



*Report on Operations
in the first quarter of 2006*

MEDIASET GROUP

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

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

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

Internet site: www.mediaset.it

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CORPORATE BOARDS

Board of Directors	Chairman	Fedele Confalonieri
	Deputy Chairman	Pier Silvio Berlusconi
	CEO	Giuliano Adreani
	Directors	Marina Berlusconi Pasquale Cannatelli Paolo Andrea Colombo Mauro Crippa Bruno Ermolli Luigi Fausti Marco Giordani Alfredo Messina Gina Nieri Carlo Secchi Attilio Ventura
Executive Committee		Fedele Confalonieri Pier Silvio Berlusconi Giuliano Adreani Gina Nieri
Internal Control Committee		Luigi Fausti (<i>Chairman</i>) Alfredo Messina Carlo Secchi
Remuneration Committee		Bruno Ermolli (<i>Chairman</i>) Paolo Andrea Colombo Attilio Ventura
Governance Committee		Attilio Ventura (<i>Chairman</i>) Paolo Andrea Colombo Luigi Fausti
Board of Statutory Auditors	Chairman	Achille Frattini
	Acting Auditors	Francesco Antonio Giampaolo Riccardo Perotta
	Substitute Auditors	Giancarlo Povoleri Francesco Vittadini
Independent Auditors		Deloitte & Touche S.p.A.

MEDIASET GROUP: FINANCIAL HIGHLIGHTS (*)

Main income statement data

2005 full year			1st quarter 2006		1st quarter 2005	
mio €	%		mio €	%	mio €	%
3,678.0	100%	Consolidated net revenues	955.2	100%	910.7	100%
2,748.1	74.7%	Italy	728.1	76.2%	697.4	76.6%
931.1	25.3%	Spain	227.8	23.8%	213.3	23.4%
1,201.0	100%	Operating profit	264.3	100%	300.9	100%
787.8	65.6%	Italy	162.7	61.6%	207.7	69.0%
413.3	34.4%	Spain	101.6	38.4%	93.1	30.9%
1,244.1	33.8%	EBIT Mediaset Group	265.6	27.8%	344.0	37.8%
1,202.2	32.7%	EBT and minority interests	261.5	27.4%	343.3	37.7%
603.4	16.4%	Mediaset Group net profit	145.1	15.2%	198.7	21.8%

Main balance sheet/financial data

31/12/2005		31/03/2006	31/03/2005
mio €		mio €	mio €
3,237.0	Net invested capital	3,205.0	2,928.3
2,879.0	Total Shareholders' Equity	3,090.1	3,346.1
2,593.9	Group Shareholders' Equity	2,765.9	3,073.7
285.1	Minority Shareholders' Equity	324.2	272.4
(358.0)	Net financial position	(114.9)	417.8
1,606.8	Free cash flow (**)	407.8	399.2
1,145.7	Investments	740.3	250.6
448.8	Dividends paid by Mediaset S.p.A.	-	-
86.0	Dividends paid by subsidiaries	-	-

Personnel

2005 full year			1st quarter 2006		1st quarter 2005	
	%			%		%
5,844	100.0%	Mediaset Group employees (end-of-period)	5,856	100.0%	5,697	100.0%
4,671	79.9%	Italy	4,697	80.2%	4,487	78.8%
1,173	20.1%	Spain	1,159	19.8%	1,210	21.2%
5,798	100.0%	Mediaset Group employees (average)	5,847	100.0%	5,689	100.0%
4,613	79.6%	Italy	4,681	80.1%	4,482	78.8%
1,185	20.4%	Spain	1,166	19.9%	1,207	21.2%

Main indicators

2005 full year			1st quarter 2006		1st quarter 2005	
32.7%	Operating profit/Net revenues		27.7%		33.0%	
28.7%	Italy		22.3%		29.8%	
44.4%	Spain		44.6%		43.6%	
33.8%	EBIT/Net revenues		27.8%		37.8%	
32.7%	EBT and minority interests/Net revenues		27.4%		37.7%	
16.4%	Mediaset Group net profit/Net revenues		15.2%		21.8%	
0.51	EPS (euro per share)		0.13		0.17	
0.51	diluted EPS (euro per share)		0.13		0.17	

REPORT ON OPERATIONS IN THE FIRST QUARTER OF 2006

Summary of the Group's results as at March 31st, 2006

Here follows a summary of the main results achieved by the Mediaset Group as at March 31st, 2006 compared to the figures in the same period of 2005:

- **consolidated net revenues** amounted to **EUR 955.2 million**, with a **4.9%** increase;
- **EBIT** amounted to **EUR 265.6 million** and recorded a decrease of EUR 78.4 million compared to the same period of the previous year that, among other things, had benefited from a non recurring income of EUR 43.1 million originated by the sale of a 1.9% stake in Gestevisión Telecinco. **EBIT** represented a **27.8%** ratio on net revenues compared to the 37.8% recorded in the same period of 2005; EBITDA, gross of income generated by disposals of equity investments, amounted to 27.7% of net revenues compared to the 33.0% in the first quarter of 2005;
- **Earnings before tax and minority interest** amounted to **EUR 261.5 million** compared to EUR 343.3 million in the first quarter of 2005;
- The **net profit pertaining to Group operations** amounted to **EUR 145.1 million** compared to EUR 198.7 million at March 31st, 2005;
- **Consolidated net financial position** increased from EUR -358.0 million at December 31st, 2005 up to **EUR -114.9 million** at March 31st, 2006 with a EUR 243.1 million free cash flow for the period. More specifically, **free cash flow** from Group's operations, gross of changes related to investments or divestments of equity and own shares, amounted to **EUR 167.0 million**, with a EUR 124.9 million decrease compared to the same period of 2005, mainly due to the outflows recorded in the period as a consequence of the purchase of options agreements on encrypted rights for the 2009/2010 season of some important "Serie A" premier league italian football clubs.

Analysis of results by geographical segments: Italy

- In the first quarter of 2006 **consolidated net revenues** from Group's operations in Italy reached **EUR 728.1 million** with a 4.4% increase over the same period of the previous year.
- **EBIT** totalled **EUR 164.0 million**, decreasing from EUR 248.7 million recorded at March 31st, 2005. This result had already been positively impacted by the above-mentioned capital gains from the sale of a 1.9% stake in Gestevisión Telecinco; net of this item, **operating profitability** went down to **22.5%** compared to 35.7% in the first quarter of 2005.

The decrease in operating profit recorded in the first quarter of the year compared to the same period of 2005 is mainly attributable, despite the positive trend recorded by advertising sales, to the large investments in television rights and in-house productions for the generalist free-to-air television channels, which were planned in the first quarter of the year in order to strengthen the programme schedules in the first three months of the year. The decision of strengthening programme schedules was made to prevent a structurally weak market situation from the point of view of advertising sales in the second quarter of 2006. That situation is attributable to

the presence of some events such as Easter Holidays, Italian political elections and, particularly for Mediaset, the World Football Championship broadcasted in June by RAI, that make Mediaset offer less appealing for advertising investors.

For this reason, the more dynamic performances expected in the second part of the year in advertising sales, partly as a consequence of a progressive recover of consumption, should make possible the reach of the economic results expected in the year.





During the first quarter of 2006 the **advertising sales of Publitalia '80 on Mediaset networks** grew by **2.3%**, thus reaching **EUR 776.8 million**, a definitely positive result which was obtained in an advertising market that in the first quarter of 2006 slowed down its performances compared to the same of previous year, particularly in the mass consumption segment which represents a significant share of the television advertising investments.

In the first three months of 2006, audience shares showed an increase in figures referring to the television consumption trends. The total full day **audience share** almost reached ten and a half million of TV viewers, a figure that is growing over the same period of 2005 (+1.7%) recording in March a 2.7% increase.

Mediaset Networks closed the first quarter of 2006 recording a Full Day share of 41.3%, a Day Time share of 41.0% and a Prime Time share of 42.1%.

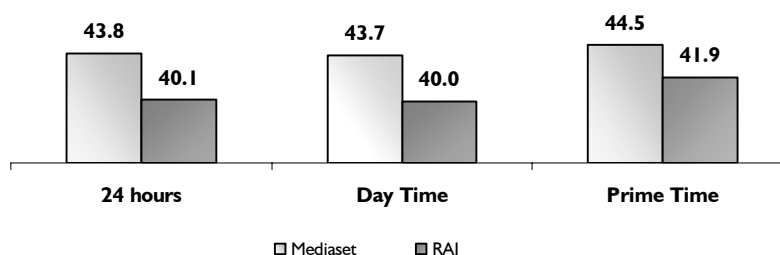
These audience shares are particularly positive considering that the programme schedules during the entire month of February were dominated by the Winter Olympic Games in Turin broadcasted by RAI networks.

Here follows the results reached by single networks during the period in object:

Share individuals - 1st quarter 2006	24 hours	Prime Time	Day Time 7:00-2:00
	22.9%	23.9%	22.7%
	10.4%	10.5%	10.3%
	8.0%	7.7%	8.0%
	41.3%	42.1%	41.0%

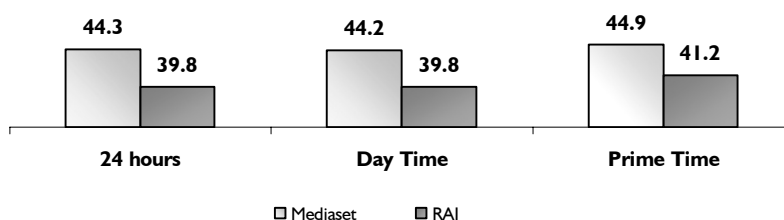
Considering the results obtained in the first three months in the commercial target group going from 15 to 64 years, the leadership of Mediaset Networks over RAI was further strengthened.

1st QUARTER 2006: % SHARE TARGET 15-64 years



In the first two months of the Spring 2006 television season (from January, 29th to March 3rd, excluding the week of the Sanremo Music Festival), Mediaset recorded a 24 hours audience share of 41.6%, a Day Time share of 41.3% and a Prime Time share of 42.6%. In the same period, Mediaset confirmed its leading position in all the time brackets for the 15-64 year target group .

SPRING 2006: % SHARE TARGET 15-64 years



Among the programmes that contributed to the season's primacy of Canale 5 in terms of audience share, it is worth mentioning: *La fattoria* (24.5%), *Grande fratello 6* (31%), *Zelig Circus* (26.9%), *La corrida* (26.8%), *Amici Di Maria De Filippi* (24.1%). As Italia 1 results concern, excellent performances were recorded by new Prime Time productions such as *Il Mercante in fiera* and *Distraction*. Among the movies broadcasted by Rete 4, there were *The Pacemaker*, *The vanishing*, *Minuti contati*, *La prossima vittima*, *Il conte di Montecristo*, which have been watched by over two and a half million TV viewers.

At March 31st, 2006, RTI S.p.A. produced about **50.4%** of the **television programmes** broadcasted by Mediaset Networks. Over the same period of the previous year, a 10% decrease was recorded in the number of titles proposed, in spite of a similar increase (**9.5%**) in **hours of finished product**. This can be explained by the fact that some kinds of television programmes (such as special and short series) were replaced by longer series productions.

Types	Number of in-house productions made								
	1st quarter 2006			1st quarter 2005			% change		
	Prime Time	Day Time	Total	Prime Time	Day Time	Total	Prime Time	Day Time	Total
TV Programmes									
Entertainment	12	19	31	15	21	36	-20.0%	-9.5%	-13.9%
Reality		5	5		5	5	0.0%	0.0%	0.0%
Talk Show		4	4		5	5	0.0%	-20.0%	-20.0%
Arts/Culture	1	19	20	3	21	24	-66.7%	-9.5%	-16.7%
Other news	1	13	14		16	16	0.0%	-18.8%	-12.5%
Promos and Ads		6	6		6	6	0.0%	0.0%	0.0%
News		4	4		4	4	0.0%	0.0%	0.0%
Sport		11	11	1	11	12	-100.0%	0.0%	-8.3%
Games and quiz shows	1	3	4		2	2	0.0%	50.0%	100.0%
Music		3	3	1	5	6	-100.0%	-40.0%	-50.0%
Television selling	1	20	21		20	20	0.0%	0.0%	5.0%
Total TV programmes	16	107	123	20	116	136	-20.0%	-8.0%	-10.0%
Soap operas		2	2		2	2	0.0%	0.0%	0.0%
Long dramas	4		4	2		2	100.0%	0.0%	100.0%
Overall total	20	107	127	22	116	138	-20.0%	-8.0%	-10.0%

Types	Hours of finished product				
	IQ 2006	% on the whole	IQ 2005	% on the whole	% change
Entertainment	463	21.6%	430	22.0%	7.7%
Reality	157	7.3%	120	6.1%	30.8%
Talk show	81	3.8%	87	4.5%	-6.9%
Arts/Culture	315	14.7%	297	15.2%	6.1%
Other news	160	7.5%	161	8.2%	-0.6%
Promos and Ads	13	0.6%	13	0.7%	0.0%
News	475	22.2%	465	23.8%	2.2%
Sport	187	8.7%	141	7.2%	32.6%
Games and quiz shows	153	7.2%	82	4.2%	86.6%
Music	70	3.3%	98	5.0%	-28.6%
Television selling	65	3.0%	57	2.9%	14.0%
Totale	2,139	97.6%	1,953	97.7%	9.5%
Soap operas	51	2.4%	45	2.3%	13.3%
Totale generale	2,190	100.0%	1,998	100.0%	9.6%
Long dramas	25	1.2%	30	1.5%	-16.7%

During the first quarter of the year, **Mediaset Premium** operations were further consolidated, partly as a consequence of the Pay-per-View offer enrichment (beside the "Serie A" premier league matches of the Italian Football Championship) with movies and reality shows Grande Fratello 24 hours and La Fattoria.

Moreover, about 470,000 prepaid cards and about 1,150,000 scratch cards were sold by different sales channels in the first three months of 2006. These sales generated net income for about EUR 21.2 million. Since last July, when they began to be marketed, a total of about 1.9 million prepaid cards and approximately 2.4 million scratch cards have been sold.


In the period, Medaset also signed agreements for television rights with Milan F.C., Inter F.C., Lazio F.C., Roma F.C. and Livorno F.C. that grant to Mediaset their Pay-per-View television rights for the matches of "Serie A" Italian Football Championship as far as 2007-2008 and 2008-2009 seasons concern, including also an option for the next season. These rights were acquired for all the distribution platforms (excluding UMTS for Lazio F.C., Inter F.C. and Livorno F.C.). Mediaset also granted to itself the option (similarly to the past cases of the satellite rights of Juventus F.C., Inter F.C. and Livorno F.C. sold to SKY) to sell the rights of the broadcasting platforms on which it will not develop its own commercial offer. Through these agreements and the contract already signed with Juventus F.C. in December 2005, Mediaset acquired the necessary rights to enable a Mediaset Premium offer coverage of over 70% of football support team in Italy during the next years.

Analysis of results by geographical segments: Spain

- In the first three months of 2006 the **consolidated net revenues of the Telecinco Group** reached **EUR 227.8 million**, showing a **6.8%** increase over the same period of the previous year.
- The revenue increase, combined with a limited growth of charges, enabled **Telecinco Group** to record an **Operating profit** of **EUR 101.6 million**, with a **9.3%** growth over the same period of 2005 and an increase in operating profitability that went from 43.6% in the first quarter of 2005 up to **44.6%** in the first quarter of 2006.
- **Net profit** amounted to **EUR 73.3 million** with a 13.6% increase over March 2005.


The revenue increase in the quarter was mainly attributable to **gross television advertising sales** by the advertising sale house **Publiespana** that established a record in terms of sales with **EUR 223.6 million**, that is, a **8.2%** growth over the first three months of 2005.

On average, in the first quarter of the year, **Telecinco** recorded lower audience shares than those obtained in the same period of the previous year, mainly as a consequence of the results achieved in the first two months.

 TELECINCO	Share Individuals	1st quarter		% change vs. 2005
		2006	2005	
24 hours		21.0%	22.5%	-1.5%
Prime Time		21.2%	23.5%	-2.3%
Day Time		20.9%	22.0%	-1.1%

Despite that decrease, since March Telecinco has progressively recovered its primacy in terms of audience share, thus confirming Telecinco as the most watched television in Spain in the first four months of the year, both in Prime Time and Full Day, with an audience share of 21.1% and 21.4% respectively, coming before Antena 3 and TVE1, while the new competitor *Quatro* recorded an average Full day share of 5.4% and a Prime Time share of 6.2%.

In the first quarter of 2006 Telecinco consolidated its unchallenged leadership with reference to the commercial target (16-59 years) with a Full Day share of 23.1% and a Prime Time share of 24%.

 TELECINCO	Share Commercial Target	1st quarter		% change vs. 2005
		2006	2005	
24 hours		23.1%	24.8%	-1.7%
Prime Time		24.0%	25.8%	-1.8%
Day Time		22.7%	24.3%	-1.6%

The evolution of Telecinco's audience share was initially impacted by a few new programmes added to the programme schedule. Nevertheless, some of these have progressively become successful, thus contributing to recovery in terms of audience share. This is a restyling action perfectly in line with the contents strategy, which is based on consolidating in-house produced programmes – which went up to 83.5% of the total in the quarter – in preference to the practice of rights purchase.

T5 Programme breakdown (hours)	1st quarter 2006		1st quarter 2005		change	
Film	188	8.7%	223	10.3%	(35)	-15.7%
TV Movies, Short series and Television serials	110	5.1%	95	4.4%	15	15.8%
Cartoons	58	2.7%	64	3.0%	(6)	-9.4%
Total television rights	356	16.5%	382	17.7%	(26)	-6.8%
Games and quiz shows	206	9.5%	164	7.6%	42	25.6%
Sport	19	0.9%	19	0.9%	-	0.0%
Documentaries and others	900	41.7%	972	45.0%	(72)	-7.4%
News	478	22.1%	484	22.4%	(6)	-1.2%
Internal fiction	186	8.6%	120	5.6%	66	55.0%
Other	14	0.6%	19	0.9%	(5)	-26.3%
Total productions	1,804	83.5%	1,778	82.3%	26	1.5%
Total	2,160	100.0%	2,160	100.0%	-	0.0%

Types	Hours of finished product				
	Ist quarter 2006	% on the whole	Ist quarter 2005	% on the whole	% change
Entertainment and talk shows	623	53.4%	694	56.2%	-10.2%
News	412	35.3%	418	33.8%	-1.4%
Sport	29	2.5%	33	2.7%	-12.1%
Games and quiz shows	58	5.0%	47	3.8%	23.4%
Soap operas and Telenovelas	9	0.8%	24	1.9%	-62.5%
Long dramas	36	3.1%	19	1.5%	89.5%
Total	1,167	100.0%	1,235	100.0%	-5.5%

Foreseeable developments

- At the end of the first four months of 2006 (01/01-29/04/2006), Mediaset Networks recorded an average 24 hours share of 41.2% and a Prime Time share of 42%. Mediaset outperformed RAI in the commercial target group 15-64 years and Canale 5 did better than RAI I in all time brackets.
- On average, in the first four months of the year, Telecinco confirmed itself as the most watched television channel in Spain both in Day Time and Prime Time with audience shares of 21.1% and 21.4% respectively, outperforming Antena 3 and TVEI, while the new competitor Quatro achieved an average Full Day share of 5.4% and a Prime Time share of 6.2%.
- For the remaining part of the year, considering that television costs are evolving in line with objectives, there are still uncertainties about the evolution of advertising sales both in Italy and Spain. The expectations for an increase of Italian market consumption in the next months should favour a growth of advertising sales in the second half of the year, creating the basis for a level of consolidated operating profit from the Group's ordinary activities higher than that recorded in 2005.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet
(amounts in EUR millions)

	31/3/2006	31/12/2005
ASSETS		
Non current assets		
Property, plant and equipment	384.1	381.6
Television rights	2,570.6	2,078.7
Goodwill	368.7	368.8
Other intangible assets	486.6	463.3
Investments in associates	28.5	28.9
Other financial assets	106.8	189.9
Deferred tax assets	324.1	281.4
TOTAL NON CURRENT ASSETS	4,269.4	3,792.5
Current assets		
Inventories	28.2	25.5
Trade receivables	993.1	1,012.7
Other receivables and current assets	328.8	346.4
Current financial assets	43.3	53.7
Cash and cash equivalents	528.4	498.1
TOTAL CURRENT ASSETS	1,921.8	1,936.3
Non current assets held for sale	-	18.0
TOTAL ASSETS	6,191.2	5,746.8

Consolidated balance sheet
(amounts in EUR million)

	31/3/2006	31/12/2005
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	614.2	614.2
Share premium reserve	275.2	275.2
Treasury shares	(418.2)	(450.7)
Other reserves	551.1	547.3
Valuation reserve	(3.0)	6.5
Retained earnings	1,601.5	997.9
Net profit for the period	145.1	603.4
Group Shareholders' Equity	2,765.9	2,593.9
Minority interests in net profit	36.6	144.1
Minority interests in share capital, reserves and retained earnings	287.6	141.0
Minority interests	324.2	285.1
TOTAL SHAREHOLDERS' EQUITY	3,090.1	2,879.0
Non current liabilities		
Post-employment benefit plans	133.0	132.0
Deferred tax liabilities	111.0	118.3
Financial liabilities and payables	241.0	243.0
Provisions for non current risks and charges	47.9	47.3
TOTAL NON CURRENT LIABILITIES	532.9	540.6
Current liabilities		
Financial payables	475.5	729.7
Trade and other payables	1,576.8	1,226.3
Provisions for current risks and charges	123.1	149.1
Current tax liabilities	208.0	73.5
Other financial liabilities	17.4	8.9
Other current liabilities	167.4	138.3
TOTAL CURRENT LIABILITIES	2,568.2	2,325.7
Liabilities related to non current assets held for sale	-	1.5
TOTAL LIABILITIES	3,101.1	2,867.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	6,191.2	5,746.8

Consolidated income statement

(amounts in EUR million)

	1st quarter 2006	1st quarter 2005
Sales of goods and services	948.4	904.0
Other revenues and income	6.8	6.7
TOTAL NET CONSOLIDATED REVENUES	955.2	910.7
Personnel expenses	115.7	110.1
Purchases, services, other costs	356.1	296.1
Amortisation, depreciation and write-downs	219.1	203.6
Impairment losses and reversal of impairment on fixed assets	-	-
TOTAL COSTS	690.9	609.8
Gains/(Losses) from disposal of equity investments	1.3	43.1
EBIT	265.6	344.0
Financial losses	(21.1)	(4.8)
Financial income	17.4	5.1
Income/(expenses) from equity investments	(0.4)	(1.0)
EBT	261.5	343.3
Income taxes	79.8	112.3
NET PROFIT FROM CONTINUING OPERATIONS	181.7	231.0
Net Gains/(Losses) from discontinued operations	-	-
NET PROFIT FOR THE PERIOD	181.7	231.0
Attributable to:		
- Equity shareholders of the parent company	145.1	198.7
- Minority Interests	36.6	32.3
Earnings per share		
- Basic	0.13	0.17
- Diluted	0.13	0.17

Statement of changes in shareholders' equity

(amounts in EUR million)

	Share capital	Share premium reserve	Legal reserve and other reserves	Company's treasury shares	Valuation reserve	Retained earnings/(accumulated losses)	Profit/(loss) for the period	Total Group shareholders' equity	Total shareholders' equity attributable to minority interests	TOTAL SHAREHOLDERS' EQUITY
Balance at 31 December 2004	614.2	739.7	125.2	(17.3)	2.4	851.5	549.6	2,865.3	231.1	3,096.4
IAS 39 first adoption effect on opening balance	-	-	-	-	(6.8)	3.0	-	(3.8)	-	(3.8)
Allocation of the parent company's 2004 net profit	-	-	27.8	-	-	521.8	(549.6)	-	-	-
Dividends paid by the parent company	-	-	-	-	-	-	-	-	-	-
Dividends paid by subsidiaries to minority shareholders	-	-	-	-	-	-	-	-	-	-
Reserve establishment for unrealised foreign exchange gains	-	-	4.3	-	-	(4.3)	-	-	-	-
Stock Option plan valuation	-	-	-	-	1.2	-	-	1.2	-	1.2
(Purchase)/sale of treasury shares	-	-	-	15.1	-	-	-	15.1	-	15.1
Gains/(losses) credited/(charged) to Equity										
Profits/(losses) from negotiation of treasury shares	-	-	1.7	-	-	-	-	1.7	-	1.7
Actuarial gains/(losses) from defined benefit plans	-	-	-	-	(6.4)	-	-	(6.4)	-	(6.4)
Financial asset valuation credited/(charged) to Equity	-	-	-	-	1.8	-	-	1.8	-	1.8
Effects of the changes of in accounting policies	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	0.1	-	0.1	9.0	9.1
Profit/(loss) for the period	-	-	-	-	-	-	198.7	198.7	32.3	231.0
Balance at 31 March 2005	614.2	739.7	159.0	(2.2)	(7.8)	1,372.1	198.7	3,073.7	272.4	3,346.1
Balance at 31 December 2005	614.2	275.2	547.3	(450.7)	6.5	997.9	603.4	2,593.9	285.1	2,879.0
Allocation of the parent company's 2005 net profit	-	-	-	-	-	603.4	(603.4)	-	-	-
Dividends paid by the parent company	-	-	-	-	-	-	-	-	-	-
Dividends paid by subsidiaries to minority shareholders	-	-	-	-	-	-	-	-	-	-
Reserve establishment for unrealised foreign exchange gains	-	-	-	-	-	-	-	-	-	-
Stock Option plan valuation	-	-	8.3	-	(7.1)	-	-	1.2	0.2	1.4
(Purchase)/sale of treasury shares	-	-	-	32.5	-	-	-	32.5	1.9	34.4
Gains/(losses) credited/(charged) to Equity										
Profits/(losses) from negotiation of treasury shares	-	-	(4.5)	-	-	-	-	(4.5)	0.2	(4.3)
Actuarial gains/(losses) from defined benefit plans	-	-	-	-	0.1	-	-	0.1	-	0.1
Financial asset valuation credited/(charged) to Equity	-	-	-	-	(2.5)	-	-	(2.5)	-	(2.5)
Effects of the changes of in accounting policies	-	-	-	-	-	-	-	-	-	-
Unrealised foreign exchange gains adjustments	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	0.2	-	0.2	0.2	0.4
Profit/(loss) for the year	-	-	-	-	-	-	145.1	145.1	36.6	181.7
Balance at 31 March 2006	614.2	275.2	551.1	(418.2)	(3.0)	1,601.5	145.1	2,765.9	324.2	3,090.1

Consolidated cash flow statement

(amounts in EUR million)

	1st quarter 2006	1st quarter 2005
CASH FLOW FROM OPERATING ACTIVITIES:		
Operating profit before taxation	263.8	299.8
+ Depreciation and amortisation	219.2	203.7
+ Other provisions and non-cash movements	-	0.8
+ Change in working capital	406.3	5.8
- Interests paid/received	(0.8)	2.0
- Income tax paid	1.4	0.2
Net cash flow from operating activities [A]	889.9	512.3
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from the sale of fixed assets	8.6	1.8
Proceeds from the sale of equity investments	48.4	76.6
Interests and other financial income received	(0.1)	2.6
Purchases in television rights	(636.5)	(235.0)
Changes in advances for television rights	3.0	(15.2)
Purchases of other fixed assets	(103.8)	(15.6)
Equity investments	(0.1)	(0.3)
Changes in other financial assets	43.9	12.1
Loans to other companies (granted)/repaid	-	(29.3)
Dividends received	0.2	-
Net cash flow from investing activities [B]	(636.4)	(202.3)
CASH FLOW FROM FINANCING ACTIVITIES:		
Share capital issues	-	-
Change in treasury shares	27.6	17.0
Changes in financial liabilities	(246.9)	(46.4)
Dividends paid	-	-
Changes in other financial assets/liabilities	(1.5)	(6.4)
Interests (paid)/received	(2.4)	1.4
Net cash flow from financing activities [C]	(223.2)	(34.4)
CHANGE IN CASH AND CASH EQUIVALENTS [D=A+B+C]	30.3	275.6
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR [E]	498.1	293.7
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR [F=D+E]	528.4	569.3

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT MARCH 31ST, 2006**

I. Drafting criteria

The consolidated Report on Operations of the Mediaset Group in the first quarter of 2006 was drafted in compliance with the same accounting standards and valuation criteria used to prepare the consolidated financial statements as at December 31st, 2005.

The structure and the contents of the mandatory financial statements included in this Report on Operations are in line with those adopted for the Annual Report whereas the explanatory notes were drafted in compliance with the minimum information required as per the international accounting standard IAS 34 “Interim financial reporting”, as established by CONSOB with reference to interim reports in article 82 of the Broadcasters Regulations. The information presented in this Report on Operations cannot therefore be compared to that of complete financial statements drafted in compliance with IAS 1.

More specifically, this Report on Operation includes the mandatory consolidated financial statements (income statement, balance sheet, statement of changes in shareholders’ equity, and cash flow statement) complemented by explanatory notes mainly referring to segment reporting in compliance with IAS 14.

It should be noted that, in order to guarantee comparability with the valuation criteria adopted for some of the items in the latest annual report, the income statement and balance sheet figures of the first quarter of 2005 were reviewed or reclassified compared to those presented for the publication of the Report on Operations in the first quarter of 2005.

More specifically, the adoption by the Mediaset Group as at December 31st, 2005, of the option (introduced after the changes made to IAS 19 in November 2005) that permit to book actuarial profit and loss directly in shareholders’ equity and liabilities – in the framework of the actuarial assessment of Defined Benefit Plans – caused the Employee Termination Benefit (TFR) to be recalculated so, as a result, consolidated shareholders’ equity as at March 31st, 2005 recorded a EUR 11.4 million decrease.

Furthermore, some of the Income Statement items in the first quarter of 2005 were reclassified, mainly the items referring to certain recovered costs which were directly deducted from personnel expenses and services and the inclusion in other personnel expenses of costs which were previously recorded in services. Lastly, as already pointed out in the 2005 Half-Year Report, revenues and costs were reclassified in order to show the net income arising from the sale of ADSL platform exploitation rights referring to encrypted television rights which took place in the first quarter of 2005.

All these reclassifications had no impact on Operating profit, Net profit and consolidated Shareholders’ equity in the first quarter of 2005.

Values of items in the consolidated financial statements, considering their significance, are expressed in EUR millions.

The Report on Operations in the first quarter of 2006 is not certified by Independent Auditors.

2. Main corporate operations and equity investments in the quarter

On **February 3rd, 2006**, Mediaset Spa sold its 2.73% stake in Hopa to Fingruppo for a EUR 45.8 million value, exercising on January 11th, 2006 the put option that had been established in Hopa's purchase agreements signed in December 2002 with Fingruppo (Hopa's parent company).

On **March 16th, 2006**, after the Italian Ministry of Communications granted Elettronica Industriale S.p.A. a license as network operator, RTI S.p.A. transferred the business unit dealing with digital terrestrial networks to its subsidiary Elettronica Industriale S.p.A..

On **March 22nd, 2006**, Mediaset Investimenti S.p.A., an Italian company 100% owned by Mediaset S.p.A., which holds the controlling stake (50.13% of the share capital) of Gestelevision Telecinco, sold 85,000 ordinary shares of Gestelevision Telecinco S.A. (representing 0.034% of its share capital) on the market at a price of EUR 20.9724 per share, for a total amount of EUR 1.8 million.

3. Financial and economic results and segment report

The analysis of the income statement and of the consolidated financial and balance sheet situation was also performed – in accordance with that established by IAS 14 on segment reporting – by separately highlighting the contribution to the financial and economic results of the two geographical areas where Mediaset Group operates, Italy and Spain, considered as “primary segment” and by supplying the most important figures required by areas of operations, identified as “secondary segment”.

3.1 Economic results

Beside the regularly reported interim results, the income statement also highlights the cost and revenue components of EBIT which are generated by the disposal of consolidated stakes that, due to the kind of operation and the significance of its amount, are to be considered as non recurring. With reference to the period in object, the specified revenues were generated by the disposal of minority interests (1.9% in 2005, 0.03% in 2006) held in the subsidiary company Gestelevision Telecinco S.A.

Finally, the economic result of the period is presented net of income taxes according to the criteria specified in IAS 34, using the tax rate that will most likely be applicable at the closing of the current fiscal year.

(amounts in EUR millions)

Mediaset Group: Income statement			
2005 full year		1st quarter	
		2006	2005
3,678.0	Total consolidated net revenues	955.2	910.7
441.0	Personnel expenses	115.7	110.1
1,227.3	Purchases, services, other costs	356.1	296.1
1,668.3	Operating costs	471.8	406.2
2,009.7	EBITDA	483.4	504.5
808.7	Amortisations, depreciation and write-downs	219.1	203.6
1,201.0	Operating profit	264.3	300.9
43.1	Gain/(Losses) from disposal of equity investments	1.3	43.1
1,244.1	EBIT	265.6	344.0
1.9	Financial income/(losses)	(3.7)	0.3
(43.8)	Income/(expenses) from equity investments	(0.4)	(1.0)
1,202.2	EBT	261.5	343.3
(454.6)	Income taxes	(79.8)	(112.3)
747.6	Net profit from continuing operations	181.7	231.0
-	Net profit from discontinued operations	-	-
(144.2)	Minority interests in net profit	(36.6)	(32.3)
603.4	Mediaset Group net profit	145.1	198.7

Here follows an analysis of the percentage impact on consolidated net revenues of a few significant items of the Group's income statement.

2005 full year		1st quarter	
		2006	2005
100.0%	Net consolidated revenues	100.0%	100.0%
45.4%	Operating costs	49.4%	44.6%
54.6%	EBITDA	50.6%	55.4%
22.0%	Amortisation, depreciation and write-downs	22.9%	22.4%
32.7%	Operating profit	27.7%	33.0%
33.8%	EBIT	27.8%	37.8%
32.7%	EBT	27.4%	37.7%
16.4%	Mediaset Group net profit	15.2%	21.8%
37.8%	Tax rate (EBT %)	30.5%	32.7%

More specifically, it should be noted that, due to the seasonal qualification of the Group's core business, considering that most advertising revenues are concentrated in the first part of the year, the Group's profitability in the two areas of operation at March 31st is not necessarily predicting the expected profitability on a yearly basis, as also demonstrated by the performances recorded in the previous year.

Analysis of results by geographical segment: Italy

Here follows the summary of the Income Statement of the Mediaset Group, related to Italian operations:

(amounts in EUR millions)

Italy: Income statement			
2005		1st quarter	
full year		2006	2005
2,748.1	Total consolidated net revenues	728.1	697.4
365.9	Personnel expenses	97.8	92.7
947.5	Purchases, services, other costs	290.6	231.0
1,313.4	Operating costs	388.4	323.8
1,434.7	EBITDA	339.7	373.6
646.9	Amortisation, depreciation and write-downs	177.1	165.9
787.8	Operating profit	162.7	207.7
40.9	Gain/(Losses) from disposal of equity investments	1.4	40.9
828.7	EBIT	164.0	248.7
(3.9)	Financial income/(losses)	(6.2)	(1.0)
(46.2)	Income/(expenses) from equity investments	(0.6)	(1.2)
778.6	EBT	157.2	246.5
(323.5)	Income taxes	(48.8)	(82.3)
455.1	Net profit from continuing operations	108.5	164.2
-	Net profit from discontinued operations	-	-
(0.2)	Minority interests in net profit	(0.2)	-
454.8	Net profit	108.2	164.2

The table below shows the percentage on consolidated net revenues of some key Income Statement components.

2005		1st quarter	
full year		2006	2005
100.0%	Net consolidated revenues	100.0%	100.0%
47.8%	Operating costs	53.3%	46.4%
52.2%	EBITDA	46.7%	53.6%
23.5%	Amortisation, depreciation and write-downs	24.3%	23.8%
28.7%	Operating profit	22.3%	29.8%
30.2%	EBIT	22.5%	35.7%
28.3%	EBT	21.6%	35.3%
16.5%	Net profit	14.9%	23.5%
41.5%	Tax rate (EBT %)	31.0%	33.4%

Here follows a description of the contribution to EBIT of Italian operations in the in the **areas of operation** that have been identified, in accordance to IAS 14, considering their importance and the organisation and business structure of the Group.

It should be noted that, compared to the area of operation presented in 2005, since the beginning of the present year, *Network operator* activities have been separated from television operations in which they were previously included, considering the increasing importance of this business which is also reflected in the Group's organisation after Elettronica Industriale's success in obtaining a license as network operator.

Therefore the areas of operation identified are:

- **Free to Air commercial television:** the Group's traditional core business, includes the operations related to advertising sales and programme scheduling for the three nationwide networks currently broadcasted analogically and the operations linked to non-encrypted own channels broadcasted by means of digital terrestrial technologies;
- **Network Operator:** these operations are related to the management of an analogue broadcasting network for non-encrypted own channels and the development/management of digital terrestrial broadcasting platforms, including the network which will be implemented during 2006 in order to support the offer of a digital terrestrial television reserved to mobile phones (DVB-H). These platforms will also host other competitors' content broadcasting;
- **Pay per View** television operations, relating to *Mediaset Premium* launched at the beginning of 2005;
- **Other ancillary areas of operation** serving and relating to the core business activity (*new media*, non television advertising concessions, *teleshopping*).

(amounts in EUR millions)

Revenues and profits Italy - business segments breakdown	FREE TO AIR TV		Ntw Operator		Pay per View		Other		ITALY	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenues	676.5	659.6	4.7	6.1	22.8	11.8	24.1	19.9	728.1	697.4
Total Revenues %	92.9%	94.6%	0.6%	0.9%	3.1%	1.7%	3.3%	2.9%	100.0%	100.0%
Inter-segment revenues			31.2	28.7						
Operating costs towards third parties	318.2	272.1	34.7	26.5	11.2	11.1	24.3	14.0	388.4	323.8
Inter-segment operating costs	17.0	22.3			12.9	3.8	1.3	2.6		
EBITDA	341.3	365.2	1.2	8.3	(1.3)	(3.1)	(1.5)	3.3	339.7	373.6
Amortisation, depreciation and write-downs	159.7	147.9	7.9	7.4	7.3	8.2	2.3	2.4	177.1	165.9
EBIT	181.7	217.3	(6.7)	0.9	(8.6)	(11.3)	(3.8)	0.9	162.7	207.7
Revenues %	26.9%	32.9%	-18.7%	2.6%	-37.7%	-95.8%	-15.8%	4.5%	22.3%	29.8%

Consolidated net revenues from Italian operations recorded a EUR 30.7 million increase in the first quarter of 2006 over the same period of the previous year. This change is attributable not only to increased revenues from television advertising sales, but also from digital pay-per-view television operations, as shown in the following table:

(amounts in EUR millions)

Year	Italy consolidated revenues - business segments breakdown	1st quarter		Growth	
2005		2006	2005		
2,955.9	Mediaset Networks gross advertising revenues	776.8	759.4	17.4	2.3%
6.2	Digital Networks gross revenues	1.8	1.1	0.7	63.6%
63.3	Other television revenues	13.6	12.0	1.6	13.3%
(439.8)	Agency discounts	(115.7)	(112.9)	(2.8)	0.0%
2,585.6	Total revenues Free to air TV	676.5	659.6	16.9	2.6%
25.8	Network Operator	4.7	6.1	(1.4)	-23.0%
44.2	Pay per View	22.8	11.8	11.0	93.2%
92.5	Net revenues from non television operations	24.1	19.9	4.2	21.1%
2,748.1	TOTAL ITALY NET CONSOLIDATED REVENUES	728.1	697.4	30.7	4.4%

More specifically, the growth of revenues from **free to air** television operations is mainly attributable to increased gross **advertising revenues** from **Mediaset networks**, totalling an increase of EUR 17.4 million, **2.3%** up on the same period of the previous year;

As far as **Pay per View** television operations concern, the launch of Mediaset Premium offer at the beginning of the past year generated revenues of EUR 21.1 million from the sale of prepaid and scratch cards against EUR 7.9 million in the first quarter of 2005. It should be noted that the

amounts generated by the sale of prepaid and scratch cards by card re-seller (and similarly its industrial and distribution costs) for pay per view events were booked according to the period of residual validity of the prepaid and scratch cards sold.

In the same period of the previous year, EUR 3.7 million net revenues (relating to the sale of ADSL exploitation right of television rights of the football matches in the second part of 2005 Italian Football Championship and the 2005-2006 season) were also booked .

The increase in **net revenues from non television operations** was generated by teleshopping and advertising sales relating to media other than television, since - starting from January 1st, 2006 – revenues arising from the supply of thematic channels to SKY were reduced to zero due to the renegotiation of the agreement with the same company.

	IQ 06	IQ05	Growth €ml	% Growth
Operating costs	388.4	323.8	64.6	20.0%
Personnel expenses	97.8	92.7	5.1	5.5%
Purchases, services, other costs	290.6	231.0	59.6	25.8%

The **operating costs** of domestic operations showed an increase of EUR 64.6 million over the same period of the previous year. The main items of operating costs are personnel expenses and purchases, services and other costs, which are detailed below.

The change in **personnel expenses**, equal to EUR 5.1 million compared to the first quarter of 2005, is mainly due to the increase in average workforce (as shown in the tables below) resulting from both the increased production volume required by television operations, the increased costs drained by the structure dedicated to pay per view television operations and the addition of 115 employees after the acquisition of the operations of the HSE Group in the second half of 2005.

31/12/2005	Number of employees (including temporary staff)	31/03/2006	31/03/2005
323	Managers	327	311
364	Journalists	370	345
722	Middle managers	720	680
3,262	Office workers	3,280	3,151
4,671	Total	4,697	4,487

2005 full year	Average workforce (including temporary staff)	1st quarter 2006	1st quarter 2005
322	Managers	324	311
354	Journalists	367	341
703	Middle managers	718	680
3,234	Office workers	3,272	3,150
4,613	Total	4,681	4,482

Totally, **purchases, services and other costs** showed an increase of EUR 59.6 million in the first quarter of 2006 over the same period of the previous year. EUR 42.7 million of this variation is attributable to the increase in the **operating costs of Free To Air television operations**, mainly caused by the significantly increased volume in television productions necessary for complying with the programme schedules requirements of the three networks in the first part of the year compared to the same period of the previous year.

Overall *television costs*, including those elements relating to personnel expenses and amortisation, depreciation and write-downs of television rights and other fixed assets, showed a 11.9% increase over the same period of the previous year, much higher than the average trend of the past seasons and than the percentage expected on a yearly basis. This was due to a pre-emption of about two weeks of programme scheduling and to the costs generated by events such as the production of “Serie A” program on Sundays and the reality shows Grande Fratello and La Fattoria which were not included in the schedules of the same period of 2005.

EUR 7.9 million of the residual change is due to non-recurring costs for the corporate reorganisation linked to the transfer within the group of network operator activities from RTI S.p.A. to Elettronica Industriale S.p.A. and to the start-up of TV sales operations mainly performed through *Mediashopping* channel broadcast on digital terrestrial television.

	IQ 06	IQ05	Growth €ml	% Growth
Amortisation, depreciation and write-downs	177.1	165.9	11.2	6.8%
TV rights amortisation	155.8	141.1	14.7	10.4%
Other amortisation, depreciation and write-downs	21.3	24.8	-3.5	-14.1%

The main amortisation, depreciation and write-downs of television rights refer to the free to air and encrypted television rights of the reality shows which were not included in the schedules of the first quarter of 2005 and to the rights of the sports events, entertainment programmes and movies broadcasted on Mediaset Premium.

Analysis of results by geographical segment: Spain

Here follows the income statement referring to Spanish operations which correspond to the consolidated figures of the Telecinco Group.

(amounts in EUR millions)

Spain: Income statement			
2005		1st quarter	
full year		2006	2005
931.1	Total consolidated net revenues	227.8	213.3
75.1	Personnel expenses	17.9	17.4
280.9	Purchases, services, other costs	66.2	65.1
356.0	Operating costs	84.1	82.5
575.1	EBITDA	143.7	130.8
161.8	Amortisation, depreciation and write-downs	42.1	37.7
413.3	Operating profit	101.6	93.1
-	Gain/(Losses) from disposal of equity investments	-	-
413.3	EBIT	101.6	93.1
5.8	Financial income/(losses)	2.6	1.3
2.4	Income/(expenses) from equity investments	0.2	0.2
421.5	EBT	104.4	94.6
(131.1)	Income taxes	(31.0)	(30.0)
290.4	Net profit from continuing operations	73.4	64.6
-	Net profit from discontinued operations	-	-
(0.1)	Minority interests in net profit	-	-
290.3	Net profit	73.3	64.6

The table below details the percentage impact on consolidated net revenues of some key Income Statement items referring to Spanish operations.

2005		1st quarter	
full year		2006	2005
100.0%	Net consolidated revenues	100.0%	100.0%
38.2%	Operating costs	36.9%	38.7%
61.8%	EBITDA	63.1%	61.3%
17.4%	Amortisation, depreciation and write-downs	18.5%	17.7%
44.4%	EBIT	44.6%	43.6%
45.3%	EBT	45.8%	44.4%
31.2%	Net profit	32.2%	30.3%
31.1%	Tax rate (EBT %)	29.7%	31.7%

In the first quarter of 2006, the consolidated net revenues generated by the Telecinco Group increased by EUR 14.5 million over the same period of the previous year.

The table below details the revenues of the Telecinco Group, highlighting its most significant items:

(amounts in EUR millions)

	1st quarter			Growth
	2006	2005		
Gross advertising revenues	223.6	206.5	17.1	8.2%
Other non television advertising revenues	1.8	1.9	(0.1)	-5.3%
Other non advertising revenues	12.0	13.8	(1.8)	-13.0%
Agency discounts	(9.6)	(8.9)	(0.7)	7.9%
Total Spain consolidated net revenues	227.8	213.3	14.5	6.8%

The increase in revenues is mainly due to the performance of **advertising revenues from television rights** referring to the sale of advertising space by the advertising sale houses Publiespana and Publimedia as sole agents for Telecinco. More specifically, **Publiespana's** revenues reached EUR 223.6 million, thus showing an 8.2% increase; in the first quarter, growth totalled 9.4%. These trends reflect the increase in sales generated by special initiatives and a significant growth of the average revenue per contact.

The ratio between the estimated television advertising market share and the audience share went from 1.43 in the first quarter of 2005 up to 1.47 in the first quarter of 2006.

	IQ 06	IQ05	Growth €ml	% Growth
Operating costs	84.1	82.5	1.6	1.9%
Personnel expenses	17.9	17.4	0.5	2.9%
Purchases, services, other costs	66.2	65.1	1.1	1.7%

The **operating costs** of the Telecinco Group showed an increase of EUR 1.6 million over the same period of 2005. The main items in operating costs are personnel expenses and purchases, services and other costs.

Personnel expenses of the companies belonging to the Telecinco Group showed a EUR 0.5 million increase over the same period of the previous year. The tables below show the evolution of personnel in the Telecinco Group in the relevant periods.

31/12/2005	Number of employees (including temporary staff)	31/03/2006	31/03/2005
68	Managers	65	66
110	Journalists	109	107
116	Middle managers	111	119
844	Office workers	841	878
35	Industry workers	33	40
1,173	Total	1,159	1,210

2005 full year	Average workforce (including temporary staff)	1st quarter 2006	1st quarter 2005
67	Managers	65	65
116	Journalists	109	107
119	Middle managers	114	119
845	Office workers	845	875
38	Industry workers	33	41
1,185	Total	1,166	1,207

Overall **costs for purchases, services and other costs** recorded a growth of EUR 1.1 million in the first quarter of 2006 over the same period of the previous year.

For a more precise assessment of the economic trend in the period, it should be noted that the overall costs of the Telecinco Group, including amortisation, depreciation and write-downs, recorded a 4.9% increase in the first quarter of 2006. This increase was partly due to costs for digital terrestrial television operations for an amount of EUR 2.7 million; on a comparative basis, costs increased by 3.2%.

EBITDA recorded an increase of EUR 12.9 million in the first quarter of 2006 over the same period of the previous year; the percentage impact on consolidated net revenues went from 61.3% in the first quarter of 2005 up to 63.1% in the same period of 2006.

In the first quarter of 2006, **EBIT** for the Spanish segment reached EUR 8.5 million, with a percentage impact on net revenues totalling 44.6% compared to 43.6% in the previous year.

Below follows the analysis of the other items of the income statement with reference to the whole Mediaset Group.

	IQ 06	IQ05	Growth €ml	% Growth
Group's EBIT	265.6	344.0	-78.4	-22.8%

The decreased **EBIT** in the first quarter of 2006 as well as the other trends previously commented with reference to geographical segments are attributable to the capital gains of EUR 43.1 million recorded in the first quarter of 2005 as a result of the disposal of a 1.9% stake in Telecinco. Operating profitability amounted to 27.8% compared to 37.8% in the first quarter of 2005.

	IQ 06	IQ05	Growth €ml	% Growth
Financial (income)/losses	-3.7	0.3	-4.0	n.s.

The negative net balance of financial income is mainly attributable to the increase in the consolidated debt position associated with the amounts paid for the purchase of treasury shares in the last quarter of 2005.

	IQ 06	IQ05	Growth €ml	% Growth
EBT	261.5	343.3	-81.8	-23.8%
<i>Tax Rate (%)</i>	30.5%	32.7%		
Net profit	145.1	198.7	-53.6	-27.0%

EBIT is net of estimated income taxes for the period. The *Tax Rate* of the Group (which in the first quarter of 2005 was positively affected by the fact that the capital gains obtained from the disposal of a 1.9% stake held in Gestevisión Telecinco were not taxable) shows also in the first quarter of 2006 a lower performance compared to the same ratio estimated on a yearly basis. This is mainly due to the deferred tax assets generated by the redefinition of the tax reference

value for the intangible assets included in the framework of a Group structure and activities reorganisation operation.

	Ist quarter 2006	Ist quarter 2005
Net profit for the period (millions of euro)	145.1	198.7
Weighted average number of ordinary shares (without own shares)	1,136,775,801	1,179,675,851
Basic EPS	0.13	0.17
Weighted average number of ordinary shares for the diluted EPS computation	1,136,865,417	1,179,727,550
Diluted EPS	0.13	0.17

Diluted earnings per share were calculated by adjusting the average number of floating shares in order to take into consideration the potential effect of dilution deriving from treasury shares intended for Stock Option Plans maturing in the relevant periods.

3.2 Balance sheet and financial position

Here follows the consolidated balance sheet restated with respect to the schemes proposed in the Annual Report statements and presented in a layout highlighting current and non current assets and liabilities.

In this summary table, assets restated at December 31st, 2005 as *non current assets held for sale* are included in their original categories (that is, *television rights, other fixed assets, equity investments and other financial assets*).

(amounts in EUR million)

Balance Sheet Summary	31/03/2006	31/12/2005
Television rights	2,570.6	2,086.5
Goodwill	368.7	368.8
Other tangible and intangible non current assets	870.7	853.0
Equity investments and other financial assets	90.0	131.5
Net working capital and other assets/(liabilities)	(562.0)	(70.8)
Post-employment benefit plans	(133.0)	(132.0)
Net invested capital	3,205.0	3,237.0
Group shareholders' equity	2,765.9	2,593.9
Minority interests	324.2	285.1
TOTAL SHAREHOLDERS' EQUITY	3,090.1	2,879.0
NET FINANCIAL POSITION	(114.9)	(358.0)

Below is a summary of the main balance sheet changes which occurred in the first quarter of 2006 with respect to December 31st, 2005.

The increase in **television rights** is mainly attributable to the capitalisation of encrypted television rights for about EUR 400 million in the period being analysed, starting from the 2007-2008 and 2008-2009 seasons of "Serie A" Italian football League and referring to Milan F.C., Inter F.C., Lazio F.C., Roma F.C. and Livorno F.C.. Except for Inter F.C. and Livorno F.C. whose satellite rights were sold to Sky Italia, these items include the right of broadcasting for all the main distribution platforms. For some of these rights, Mediaset could sell them to third parties, in case they will not be included in its commercial offer. With reference to the conclusion of these agreements, it should also be noted that rights of first negotiation and pre-emption purchased in 2004 and subsequently booked in *other intangible assets* for an amount of EUR 51.5 million were restated in television rights as ancillary charges to main rights.

The main changes in **Other fixed assets**, beside the amortisation, depreciation and write-downs for the period, were due for EUR 73 million to the acquisition of first negotiation and pre-emption rights for the 2009-2010 football season of Milan F.C., Inter F.C., Lazio F.C., Roma F.C. including the already mentioned reclassification for EUR 51.5 million.

The decrease in **Equity investments and other financial assets** is attributable to the disposal of the 2.73% stake held in Hopa S.p.A. after exercising the put option which was granted by Fingruppo when this stake was originally bought, and to the disposal of interests held by Mediaset S.p.A. in an investment trust managed by ABS Finance Fund, an open-end investment company.

The change in **Working capital and other assets and liabilities** is mainly attributable to the increase in trade payables resulting from the previously illustrated investments for the period, EUR 400 million of which related to multiyear encrypted rights.

The changes in **Shareholders' equity** already shown in the related *Statement of Changes* are mainly attributable not only to the net profit of the period, but also to the increase of EUR 29.6 million as a result of the sale of treasury shares related to Stock Option Plans, the changes in provisions for cash flow hedges and the use of the provision which includes the cost of Stock Option Plans regarding the amount accrued starting from the year in which those shares were assigned.

Below are separate balance sheet results for the two geographical segments, Italy and Spain, in the concerned periods. It should be noted that the balance sheet situation regarding Italian operations includes – under the **Equity investments and other financial assets** item - the book value of the stake (equal to 50.4% at March 31st, 2006) held by Mediaset Investimenti S.p.A. in Gestevisión Telecinco, which is eliminated at the end of the consolidation process.

(amounts in EUR millions)

Balance Sheet Summary (geographical breakdown)	Italy		Spain	
	31/03/2006	31/12/2005	31/03/2006	31/12/2005
Television rights	2,379.8	1,913.2	190.8	173.3
Goodwill	15.2	15.0	-	-
Other tangible and intangible non current assets	763.0	732.9	107.6	120.0
Equity investments and other financial assets	661.1	703.1	6.0	5.8
Net working capital and other assets/(liabilities)	(456.0)	13.2	(105.9)	(83.8)
Post-employment benefit plans	(133.0)	(132.0)	-	-
Net invested capital	3,230.1	3,245.4	198.6	215.3
Group shareholders' equity	2,662.9	2,530.0	648.7	570.7
Minority interests	1.7	1.6	0.5	0.4
Total Shareholders' equity	2,664.6	2,531.6	649.2	571.1
Net financial position	(565.5)	(713.8)	450.6	355.8

The table below shows a summary of the balance sheet situation of the Group as at March 31st, 2006 highlighting the effects deriving from the line-by-line consolidation of investments in the Telecinco Group.

(amounts in EUR millions)

Balance Sheet Summary (geographical breakdown) as at 31 March 2006	Italy	Spain	Eliminations/ Adjustments	Mediaset Group
Television rights	2,379.8	190.8	-	2,570.6
Goodwill	15.2	-	353.5	368.7
Other tangible and intangible non current assets	763.0	107.6	-	870.7
Equity investments and other financial assets	661.1	6.0	(577.1)	90.0
Net working capital and other assets/(liabilities)	(456.0)	(105.9)	-	(562.0)
Post-employment benefit plans	(133.0)	-	-	(133.0)
Net invested capital	3,230.1	198.6	(223.7)	3,205.0
Group shareholders' equity	2,662.9	648.7	(545.7)	2,765.9
Minority interests	1.7	0.5	322.0	324.2
Totale Shareholders' equity	2,664.6	649.2	(223.7)	3,090.1
Net financial position	(565.5)	450.6	-	(114.9)

In accordance with IAS 14, the detail of *operations* and *investments* is set out below with reference to segments of operation in Italy at March 31st, 2006.

(amounts in EUR million)

Summary of main asset items (Italy operation segments breakdown)	Free TV	N.Operator	Pay per View	Other	Total
Television Rights	1,819.3		560.5		2,379.8
Goodwill	2.5	6.2		6.5	15.2
Other intangible/tangible assets	354.3	292.2	106.7	9.8	763.0
Total non current assets	2,176.1	298.4	667.2	16.3	3,158.0
Trade receivables	769.4	15.5	24.9	15.3	825.0
Inventories	19.6	4.3	0.7	1.7	26.3
Total operation	2,965.1	318.2	692.7	33.3	4,009.3
Television rights	174.9		403.9		578.8
Other intangible/tangible assets	11.8	18.1	73.0		102.9
Total investments	186.7	18.1	476.9	0.0	681.7

It should be noted that receivables from *Pay per View* operations refer to the sale of broadband encrypted rights and to prepaid and scratch cards that were invoiced at March 31st, but cashed subsequently.

Assets allocated to network operator activities are mainly related to the right of use of frequencies acquired from local operators and from the takeover of HSE operations in the second half of the past year (intended for the creation of two digital multiplexes) as well as to plants and stations of the analogue and digital terrestrial television broadcasting networks. Investments in the period are also related to the development of the coverage of digital multiplexes as well as broadcasting installations and equipment.

At March 31st, 2006, the **net financial position** of the Group recorded consolidated net debit position of EUR 114.9 million (EUR 358.0 million at December 31st, 2005) as a result of the net debit position regarding Italian operations, amounting to EUR 565.5 million, and of the net liquid funds of the Telecinco Group, equal to EUR 450.6 million. The table below shows a breakdown of the net financial position at March 31st, 2006 and at December 31st, 2005.

(amounts in EUR millions)

	31/03/2006	31/12/2005
Cash and cash equivalents	528.4	498.1
Current financial assets	41.5	39.0
Securities available for sale	45.3	84.9
TOTAL FINANCIAL ASSETS	615.2	622.0
Due to banks - non current liabilities	(234.8)	(235.1)
Due to banks - current liabilities	(475.5)	(729.7)
Due to other financial institutions - non current liabilities	(2.4)	(6.4)
Due to other financial institutions - current liabilities	(17.2)	(8.8)
TOTAL FINANCIAL LIABILITIES	(730.0)	(980.0)
NET FINANCIAL POSITION	(114.9)	(358.0)

The summary of the cash flow statement by geographical segment, in order to assess the contribution of financial movements in the two periods, is shown below.

(amounts in EUR million)

	Mediaset Group		Italy		Spain	
	31/03/2006	31/03/2005	31/03/2006	31/03/2005	31/03/2006	31/03/2005
Net financial position at the beginning of the year	(358.0)	62.0	(713.8)	(182.3)	355.8	244.3
Free Cash Flow	167.0	291.9	76.6	213.6	90.4	78.3
- Cash Flow from operating activities (*)	407.8	399.2	290.7	295.1	117.1	104.0
- Investments in TV rights	(636.5)	(235.0)	(578.8)	(197.7)	(57.7)	(37.3)
- Other investments	(103.8)	(15.6)	(102.9)	(15.0)	(0.9)	(0.6)
- Disposals	14.4	19.2	14.2	18.8	0.2	0.4
- Net cash outflow arising from business combinations	-	-	-	-	-	-
- Changes in net working capital and other current assets/liabilities	485.1	124.1	453.4	112.4	31.7	11.8
Trading on treasury shares	27.6	17.0	23.3	16.9	4.3	0.1
Cash changes generated by equity investments	48.3	47.0	48.4	47.4	(0.1)	(0.5)
Dividends received	0.2	-	-	-	0.2	-
Dividends paid	-	-	-	-	-	-
Financial Surplus/Deficit	243.1	355.8	148.3	277.9	94.8	77.9
Net financial position at the end of the period	(114.9)	417.8	(565.5)	95.6	450.6	322.2

(*): Net profit +/- minority interests + amortisation +/- net provisions +/- valuation investments recorded using the net equity method + changes in valuation reserves - gains/losses on equity investments

The Group's **free cash flow** amounted to **EUR 167.0 million** decreasing by EUR 124.9 million with respect to the same period of 2005.

In Italy the reduction amounted to EUR 137.0 million with an operating cash flow which was substantially unchanged. This decrease was principally attributable to the amounts paid in the first quarter of the year for the acquisition of an option on encrypted rights for the 2009-2010 football season of Milan F.C., Inter F.C., Lazio F.C. and Roma F.C.. In 2006 divestments were related to the disposal of the library of thematic channels as part of the renegotiation of the agreement reached with SKY Italia at the end of 2005 and to the disposal of broadcasting equipments; in the same period of 2006, divestments were also related to the disposal of the ADSL exploit of encrypted rights on some "Serie A" Italian Premier League clubs match.

In Spain, free cash flow amounted to EUR 90.4 million increasing by EUR 12.1 million over the same period of 2005.

In the same period, **equity investments** generated net revenues for EUR 48.3 million mainly related to the sale of the stake held in Hopa; in the same period of the previous year, proceeds of EUR 76.6 million had been derived by the sale of a 1.9% stake in Telecinco, while EUR 29.7 million net expenses regarded the disposal of the stake held by Mediaset in Albacom.

Changes in liquid funds by geographical segment (following a cash flow statement scheme compliant with IAS 7) are detailed in the table below.

The cash flow statement was drafted by applying the indirect method according to which earnings before taxes are rectified by the effect of non-monetary operations, provisions or deferments of previous or future income or payments and revenues or charges related to financial flows deriving from investments or financial transactions. Investments in television rights as well as changes in advances paid for the future purchase of rights were included in investing activities. Income and charges regarding cash flow hedging operations for payments in foreign currencies were stated as the item hedged in the flows deriving from operations. Income and charges regarding medium and long term financing and hedging financial instruments, as well as dividend payouts, were included in financing activities.

(amounts in EUR million)

Cash flow statement (geographical breakdown)	Italy		Spain	
	1st quarter 2006	1st quarter 2005	1st quarter 2006	1st quarter 2005
CASH FLOW FROM OPERATING ACTIVITIES:				
Operating profit before taxation	162.0	206.6	101.8	93.2
+ Depreciation and amortisation	177.1	165.9	42.1	37.8
+ Other provisions and non-cash movements	(0.9)	1.0	0.9	(0.2)
+ Change in working capital	419.7	19.9	(13.4)	(14.1)
- Interest paid/received	(0.8)	2.0	-	-
- Tax paid	(0.2)	-	1.6	0.2
Net cash flow from operating activities [A]	756.9	395.4	133.0	116.9
CASH FLOW FROM INVESTING ACTIVITIES:				
Proceeds from the sale of fixed assets	7.8	-	0.8	1.8
Proceeds from the sale of equity investments	48.4	76.6	-	-
Interests and other financial income received	(0.1)	2.6	-	-
Purchases in television rights	(578.8)	(197.7)	(57.7)	(37.3)
Changes in advances for television rights	(7.6)	(10.0)	10.6	(5.2)
Purchases of other fixed assets	(102.9)	(15.0)	(0.9)	(0.6)
Equity investments	-	-	(0.1)	(0.3)
Changes in other financial assets	43.8	-	0.1	12.1
Loans to other companies (granted)/repaid	-	(29.3)	-	-
Dividends received	-	-	0.2	-
Net cash flow from investing activities [B]	(589.4)	(172.8)	(47.0)	(29.5)
CASH FLOW FROM FINANCING ACTIVITIES:				
Share capital issues	-	-	-	-
Change in treasury shares	23.3	16.9	4.3	0.1
Changes in financial liabilities	(248.7)	(47.5)	1.8	1.1
Dividends paid	-	-	-	-
Changes in other financial assets/liabilities	(0.8)	(6.4)	(0.7)	-
Interests (paid)/received	(5.3)	(0.1)	2.9	1.5
Net cash flow from financing activities [C]	(231.5)	(37.1)	8.3	2.7
CHANGE IN CASH AND CASH EQUIVALENTS [D=A+B+C]	(64.0)	185.5	94.3	90.1
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR [E]	151.7	70.3	346.4	223.4
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD [F=D+E]	87.7	255.8	440.7	313.5

4. Related parties transaction

The table bellows shows the main investment and economic relationships which took place in the first quarter of 2006 with “related parties” in compliance with IAS 24.

	Financial receivables	Trade and other receivables	Trade and other payables	Revenues	Costs	Financial income/(charges)
Parent company						
FININVEST S.P.A.	-	1.9	1.4	0.2	1.3	-
Associated companies						
ALBA SERVIZI AEROTRASPORTI S.P.A.	-	0.0	1.1	0.0	1.5	-
ARNOLDO MONDADORI EDITORE S.P.A.	-	4.2	0.9	5.9	0.6	-
BANCA MEDIOLANUM S.P.A.	-	0.6	0.0	0.4	-	-
IL TEATRO MANZONI S.P.A.	-	0.0	0.0	0.0	0.2	-
MEDIOLANUM VITA S.P.A.	-	-	0.0	-	-	-
MEDUSA FILM S.P.A.	-	0.4	101.0	0.3	-	0.2
MEDUSA CINEMA S.P.A.	-	0.0	-	0.0	-	-
MEDUSA VIDEO S.R.L.	-	0.1	0.2	0.0	0.0	-
MILAN A.C. S.P.A.	-	2.4	225.0	-	2.5	-
MONRADIO S.P.A.	-	0.9	-	1.4	-	-
PAGINE ITALIA S.P.A.	-	1.7	0.2	0.0	0.7	-
SERVIZI MILAN S.R.L.	-	-	0.1	-	0.1	-
QUINTA COMMUNICATION S.A.	-	-	5.3	-	-	-
Other	-	2.1	1.9	1.0	1.3	(0.0)
Total associated company and associated	-	14.4	337.0	9.3	8.2	0.2
Joint control companies						
BOING S.P.A.	-	1.4	2.0	1.2	0.5	(0.0)
FASCINO PROD. E GESTIONE TEATRO	-	0.0	10.1	0.0	20.0	0.0
PRESS TV S.P.A.	-	0.0	0.4	0.0	0.3	-
TITANUS ELIOS S.P.A.	-	-	-	-	0.8	-
MEDIAVIVERE S.R.L.	-	1.1	3.2	0.5	9.9	-
EUROPORTAL JUMPY ESPANA S.A.	-	0.3	0.4	0.1	0.3	0.0
PREMIERE MEGAPLEX S.A.	0.9	0.0	-	0.0	-	0.0
RED DE TELEVISION DIGITAL VALENCIA S.A.	-	-	-	-	-	-
Affiliated companies						
AUDITEL S.R.L.	-	-	-	-	1.4	-
BEIGUA S.R.L.	-	-	-	-	-	-
APROK IMAGEN S.L.	-	0.0	-	-	0.4	-
CANAL FACTORIA DE FICTION S.A.	-	0.3	0.3	0.1	0.1	-
PUBLICECI TELEVISION S.A.	-	0.5	-	0.6	-	-
CONSORZIO CAMPUS MULTIMEDIA	-	0.2	0.0	0.1	0.0	-
Total joint control and affiliates	0.9	3.8	16.4	2.6	33.8	0.0
Other related parties	-	-	0.0	-	0.0	-
TOTAL	0.9	18.2	353.4	11.9	42.0	0.2

The commercial relationships with the companies listed in the table above were subjected to normal market conditions.

It should be noted that revenues from other companies belonging to the Fininvest Group and Mediolanum Group mainly regarded the sale of television advertising spaces.

The relationships included in the item “Other related parties” refer to consulting relationships with the company Sin&rgetica.

It should also be noted that, in the first quarter of 2006, the Mediaset Group purchased television rights from companies belonging to the Fininvest Group for a total amount of EUR 214.9 million. More specifically, these purchases refer for EUR 27.3 million to Medusa Film S.p.A. and for EUR 187.6 million to the broadcasting rights on all distribution platforms of the football matches of the 2007/2008 and 2008/2009 football season of “Serie A” Italian premier league of Milan A.C. S.p.A.. In the framework of this agreement, a total amount of EUR 27.0 million refers to first negotiation and pre-emption rights exercise on encrypted rights of Milan F.C. for the 2009/2010 football season. Furthermore, other agreements with Medusa Film

S.p.A. (which had previously been stated as advances on television rights for EUR 13.3 million) became effective during the period and new advances with the same company were paid in for EUR 10.5 million .

As already said in the past consolidated annual report, Mediaset S.p.A. holds a 9.40% share in the capital managed by the ABS Finance Fund, an open-end investment company regulated by Luxembourg law that is 72.93% held by Misa Finance Fund PLC, a company belonging to the Mondadori Group, and by 17.67% by Trefinance S.A., a subsidiary company of Fininvest S.p.A.

5. Subsequent events after March 31st, 2006

On **April 10th, 2006**, the Antitrust Authority granted the Mediaset Group an authorisation to purchase the broadcasting network of Europa TV, which was part of an agreement signed on December 16th, 2005. The television plants and equipments concerned by this transaction will be digitalised and completely dedicated by Mediaset to the new DVB-H network.

On **April 14th, 2006** Mediaset extended the already existing agreement with Messina Calcio to the 2007-2008 football season for the broadcasting rights in Italy of "Serie A" Italian Premier League championship matches via digital terrestrial television, cable, ADSL and DVB-H for mobile phone television and signed a new agreement referring to the acquisition of those same rights for the 2008/2009 and 2009/2010 seasons for all the platforms, including satellite, with an option by Mediaset to transfer to third parties these right for the broadcasting platforms on which it would not develop its own commercial offer.

On **April 19th, 2006**, Mediaset and Vodafone Italia reached an agreement according to which Vodafone will use 25% of Mediaset's DVB-H multiplex capacity for a 5 year period. Vodafone Italia will make available all the technological and broadcasting facilities needed to complete the network in order to start the new mobile DTT transmissions using DVB-H technology during 2006.

For the Board of Directors
The Chairman