

## Services

This item is made up as follows:

	1st half 2001	1st half 2000
Consultants, temporary staff and services	88.2	80.6
Emoluments to directors and statutory auditors	1.0	1.1
Fees and commissions	11.4	9.8
SIAE/AFI/SCF/IMAIE dues	34.0	30.9
Production services	81.0	43.5
Publishers' fees	25.6	21.6
Auditel	4.7	4.3
Advertising space and public relations	8.8	7.6
Maintenance costs	6.3	7.0
Travel expenses	5.7	5.1
Electricity, water and gas	5.8	5.0
Post and telephone expenses	3.4	3.9
EDP	10.0	7.2
Canteen, cleaning and security services	7.7	6.9
Research, training and other personnel expenses	0.8	0.7
Transportation and shipping	3.8	3.3
Bank charges and fees	0.1	0.5
Insurance	1.3	1.6
Other services	12.8	10.9
<b>Total</b>	<b>312.4</b>	<b>251.5</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 44.6 million (EUR 43.0 million in the first half of 2000), television filming for EUR 7.8 million (EUR 6.5 million in the first half of 2000) and journalism services equal to EUR 5.4 million (EUR 5.0 million in the first half of 2000);
- *emoluments to directors and statutory auditors*: include fees paid to directors totalling EUR 0.8 million (EUR 0.9 million in the first half of 2000) and statutory auditors amounting to EUR 0.2 million (EUR 0.2 million in the first half of 2000);
- *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);

- *publishers' fees*: this item includes the consolidated share of Beta Film GmbH operating costs within the Epsilon Group for EUR 18.2 million (EUR 14.5 million in the first half of 2000) as well as the rights paid for bill poster advertising and advertising in the Internet portals totalling EUR 7.4 million (EUR 7.1 million in the first half of 2000);
- *production services*: these increased by EUR 37.5 million over the first half of 2000 mainly as a result of the production of a new soap opera and - starting from the second half of 2000 - the capitalised costs for domestic drama production;
- *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:

	Ist half 2001	Ist half 2000
Real estate rentals	11.6	11.4
Royalties	8.6	6.7
Signal broadcasting and transmission	8.4	7.9
Rentals and leases	15.4	11.8
<b>Total</b>	<b>44.0</b>	<b>37.8</b>

*Real estate rentals* consist of lease payments for the companies' premises and signal broadcasting stations. Lease payments pertaining to the Group for the premises of the Epsilon Group amounted at 30 June 2001 to EUR 0.1 million (EUR 0.1 million in the first half of 2000).

*Royalties* primarily consist of recording royalties totalling EUR 0.9 million (EUR 0.7 million in the first half of 2000) and licensing royalties regarding television productions amounting to EUR 6.0 million (EUR 4.4 million in the first half of 2000); 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, with the exclusion of the companies consolidated by means of the proportional consolidation method (Epsilon Group):

Mediaset Group Workforce	01/01/2001	30/06/2001	Average
Managers	270	274	271
Middle managers	609	623	613
Office staff	3,141	3,116	3,134
Manual workers	70	64	66
Journalists	294	295	301
<b>Total (without Epsilon Group)</b>	<b>4,384</b>	<b>4,372</b>	<b>4,385</b>

This slight reduction compared to the end of the previous year is mainly due to the negative balance between leavers and starters during the six months.

As a consequence, personnel expenses for the workforce above decreased from EUR 150.7 million in the first half of 2000 to EUR 148.6 million in the first half of 2001. The decrease therefore amounts to EUR 2.1 million (-1.4%).

Personnel expenses - which do not include the effect of the Epsilon Group - can be broken down as follows:

	Ist half 2001	Ist half 2000
Ordinary pay	76.6	73.4
Overtime	3.0	2.8
Special benefits	11.7	13.0
Christmas and summer bonuses	11.1	10.8
Accrued holiday pay	5.0	4.7
<b>Total wages and salaries (without Epsilon Group)</b>	<b>107.4</b>	<b>104.7</b>
Social security contributions	30.6	31.9
Employee severance indemnity	10.1	9.8
Pension benefits and similar obligations	0.3	0.3
Other expenses	0.2	4.0
<b>Total personnel expenses (without Epsilon Group)</b>	<b>148.6</b>	<b>150.7</b>

As to the Epsilon Group, at 30 June 2001, the employees amounted to 65, located in the operating companies Betafilm (43 employees) and Publieurope (22 employees). The average for the semester is 64 employees.

Personnel expenses attributable to the Mediaset Group in line with its share, i.e. equal to 50% of the overall figure, amount to EUR 1.2 million (EUR 1.0 million in the first half of 2000).

### ***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**.

The overall amount of amortisation, depreciation and write-downs at 30 June 2001 includes the effect arising from the proportional consolidation of the Epsilon Group, shown below.

As to **intangible assets** the amounts regarding the Joint-venture refer to the following categories:

- **start-up and expansion costs**, equal to EUR 0.1 million, for the capitalisation of establishment cost and for the registration duty on the capital increases of Euroset S.a.r.l. and Euroset Television S.a.r.l.;
- **other intangible assets**, equal to EUR 1.0 million, regard the amortisation of the put option granted by the Kirch Group to Euroset Television S.a.r.l., as is described in the section of these notes regarding intangible fixed assets;
- **differences arising from consolidation**, equal to EUR 2.9 million, as overall net goodwill amortisation that the Joint-venture operation determined on the Mediaset Group, details about which are provided in the relevant section of these notes.

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**, which are shown net of utilisations, 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 2001 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:

	1st half 2001	1st half 2000
Television concession fee	9.2	8.2
Tax charges	2.2	1.9
Other	7.9	12.1
<b>Total</b>	<b>19.3</b>	<b>22.2</b>

### **Financial income and charges**

This item may be analysed as follows:

	1st half 2001	1st half 2000
<b>Income from equity investments</b>		
Dividends	1.5	0.1
<b>Other financial income:</b>		
From receivables included in fixed assets	0.1	0.1
From securities included in fixed assets	-	0.1
From securities included in current assets	5.8	3.7
<b>Other income:</b>		
Interest on bank accounts and deposits	2.5	3.5
Foreign exchange gains	36.4	16.1
Interest on trade receivables	0.3	0.3
Other	4.5	3.7
<b>Total income</b>	<b>51.1</b>	<b>27.6</b>
<b>Interest and financial charges:</b>		
Interest on bank overdrafts	-	(1.2)
Interest on short-term loans	(9.9)	(3.6)
Foreign exchange losses - third parties	(37.3)	(25.4)
Interest on advances and discount	(0.2)	(0.4)
Interest on trade payable	-	(0.1)
Other financial charges	(9.2)	(8.2)
<b>Total charges</b>	<b>(56.6)</b>	<b>(38.9)</b>
<b>Total financial income and charges</b>	<b>(5.5)</b>	<b>(11.3)</b>

**Income from investments** includes 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 1.6 million (EUR 1.3 million in the first half of 2000), and gains deriving from financial operations on other securities amounting to EUR 2.7 million.

**Foreign exchange gains and foreign exchange losses** resulted in a net loss of EUR 0.9 million (EUR 9.3 million loss in the first half of 2000). Among the losses, EUR 21.9 million regard the restatement at market price of foreign exchange financial positions at the end of the period. These positions are subject to long-term hedging operations, whose economic effect will emerge in the next few years.

The contribution to the balance of the Epsilon Group, showing a loss of EUR 2.2 million, results from the valuation of the Betafilm GmbH's indebtedness in US dollars, and the amount payable by MiReg I GmbH and MiReg II GmbH to Monarchy Holding, as is described in the section of these notes regarding **other sums payable**.

**Other financial charges** include costs connected to the stabilisation of Mediaset stocks for EUR 1.1 million, charges on securities trading for EUR 2.1 million, losses on the sale of securities held by Mediaset Investment S.a.r.l. for EUR 1.2 million, and unrealised charges, determined by the restatement at market price of Mediaset S.p.A. own shares for EUR 4.3 million (EUR 5.7 million in the first half of 2000).

## **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:

- income of EUR 28.9 million representing the change in the shareholders' equity of the companies belonging to the Telecinco Group, with respect to the Group's share; the dividend totalling EUR 21.2 million received by the Group has been reclassified to this item;
- a charge of EUR 10.0 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. by means of the net equity method, and the effect on the Mediaset Group arising from the valuation by means of the net equity method of PKS GmbH, holding company of the investment in Sat 1 GmbH and Media 1 GmbH. The balance at 30 June 2001 therefore includes:

- the portion of losses of Albacom S.p.A. pertaining to the Group, equal to EUR 20.2 million;
- the amortisation of Albacom S.p.A. goodwill, equal to EUR 1.1 million;
- the portion of profits of the PKS /Sat 1/ProSieben Group pertaining to the Mediaset Group, equal to EUR 2.4 million;
- the amortisation of PKS goodwill on the Epsilon Group pertaining to the Mediaset Group, equal to EUR 4.5 million.

This item at 30 June 2001 also includes EUR 39.3 million regarding the write-down by the subsidiary Mediaset Investment S.a.r.l. of the shareholding in Blu S.p.A., following the cancellation of shares due to the settlement of losses at 31 March 2001, a decision based on art.2446 c.c. and taken during the Shareholders' Extraordinary Meeting dated 7 June 2001.

## Extraordinary income and charges

The above item may be analysed as follows:

	1st half 2001	1st half 2000
<b>Income:</b>		
Gains on disposals	-	0.4
Out-of-period income	0.8	0.5
<b>Charges:</b>		
Losses on disposals	(0.3)	-
Out-of-period expenses	(1.2)	(1.9)
<b>Extraordinary income and (charges)</b>	<b>(0.7)</b>	<b>(1.0)</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 2001;
- analysis of changes in intangible assets at 30 June 2001;
- analysis of changes in tangible assets at 30 June 2001;
- analysis of changes in financial assets at 30 June 2001;
- consolidated cash flow statement for the periods ended 30 June 2001 and 30 June 2000;
- reconciliation between shareholders' equity and period results for Mediaset S.p.A. with consolidated data for the periods ended 30 June 2001 and 30 June 2000;
- list of companies included in the consolidated financial statements at 30 June 2001.

**Analysis of changes in shareholders' equity  
at 30 June 2001**

*(valori in milioni di euro)*

	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 31/12/2000</b>	<b>610.0</b>	<b>739.7</b>	<b>45.2</b>	<b>36.0</b>	<b>85.5</b>	<b>447.6</b>	<b>423.5</b>	<b>2,387.5</b>
Issue:								
rights issue	-	-	-	-	-	-	-	-
bonus issue	-	-	-	-	-	-	-	-
Allocation of 2000 net income	-	-	16.0	-	20.4	387.1	(423.5)	-
Dividends paid on 2000 profits	-	-	-	-	-	(283.2)	-	(283.2)
Other changes:								
purchase of own shares	-	-	-	(8.5)	8.5	-	-	-
changeover to EUR	4.2	-	-	-	(4.2)	-	-	-
capital contributions/other changes ***	-	-	-	-	0.2	0.2	-	0.4
Profit/(loss) for the year	-	-	-	-	-	-	450.1	450.1
<b>Balance at 30/06/2001</b>	<b>614.2</b>	<b>739.7</b>	<b>61.2</b>	<b>27.5</b>	<b>110.5</b>	<b>551.8</b>	<b>450.1</b>	<b>2,555.0</b>

**Analysis of changes in intangible assets  
at 30 June 2001**

*(valori in milioni di euro)*

	Opening balance at 31/12/2000	Changes during the year					Closing balance at 30/06/2001
		Purchases	Other changes	Disposals	Amortisation, depreciation and write-downs	Changes in the consolidation area	
Start-up and expansion costs	4.5	-	-	-	(0.8)	-	3.7
Research, development and advertising costs	3.3	0.6	-	-	(0.5)	-	3.4
Patents and intellectual property rights	8.1	3.5	1.8	(0.2)	(3.3)	-	9.9
Television rights	1,763.9	390.9	44.3	-	(304.1)	-	1,895.0
Brands	27.2	0.1	-	-	(4.5)	-	22.8
Concessions	0.1	-	-	-	-	-	0.1
Goodwill	12.5	-	-	-	(2.1)	-	10.4
Intangible assets in progress and advance payme	101.0	65.6	(50.0)	-	-	-	116.6
Other intangible assets	10.4	2.5	0.1	-	(3.3)	-	9.7
Differences arising from consolidation	71.9	0.1	-	-	(4.9)	-	67.2
<b>Total</b>	<b>2,002.9</b>	<b>463.3</b>	<b>(3.8)</b>	<b>(0.2)</b>	<b>(323.4)</b>	<b>-</b>	<b>2,138.8</b>

**Analysis of changes in tangible assets  
at 30 June 2001**

*(valori in milioni di euro)*

	Opening balance at 31/12/2000	Changes during the year					Closing balance at 30/06/2001
		Purchases	Other changes	Disposals	Amortisation, depreciation and write-downs	Changes in the consolidation area	
Land and buildings	57.6	1.8	2.0	(0.1)	(1.3)	-	60.0
Plant and machinery	108.5	18.9	4.6	(0.3)	(14.1)	-	117.6
Industrial and commercial equipment	17.6	1.5	0.2	(0.3)	(1.6)	-	17.4
Other tangible assets	15.4	3.7	0.1	(0.2)	(2.2)	-	16.8
Assets under construction and advance paymer	12.1	3.5	(8.7)	-	-	-	6.9
<b>Total</b>	<b>211.2</b>	<b>29.4</b>	<b>(1.8)</b>	<b>(0.9)</b>	<b>(19.2)</b>	<b>-</b>	<b>218.7</b>

**Analysis of changes in financial assets  
at 30 June 2001**

*(valori in milioni di euro)*

	Opening balance at 31/12/2000	Changes during the year			Other changes	Closing balance at 30/06/2001
		Purchases and increases	Decreases	(Write-downs) write-ups		
<b>Investments</b>						
Subsidiary companies:						
valued at cost	0.1	-	-	-	-	0.1
Affiliated companies:						
valued at cost	1.7	-	-	-	-	1.7
recorded using the equity method	405.4	-	-	(4.4)	-	401.0
Other companies:						
valued at cost	99.5	103.2	-	(39.3)	-	163.4
recorded using the equity method	72.1	-	-	(21.4)	-	50.7
<b>Total</b>	<b>578.8</b>	<b>103.2</b>	<b>-</b>	<b>(65.1)</b>	<b>-</b>	<b>616.9</b>

**Consolidated cash flow statement for the periods  
ended 30 June 2001 and 30 June 2000**

(EUR millions)

	30/06/2001	30/06/2000
Net profit for the period	450.1	465.5
Amortisation, depreciation and write-downs	407.8	321.1
Provisions, net	(43.8)	0.1
Changes in net shareholders' equity attributable to minority interests	-	(0.1)
<b>Cash flow from operations</b>	<b>814.1</b>	<b>786.6</b>
Change in receivables	(325.0)	(297.7)
Change in prepayments and accrued income	(4.8)	(5.4)
Change in payables	1.5	90.3
Change in accruals and deferred income	(6.5)	10.2
Change in inventory	1.3	4.5
Change in tax payables	(27.8)	(122.0)
Change in employee severance indemnity	4.2	1.1
Change in other assets/liabilities	(0.3)	14.0
<b>Change in working capital and other assets/liabilities</b>	<b>(357.4)</b>	<b>(305.0)</b>
<b>Cash generated by operations</b>	<b>456.7</b>	<b>481.6</b>
Revenues from the sale of intangible assets	0.2	0.7
Revenues from the sale of tangible assets	1.0	2.9
Revenues from the sale of financial assets	-	1.1
<b>Total revenues from disposals</b>	<b>1.2</b>	<b>4.7</b>
<b>Total cash generated during the period</b>	<b>457.9</b>	<b>486.3</b>
Investments in rights	(435.2)	(353.4)
Investments in intangible assets	(8.7)	(1.3)
Investments in tangible assets	(27.6)	(30.8)
Investments in financial assets	(103.2)	(2.8)
<b>Total cash (invested) during the period</b>	<b>(574.7)</b>	<b>(388.3)</b>
<b>Changes in the consolidation area</b>	<b>-</b>	<b>(21.6)</b>
Rights issue	-	2.7
Dividends paid	(283.2)	(216.2)
Other changes in shareholders' equity	0.6	-
<b>Change in Group shareholders' equity</b>	<b>(282.6)</b>	<b>(213.5)</b>
<b>Change in net financial position</b>	<b>(399.4)</b>	<b>(137.1)</b>
Liquid funds/short-term securities	471.3	341.6
Financial receivables from Fininvest Group	-	-
Financial payables to banks/other financial institutions	(346.0)	(166.1)
<b>Opening net financial position</b>	<b>125.3</b>	<b>175.5</b>
Liquid funds / short-term securities	377.3	437.1
Financial receivables from Fininvest Group	-	-
Financial payables to banks/other financial institutions	(651.4)	(398.7)
<b>Closing net financial position</b>	<b>(274.1)</b>	<b>38.4</b>
<b>Change in net financial position</b>	<b>(399.4)</b>	<b>(137.1)</b>

**Reconciliation between shareholders' equity and period results for Mediaset S.p.A.  
with consolidated data for the periods ended 30 June 2001 and 30 June 2000**

*(EUR millions)*

	Shareholders' equity at 30/06/2001	Gross earnings the period ended 30/06/2001	Shareholders' equity at 30/06/2000	Gross earnings the period ended 30/06/2000
<b>As per balance sheet and income statement of Mediaset S.p.A.</b>	<b>1,882.2</b>	<b>337.8</b>	<b>1,792.7</b>	<b>284.8</b>
Excess of shareholders' equity, including income for the year over book value of investments in subsidiary and affiliated companies	829.1	588.8	559.1	483.0
Consolidation adjustments arising from:				
Elimination of adjustments and provisions solely of a tax nature and adoption of Group accounting policies	(29.3)	(482.0)	214.2	(305.9)
Elimination of unrealised intra-group gains / losses	(25.3)	5.7	(35.4)	3.7
Deferred taxation	(97.6)	-	(96.9)	-
Other adjustments	(2.3)	-	(2.3)	-
<b>Total</b>	<b>2,556.8</b>	<b>450.3</b>	<b>2,431.4</b>	<b>465.6</b>
Profit (loss) attributable to minority interests	(1.8)	(0.2)	(1.8)	(0.1)
<b>As per consolidated financial statements</b>	<b>2,555.0</b>	<b>450.1</b>	<b>2,429.6</b>	<b>465.5</b>

## List of companies included in the consolidated financial statements at 30 June 2001

(millions)

Companies consolidated on a line-by-line basis	Registered office	Currency	Share capital	% held by Group
Mediaset S.p.A.	Milan	EUR	614.24	-
Publitalia '80 S.p.A.	Milan	EUR	52.00	100.00%
Promoservice Italia S.r.l.	Milan	EUR	2.08	100.00%
R.T.I. S.p.A.	Rome	EUR	56.69	100.00%
Mediatrade S.p.A.	Milan	EUR	26.00	100.00%
Videotime S.p.A.	Milan	EUR	52.01	97.83%
Elettronica Industriale S.p.A.	Lissone (Milan)	EUR	5.17	100.00%
RTI Music S.r.l.	Milan	EUR	0.26	100.00%
International Media Services Ltd. in liquidation	Malta	ITL	100.00	99.99%
Mediaset Investment S.a.r.l.	Luxembourg	EUR	67.65	100.00%
Mediadigit S.p.A.	Milan	ITL	11,000.00	100.00%
Companies consolidated with the proportional method	Registered office	Currency	Share capital	% held by Group
* Euroset S.a.r.l.	Luxembourg	ITL	100,000	50.00%
* Euroset Television S.a.r.l.	Luxembourg	ITL	100,000	50.00%
* Publieuros Ltd.	London	GBP	5	50.00%
* Publieurope International Ltd.	London	GBP	0.6	50.00%
* Beta Film GmbH	Munich	DM	0.05	50.00%
* Beta International GmbH	Munich	DM	0.05	50.00%
* MiReg I GmbH	Munich	DM	0.05	50.00%
* MiReg II GmbH	Munich	DM	0.05	45.20%
Companies recorded using the equity method	Registered office	Currency	Share capital	% held by Group
Albacom S.p.A.	Rome	EUR	277.15	19.50%
Gestelevision Telecinco S.A.	Madrid	pesetas	15,394	40.00%
Publiespana S.A.	Madrid	pesetas	100	40.00%
* PKS GmbH	Munich	DM	1	24.50%
* Sat I GmbH	Berlin	DM	200	14.45%
* Media I GmbH	Berlin	DM	1	14.45%
* ProSiebenSat1 MediaAg	Berlin	DM	1	4.05%
Companies valued at cost	Registered office	Currency	Share capital	% held by Group
Auditel S.r.l.	Milan	EUR	0.30	30.00%
Beigua S.r.l.	Milan	ITL	99	24.50%
Blu S.p.A.	Naples	ITL	653,570	9.00%
Class Financial Network S.p.A.	Milan	ITL	1,207	9.94%
Consorzio Aeromobili Fininvest (Cafin)	Milan	EUR	0.52	48.00%
Consorzio Servizi Vigilanza	Milan	EUR	0.52	8.95%
E.I.S. S.p.A.	Sesto S. Giovanni (Milan)	ITL	1,000	10.00%
Epsilon TV Production S.r.l.	Milan	EUR	0.01	100.00%
Euromedia Luxembourg Two S.a.	Luxembourg	USD	42.5	11.76%
Mediaset Ireland Ltd.	Dublin	ITL	0.1	100.00%
* Mercury Film GmbH	Munich	DM	1	25.00%
* Monarchy Holding	USA	USD	0.05	1.98%
Olivetti S.p.A.	Ivrea	EUR	7,283	0.55%
Radio e Reti S.r.l.	Milan	ITL	500	10.00%
Società Consortile Fonografici per Azioni	Milan	EUR	0.5	12.50%
* Thasos GmbH	Munich	DM	0.05	50.00%
TV Breizh S.A.	Boulogne (France)	EUR	15	13.00%
Veleno S.p.A.	Milan	EUR	5	24.00%

\* companies belonging to the Epsilon Group