



*Report on Operations
in the third quarter of 2005*

MEDIASET GROUP

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

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

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

Web site: www.gruppomediasset.it

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BOARD MEMBERS

Board of Directors

Chairman	(*) Fedele Confalonieri
Deputy Chairman	(*) Pier Silvio Berlusconi
Managing Director	(*) Giuliano Adreani
Directors	(**) Franco Amigoni Marina Berlusconi Pasquale Cannatelli Paolo Andrea Colombo Enzo Concina Maurizio Costa Mauro Crippa Bruno Ermolli Marco Giordani (**) Alfredo Messina (*) Gina Nieri (**) Roberto Ruozi

Board of Statutory Auditors

Chairman	Achille Frattini
Regular Auditors	Francesco Antonio Giampaolo Riccardo Perotta
Alternate Auditors	Gianfranco Polerani Francesco Vittadini

Independent Auditors

Deloitte & Touche S.p.A.

(*) *Members of the Executive Committee*

(**) *Members of the Internal Control Committee*



MEDIASET GROUP: FINANCIAL HIGHLIGHTS (*)

Main income statement data

2004 full year			9 months 2005		9 months 2004	
mio €	%		mio €	%	mio €	%
3,434.0	100%	Consolidated net revenues	2,609.8	100%	2,399.0	100%
2,641.8	76.9%	Italy	1,938.9	74.3%	1,852.5	77.2%
793.4	23.1%	Spain	671.5	25.7%	547.4	22.8%
1,090.5	100%	Operating profit	846.1	100%	754.1	100%
795.7	73.0%	Italy	540.9	63.9%	556.5	73.8%
294.9	27.0%	Spain	305.2	36.1%	197.6	26.2%
1,090.5	31.8%	EBIT Mediaset Group	889.3	34.1%	754.1	31.4%
1,046.1	30.5%	EBT and minority interests	877.5	33.6%	766.3	31.9%
549.6	16.0%	Mediaset Group net profit	464.6	17.8%	412.1	17.2%

Main balance sheet/financial data

31/12/2004		30/09/2005	30/09/2004
mio €		mio €	mio €
3,039.4	Net invested capital	2,881.4	2,696.0
3,101.4	Total Shareholders' Equity	3,045.3	2,909.5
2,870.3	Group Shareholders' Equity	2,796.3	2,719.2
231.1	Minority Shareholders' Equity	249.0	190.3
62.0	Net financial position	163.9	213.5
710.5	Free cash flow (**)	786.4	856.2
1,116.5	Investments	731.5	776.7
271.3	Dividends paid by Mediaset S.p.A.	448.8	271.3
120.0	Dividends paid by subsidiaries	86.0	120.0

Personnel

2004 full year			30/09/2005		30/09/2004	
	%			%		%
5,662	100.0%	Mediaset Group employees (end-of-period)	5,658	100.0%	5,664	100.0%
4,459	78.8%	Italy	4,643	82.1%	4,443	78.4%
1,203	21.2%	Spain	1,162	20.5%	1,221	21.6%
5,638	100.0%	Mediaset Group employees (average)	5,786	100.0%	5,626	100.0%
4,415	78.3%	Italy	4,596	79.4%	4,402	78.2%
1,223	21.7%	Spain	1,190	20.6%	1,224	21.8%

Main indicators

2004 full year			9 months 2005		9 months 2004	
31.8%	Operating profit/Net revenues		32.4%		31.4%	
30.1%	Italy		27.9%		30.0%	
37.2%	Spain		45.5%		36.1%	
31.8%	EBIT/Net revenues		34.1%		31.4%	
30.5%	EBT and minority interests/Net revenues		33.6%		31.9%	
16.0%	Mediaset Group net profit/Net revenues		17.8%		17.2%	
0.47	EPS (euro per share)		0.39		0.35	
0.47	diluted EPS (euro per share)		0.39		0.35	

(*) starting from January 1st 2005 Mediaset Group has adopted the international accounting standards IAS/IFRS. In this document, comparative data has been re-determined following the new standards

(**) net financial position changes before dividends and equity investments/disinvestments

Report on Operations at 30 September 2005

Starting with 1 January 2005, the Mediaset Group has adopted international accounting standards IAS/IFRS, mandatory since 2005 when preparing the consolidated financial statements of publicly listed European groups.

The adoption of these standards made it necessary to revise the income statement and balance sheet figures for the corresponding 2004 period according to the new accounting standards.

➤ **Summary of results at 30 September 2004 revised according to IAS/IFRS**

The main impact on the results of the first nine months of 2004 deriving from the adoption of the new standards, detailed in the specific Appendix to this Report, can be summarised as follows:

- **Consolidated net revenues** went from EUR 2,400.2 million down to EUR **2,399.0** million.
- **EBIT** went from EUR 709.8 million up to EUR **754.1** million, with an increase of EUR 44.3 million, mainly attributable to the cancellation of EUR 34.7 million for the goodwill amortisation quota generated by Telecinco's consolidation; **operating profitability** went from 29.6% up to **31.4%**.
- **Profit before tax** went from EUR 722.5 million up to EUR **766.3** million with an increase of EUR 43.8 million. Net of tax for the year which, according to the possibility given by CONSOB deliberation no. 11971 of 14 May 1999 and subsequent amendments, was not indicated at 30 September 2004, and of the amount attributable to minority shareholders, the **Net group operating profit** at 30 September 2004 was EUR **412.1** million.
- **Consolidated shareholders' equity** at 30 September 2004 which, net of tax on period profit, was EUR 2,688 million, went up to EUR **2,719.2** million, an increase of EUR 31.2 million mainly attributable to the effects on net period results and to those generated by the readjustments made at the transition date (1 January 2004) with the retrospective application of the new standards according to IFRS I.

➤ **Summary of Group results at 30 September 2005**

Here follows a summary of the main results achieved by the Mediaset Group as at **30 September 2005** compared to the figures revised according to the new standards for the same period of 2004.

- **Consolidated net revenues** amounted to **EUR 2,609.8** million, showing a **8.8%** increase.
- **EBIT** amounted to **EUR 889.3** million, showing a **17.9%** increase compared to the same period of the previous year, net of amortisation, depreciation and write-downs for EUR 591.5 million (EUR 634.4 million in 2004). Net of a non recurring

income of EUR 43.1 million, obtained through the sale in January of a 1.9% stake in Gestelevision Telecinco, EBIT reached EUR 846.1 million (+92.0 million over 2004). **Operating profitability** reached **34.1%** (32.4% on a like for like basis) compared to 31.4% in the third quarter of 2004;

- **earnings before tax and minority interests** amounted to **EUR 877.5 million**, showing a 14.5% increase compared to 2004;
- the **net profit of the Group**, amounted to **EUR 464.6 million** compared to EUR 412.1 million at 30 September 2004;
- the **consolidated net financial position** went from EUR +62.0 million as at 31 December 2004 up to **EUR +163.9 million** as at 30 September 2005. The positive change of EUR 101.9 million in the financial position over the first nine months resulted from the **cash generation from** Group operations (*free cash flow*) for **EUR 786.4 million** and from net revenues from equity investments for EUR 49.3 million (EUR 76.6 million resulted from the sale of the 1.9% interest in Telecinco). This was offset by net expenditure for dividends distribution of EUR 534.8 million and, in the third quarter, net negative cash flow of EUR 114.4 million for the acquisition of the television frequency business division of Home Shopping Europe Broadcasting and the interest in Home Shopping Europe and EUR 86 million for the start of own shares repurchase operation deliberated by the Board of Directors on 13 September 2005.

➤ **Analysis of results by geographical area: Italy**

- In the first nine months of 2005 **consolidated net revenues** from Group operations in Italy amounted to **EUR 1,938.9 million**, 4.7% up on the same period of the previous year.
- **EBIT**, including the capital gain of EUR 40.9 million resulting from the sale of the 1.9% stake held in Telecinco was **EUR 581.9 million**, up 4.6% over 30 September 2004; **operating profitability** of **30.0%** was similar year on year.

Television advertising sales positively affected the achievement of these results.





Gross advertising sales on Mediaset networks totalled **EUR 2,086.2 million**, growing EUR 73.8 million over 30 September 2004, a percentage increase of **3.7%**. Within the context of an advertising industry which, in spite of the dynamism of telephone and financial-insurance industries, continues to suffer from the lasting weakness among end-users, advertising sales on Mediaset networks still retain, also in the third quarter of the current year, the growth rate recorded in the first year half, a result to be appreciated also because in the same period of 2004 growth over the previous year had been very significant, at about 10%.

At the end of the first nine months of 2005, the **total audience share** in the full day recorded nearly 9 million TV viewers, showing a decrease of about one percentage point compared to the same period in the previous year.

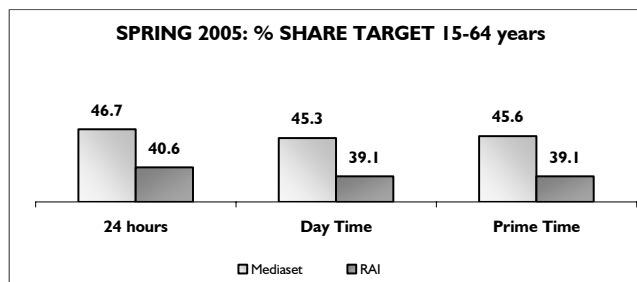
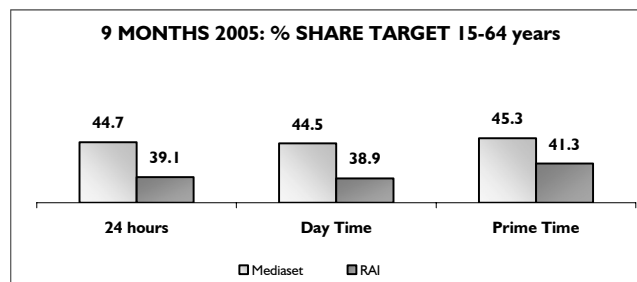
However, the monthly trend of day average shows growing results starting from July (+0.8%), with consolidation in August (+2.3%) and further strengthening in September (+3.6%).

Mediaset Networks concluded the third quarter of the year totalling a 42.6% average share in the Full Day, a 42.5% share in Day Time and a 43.4% share in Prime Time.

The results achieved by Mediaset networks are detailed in the table below:

Share individuals - September 2005 (Auditel month measure)	24 hours	Prime Time	Day Time 7:00-2:00
	22.1%	22.6%	22.0%
	11.8%	11.8%	11.9%
	8.7%	9.0%	8.6%
	42.6%	43.4%	42.5%

With particular reference to the results obtained from the 15-64 age target in the three quarters, the leadership of Mediaset Networks versus Rai was consolidated once again.



These results were achieved by confirming the share primacy in the Full Day (42.4% versus 41.2% of RAI Networks) again in the summer period (5 June-24 September), which had already been obtained during the previous guarantee period “Spring 2005”.

Among the main programmes contributing to the seasonal audience share supremacy of Canale 5, there are: *Vero Amore*, the new reality show anchored by Maria De Filippi (23.6%), *Sei un mito* (25.6%), *Paperissima Sprint* (29%), *Everwood* (18.9%) a new series particularly appreciated by women, *Amici Di Maria De Filippi* which, in the first three weeks of broadcasting of its fifth year, obtained a 19.6% average audience share. Regarding week-end programmes, the Saturday afternoon edition of *Amici* is, as usual, extremely successful (30.9%), while the new programme for the current television season *Serie A – Il Grande Calcio*, anchored by Paolo Bonolis, reached 24.6% on the general audience and 33.9% on men aged 15 - 44. Late at night *Matrix*, the new journalist analysis/news programme by Enrico Mentana, made its debut with a 14.8% average audience share.

As to *drama*, in September the long awaited comeback of the second series of *Elisa di Rivombrosa* obtained an average share of 22.5%, with good results specifically among young women, while

Distretto di Polizia, in its fifth year, recorded 21.8% on its debut night. The following movies also achieved good results: *Qui dove batte il cuore* (27.6%), *Il Principe e il Pirata* (26.1%) and *Il mio Campione* (24.9%).

Compared to 30 September 2004, the number of productions made increased in both Prime Time and Day Time, especially regarding entertainment, Culture and the News.

Types	Number of in-house productions made								
	9 months 2005			9 months 2004			% change		
	Prime Time	Day Time	Total	Prime Time	Day Time	Total	Prime Time	Day Time	Total
TV Programmes									
Entertainment and talk shows	32	48	80	26	50	76	23.1%	-4.0%	5.3%
Other news	2	23	25	2	31	33	0.0%	-25.8%	-24.2%
News		4	4		4	4	0.0%	0.0%	0.0%
Arts/Culture	9	46	55	6	39	45	50.0%	17.9%	22.2%
Promos and Ads		6	6		6	6	0.0%	0.0%	0.0%
Reality	2	9	11	4	16	20	-50.0%	-43.8%	-45.0%
Shopping		7	7	-	-	-	0.0%	0.0%	0.0%
Sport	8	28	36	3	15	18	n.s.	86.7%	n.s.
Games and quiz shows	2	5	7	4	7	11	-50.0%	-28.6%	-36.4%
Music	4	10	14	4	11	15	0.0%	-9.1%	-6.7%
Soap operas		2	2		2	2	0.0%	0.0%	0.0%
Documentaries		1	1		2	2	0.0%	-50.0%	-50.0%
Long dramas	3		3	3		3	0.0%	0.0%	0.0%
Total TV programmes	62	189	251	52	183	235	19.2%	3.3%	6.8%
Commercial programmes									
Television selling	-	36	36	-	39	39	0.0%	-7.7%	-7.7%
Total commercial programmes	-	36	36	-	39	39	0.0%	-7.7%	-7.7%
Overall total	62	225	287	52	222	274	19.2%	1.4%	4.7%

In the same period, a reduction of hours of in-house productions was recorded mainly due to a decrease in the hours of talk shows, reality shows and quiz shows. An increase was recorded in entertainment, sports and news programmes.

Types	Hours of finished product				
	9 months 2005	% on the whole	9 months 2004	% on the whole	% change
Entertainment and talk shows	1,203	22.8%	1,146	20.7%	5.0%
Other news	433	8.2%	511	9.2%	-15.3%
News	1,433	27.1%	1,380	24.9%	3.8%
Arts/Culture	668	12.7%	709	12.8%	-5.8%
Promos and Ads	38	0.7%	59	1.1%	-35.6%
Reality	139	2.6%	258	4.7%	-46.1%
Shopping	15	0.3%	-	0.0%	0.0%
Sport	514	9.7%	493	8.9%	4.3%
Games and quiz shows	192	3.6%	349	6.3%	-45.0%
Television selling	180	3.4%	187	3.4%	-3.7%
Music	280	5.3%	277	5.0%	1.1%
Documentaries	5	0.1%	2	0.0%	n.s.
Soap operas	144	2.7%	126	2.3%	14.3%
Long dramas	38	0.7%	40	0.7%	-5.0%
Total	5,280	99.8%	5,537	100.0%	-4.6%

During the third quarter of 2005 activities regarding **terrestrial digital television** continued and were strengthened in various aspects.

As to the strengthening and expansion of the *network infrastructure*, population coverage of the first digital multiplex after further acquisitions rose to 78% compared to 75% as at 30 June. The purchase of Home Shopping Europe frequencies stipulated in the third quarter also made it possible for Mediaset to establish a new network for terrestrial digital broadcasting that, to date,

covers 65% of the population and that will host, for at least 40% of broadcasting space, channels of third party publishers, in addition to broadcasting *Mediashopping*, as of October, the new digital television home shopping channel resulting from the experience of the shop-windows created by Mediaset and broadcast within the programme schedules of Canale 5, Italia 1 and Retequattro.


As from 28 August, with the start of the new Italian Serie A (Premiership) Division, the new Mediaset Premium season started, the *Pay per view* contents offer, with an even richer service which envisaged new rechargeable prepaid cards, on sale in television and electronics stores for EUR 10 or 30. In addition to purchasing a single event, the new Mediaset Premium card can also be used to purchase packages (for example regarding all the matches of a favourite team). The Mediaset Premium offer has been enriched and not only offer Serie A Top Soccer but also Top Cinema First Show on TV with the best movies just a few months after their opening in theatres, also coming in original language, with the option of Italian subtitles and a DVD-like audio/video quality. During the third quarter, sales channels distributed almost 1.2 million prepaid cards and around 700,000 recharges which generated net sales for approx. EUR 49 million.

➤ **Analysis of results by geographical area: Spain**


- In the first nine months of 2005 **Telecinco net consolidated revenues** amounted to EUR **671.5 million** with a record increase of **22.7%** over the same period of the previous year.
- The notable increase in revenues, together with a limited 4.7% growth in overall costs, determined the achievement of **EBIT** for the **Telecinco Group** of EUR **305.2 million**, with an extraordinary 54.4% growth over the same period of 2004 and an outstanding increase in operating profitability which went from 36.1% in the first nine months of 2004 up to **45.5%** in the first three quarters of 2005.
- **Net profit** amounted to EUR **212.6 million**, up 52.1% on September 2004.

The exceptional increase in revenues in the first three quarters was mainly obtained thanks to **gross television advertising sales** by concessionary company **Publiespana** that reached EUR **640.8 million**, increasing **21.4%**.

The fast growing trend in advertising revenues mirrored both the excellence of Publiespana's commercial strategy and excellent **Telecinco audience results** which, in the average full day, obtained an audience share of 22.5% (up 0.4% on the same period of 2004), thus confirming its leading position in Spain before Antena 3 (21%) and TVEI (19.4%). Also the results achieved in prime time (23.7%) improved on 2004 results, confirming the unquestionable leadership of Telecinco in the Spanish television market.

	Share Individuals	9 months		% change vs. 2004
		2005	2004	
24 hours		22.5%	22.1%	0.4%
Prime Time		23.7%	23.2%	0.5%
Day Time		22.0%	21.7%	0.3%

In the first nine months of 2005 Telecinco also strengthened its unrivalled leadership on the reference commercial target (13-54) with 24.9% share.

	Share Commercial Target	9 months		% change vs. 2004
		2005	2004	
24 hours		24.9%	25.3%	-0.4%
Prime Time		26.3%	26.7%	-0.4%
Day Time		24.3%	24.6%	-0.3%

Audience shares reward the solidity and stability of the programme schedule of the television which, in the first nine months of 2005, increased in-house production that aims, in line with its publishing strategy, to strengthen the supply of in-house produced programmes, which rose to 81.1% of the whole, against the broadcasting of rights.

In particular, in the first nine months, there are the following notable audience shares: *Formula 1 GP* (47.2%), the reality show *Operacion Triunfo* (37.1%), domestic long-serial dramas, on average above 30% audience share, and talk shows.

Programme breakdown (hours)	9 months 2005		9 months 2004		change	
Film	594	9.1%	748	11.4%	(154)	-20.6%
TV Movies, Short series and Television serials	484	7.4%	472	7.2%	12	2.5%
Cartoons	157	2.4%	272	4.1%	(115)	-42.3%
Total television rights	1,235	18.9%	1,493	22.7%	(257)	-17.2%
Games and quiz shows	541	8.3%	401	6.1%	140	34.9%
Sport	101	1.5%	68	1.0%	33	48.5%
Documentaries and others	2,929	44.7%	2,969	45.1%	(40)	-1.3%
News	1,387	21.2%	1,428	21.7%	(41)	-2.9%
Internal fiction	311	4.7%	218	3.3%	94	43.0%
Other	48	0.7%			48	0.0%
Total productions	5,317	81.1%	5,084	77.3%	186	3.6%
Total	6,552	100.0%	6,576	100.0%	(24)	-0.4%

As can be seen in the following tables, a higher number of in-house productions as well as a greater number of produced hours were recorded in the period.

Types	Number of productions made								
	9 months 2005			9 months 2004			% change		
	Prime Time	Day Time	Total	Prime Time	Day Time	Total	Prime Time	Day Time	Total
TV programmes									
Entertainment and talk shows	6	20	26	9	18	27	-33.3%	11.1%	-3.7%
Other news		-	-		2	2	0.0%	n.s.	n.s.
News		4	4		4	4	0.0%	0.0%	0.0%
Sport	3	2	5		1	1	0.0%	n.s.	n.s.
Games and quiz shows		1	1		1	1	0.0%	0.0%	0.0%
Soap operas and Telenovelas	3	1	4	1		1	n.s.	0.0%	n.s.
Long dramas	4	-	4	7		7	-42.9%	0.0%	-42.9%
Total TV programmes	16	28	44	17	26	43	-5.9%	7.7%	2.3%

Types	Hours of finished product				
	9 months 2005	% on the whole	9 months 2004	% on the whole	% change
Entertainment and talk shows	1,961	54.4%	1,882	55.8%	4.2%
News	1,200	33.3%	1,232	36.5%	-2.6%
Sport	152	4.2%	59	1.7%	n.s.
Games and quiz shows	146	4.0%	116	3.4%	25.9%
Soap operas and Telenovelas	77	2.1%	22	0.7%	n.s.
Long dramas	70	1.9%	63	1.9%	11.1%
Total	3,605	100.0%	3,374	100.0%	6.8%

EVENTS AFTER 30 SEPTEMBER 2005

In early October, Mediaset and Tim stipulated an agreement which lays the foundation for the commercial launch in Italy, the first country in the world, of TV on mobile phones in terrestrial digital technology by means of DVBH technology (Digital Video Broadcast Handheld). By virtue of this agreement, starting from 2006, it will be possible to watch on Tim mobile phones the programmes of Canale 5, Italia 1 and Retequattro (for 5 years) as well as Serie A Tim and Champions League matches, by means of DVBH technology that guarantees broadcasting quality on mobile devices absolutely similar to that offered by terrestrial digital television. According to the agreement, which is not exclusive, Mediaset and Tim will share their respective technological know-how and infrastructure assets necessary for the development and experimentation of the new broadcasting activity. The new mobile digital platform will be open to all system operators.

28 October 2005 saw the official start of the preliminary arraignment for criminal action no. 22964 of 2001. During the arraignment, Mediaset instituted a civil action in order to follow the trial development, in the midst of the debate between prosecution and defence, and ascertain the possible existence of corporate damage to the company. Mediaset instituted civil action on explorative and prudential basis with respect to the accusation assumptions.

FORESEEABLE DEVELOPMENTS

- At the end of the first ten months of 2005 (02/01-29/10/2005), Mediaset networks recorded a 42.4% average audience share in the Full Day, 42.1% in Day Time and 43.2% in Prime Time. With respect to the 15-64 commercial target, the company leadership against Rai in all time brackets is once again confirmed: 44.3% vs. 39.4% in the Full Day, 44.3% vs. 39.2% in Day Time and 45.2% vs. 41.5% in Prime Time.
- In Italy, gross television advertising revenues at the end of the first ten months of the current year show a 3.5% increase with respect to the same period in the previous year.
- At the end of October, net sales generated since July from the sale of Mediaset Premium rechargeable cards and refills amounted to EUR 55 million.
- In October 2005 Telecinco confirmed its leading position in Spain, with a 22.7% audience share in the Full Day, 22.1% in Day Time and 24.1% in Prime Time.
- Based on expected developments of advertising revenues in Italy and Spain for the last part of the year, the current year should record an increase in consolidated operating profit over 2004.

CONSOLIDATED STATEMENTS OF ACCOUNTS AND RELEVANT NOTES

DRAFTING CRITERIA

This Report on Operations regarding the interim balance sheet and income statement situation at 30 September 2005, was drafted in compliance with the assessment and measurement criteria specified in the IAS/IFRS international accounting standards defined by the *International Accounting Standard Board* (IASB) and in compliance with the interpretation principles (IFRIC) adopted by the European Commission according to the procedure included in (EC) regulations no. 1606/2002 of the European Parliament and the European Council on 19 July 2002.

The accounting standards and valuation criteria adopted in this Report on Operations are therefore the same that were used to prepare the already published interim consolidated balance sheet and income statement situations for 2005 and described in the Accounting Standards and Valuation Criteria section of the Interim Report, to which reference should be made.

These standards may not be in line with IFRS provisions in force at 31 December 2005 because of future orientations of the European Commission regarding the homologation of international accounting standards or the issuing of new standards or their interpretations by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretation Committee (IFRIC).

The statements of accounts and the information included in this Quarterly Report on Operations were drafted, limited to the minimum information required by such standard, according to international standard IAS 34 (Interim financial reporting), as is allowed by the regulations passed by CONSOB with respect of Interim reporting with Deliberation no. 14990 of 14 April 2005. The information included in this Report cannot therefore be compared to that of the full annual report drafted according to IAS 1.

This Report included mandatory summary consolidated statements of accounts (income statement, balance sheet, changes in shareholders' equity and cash flow statement) accompanied by explanatory notes, mainly regarding market analysis according to IAS 14.

The summary income statement is prepared according to minimum information required by IAS 1 – Presentation of Financial Statements – with cost allocation by nature; the Balance Sheet is drafted according to the template showing a subdivision of “current/non current” assets and liabilities, the cash flow statement is drafted according to the indirect method.

Economic information is provided with reference to the nine months and to the third quarter 2005 and 2004, balance sheet information is provided with reference at 30 September 2005 and 31 December of the previous year, drafted according to the same criteria.

Item values in the consolidated financial statements, considering their significance, are expressed in EUR millions.

The Appendix “Transition to the International Accounting Standards IAS/IFRS” includes the reconciliation between the situations drafted according to new standards and those according to previous accounting standards regarding Group Income Statement and Shareholders' Equity at 30 September 2004, accompanied by Explanatory notes. It should also be noted that IAS standards 32 and 39 have been applied since 1 January 2005, as this option is allowed by IFRS 1.

As to the reconciliation and the explanatory notes envisaged by IFRS 1 for the first adoption of international accounting standards, regarding 1 January 2004 and 31 December 2004, already presented on the occasion of the Quarterly Report at 31 March 2005, please make reference to that document.

It should be noted that both the Quarterly Report and the tables for the IAS/IFRS income statement and balance sheet reconciliation at 30 September 2004 were not audited by External Auditors.

Starting from August 2005, the companies Home Shopping Europe S.p.A. and subsidiary Home Shopping Europe Broadcasting S.p.A. are fully consolidated. These companies were acquired by RTI S.p.A. at the end of July within the framework of the operation described in the section below devoted to *Significant Operations in the Quarter*. Information is given under IFRS3 regarding “Business Combinations”.

Furthermore, as already mentioned on the occasion of the previous consolidated Interim Report 2005, starting from this year, the amortisation schedule has been revised for costs regarding the right to use television frequencies for the creation of the terrestrial digital network, purchased from third parties under current regulations. The end of the amortisation period, previously fixed at 31 December 2006 (the same date as the end of the temporary period envisaged for digital experimentation) was extended to 31 December 2018 in order to consider the period of validity of the individual licence per broadcaster of 12 years, starting from the issuance envisaged by convention at 31 December 2006. The licence can be issued based on the coverage achieved by current digital broadcasting networks (not less than 50% of the population) by making full use of the results achieved by the experimentation performed as is envisaged by the current legislative (Act 112/04) and regulatory framework (Del. 435/01). The effect of this changed estimate, highlighted in the table under IAS 8, determined for the period under examination the calculation of approximately EUR 20 million lower amortisation.

MEDIASET GROUP

Consolidated Balance Sheet

(amounts in EUR millions)

ASSETS	30/09/2005	31/12/2004
Non current assets		
Tangible fixed assets	383.9	341.9
Television rights	1,922.3	1,996.5
Goodwill and differences arising from consolidation	378.5	396.4
Other intangible fixed assets	479.0	280.0
Equity investments	29.5	30.3
Other financial fixed assets	243.4	218.7
Deferred tax assets	247.4	257.2
TOTAL NON CURRENT ASSETS	3,684.0	3,521.0
Current assets		
Stocks	21.7	27.3
Trade receivables	734.1	914.4
Other receivables and current assets	288.8	213.9
Current financial assets	62.6	68.9
Cash and cash equivalents	431.1	293.7
TOTAL CURRENT ASSETS	1,538.3	1,518.2
Non current assets available for sale		
TOTAL ASSETS	5,222.3	5,039.2

MEDIASET GROUP

Consolidated balance sheet

(amounts in EUR millions)

SHAREHOLDERS' EQUITY AND LIABILITIES	30/09/2005	31/12/2004
Share capital and reserves		
Share capital	614.2	614.2
Share premium reserve	665.1	739.7
Own shares	(123.2)	(17.3)
Other reserves	158.1	132.5
Valuation reserves	19.5	
Retained earnings (losses)	998.0	851.6
Net profit (loss) for the year		549.6
Net profit (loss) for the first nine months	464.6	
Group Shareholders' Equity	2,796.3	2,870.3
Minority interests in net profit (loss)	106.0	53.0
Minority interests in share capital, reserves and retained earnings (losses)	143.0	178.1
Shareholders' equity attributable to minority interests	249.0	231.1
TOTAL SHAREHOLDERS' EQUITY	3,045.3	3,101.4
Non current liabilities		
Employee Termination Indemnity	113.7	108.4
Deferred tax liabilities	100.7	72.8
Financial liabilities and payables	65.8	243.1
Provisions for current risks and charges	89.3	75.9
TOTAL NON CURRENT LIABILITIES	369.5	500.2
Current liabilities		
Financial payables	322.0	164.4
Due to suppliers	936.6	908.2
Provisions for risk and charges	50.5	90.0
Due to taxation authorities	311.4	62.3
Other financial liabilities	26.8	0.4
Other current liabilities	160.2	212.3
Non current liabilities available for sale		
TOTAL CURRENT LIABILITIES	1,807.5	1,437.6
TOTAL LIABILITIES	2,177.0	1,937.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5,222.3	5,039.2

MEDIASET GROUP
Consolidated Income Statement
(amounts in EUR millions)

INCOME STATEMENT	30/09/2005	30/09/2004
Sales of goods and services	2,569.0	2,360.0
Other revenues and income	40.8	39.0
TOTAL REVENUES	2,609.8	2,399.0
Personnel expenses	327.1	297.9
Purchases, services, other costs	845.1	712.6
Amortisation, depreciation ad write-downs	591.5	634.4
Impairment of fixed assets	-	-
TOTAL COSTS	1,763.7	1,644.9
Gains/(Losses) from non current assets disinvestments	43.1	-
EBIT	889.3	754.1
Financial losses	(72.7)	(62.2)
Financial income	63.5	86.9
Income/(expenses) from equity investments	(2.5)	(12.5)
EBT	877.5	766.3
Income taxes	306.9	287.1
NET PROFIT FROM ONGOING OPERATIONS	570.6	479.3
Gains/(Losses) from assets ready for disposal	-	-
NET PROFIT FOR THE PERIOD	570.6	479.3
Pertaining to:		
- Mediaset Group	464.6	412.1
- Minority Interests	106.0	67.2
<u>Earnings per share:</u>		
- EPS	0.39	0.35
- Diluted eps	0.39	0.35

MEDIASET GROUP

Changes in Group Shareholders' Equity at 30 September 2005

(amounts in EUR millions)

	Share capital	Share premium reserve	Legal reserve	Company's own shares	Other reserves	Reserve for financial assets evaluation	Hedging reserve	Retained earnings (accumulated losses)	Profit (loss) for the period	Total shareholders' equity
Balance at 1/1/2004	614.2	739.7	87.2	-	140.6	-	-	1,010.0	-	2,591.6
IAS/IFRS First Time Application adjustments	-	-	-	(21.9)	(5.4)	-	-	16.7	-	(10.5)
IAS/IFRS balance at 1/1/2004	614.2	739.7	87.2	(21.9)	135.2	-	-	1,026.7	-	2,581.1
Allocation of 2003 net profit as per GM resolution of 27/04/2004	-	-	8.8	-	(104.8)	-	-	96.0	-	-
Dividends paid as per GM resolution of 27/04/2004	-	-	-	-	-	-	-	(271.3)	-	(271.3)
Changes in the consolidation area	-	-	-	-	-	-	-	0.1	-	0.1
Stock Option Plans valuation	-	-	-	-	3.5	-	-	-	-	3.5
Profit/(losses) from negotiation of own shares	-	-	-	-	1.1	-	-	-	-	1.1
Purchase/Sale of own shares	-	-	-	(3.5)	-	-	-	-	-	(3.5)
Other changes	-	-	-	-	-	-	-	(3.9)	-	(3.9)
Profit/(Loss) for the 1st nine month of 2004	-	-	-	-	-	-	-	-	412.1	412.1
IAS balance at 30/09/2004	614.2	739.7	96.0	(25.4)	35.0	-	-	847.6	412.1	2,719.2
IAS balance at 31/12/2004	614.2	739.7	96.0	(17.3)	36.5	-	-	851.6	549.6	2,870.3
IAS 39 adoption effects on opening balance	-	-	-	-	-	(0.7)	(6.1)	3.0	-	(3.7)
Allocation of 2004 net profit as per GM resolution of 29/04/2005	-	-	26.9	-	0.9	-	-	521.8	(549.6)	-
Dividends paid as per GM resolution of 29/04/2005	-	(74.6)	-	-	-	-	-	(374.2)	-	(448.8)
Reserve for unrealised foreign exchange gains	-	-	-	-	4.2	-	-	(4.2)	-	-
Stock Option Plans valuation	-	-	-	-	6.9	-	-	-	-	6.9
Financial assets recorded in shareholders' equity valuation	-	-	-	-	-	0.7	10.9	-	-	11.6
Profit/(Losses) from negotiation of own shares	-	-	-	-	1.3	-	-	-	-	1.3
Purchase/Sale of own shares	-	-	-	(105.9)	-	-	-	-	-	(105.9)
Profit/(Loss) for the period	-	-	-	-	-	-	-	-	464.6	464.6
IAS balance at 30/09/2005	614.2	665.1	122.9	(123.2)	49.8	-	4.8	998.0	464.6	2,796.3

MEDIASET GROUP

Cash Flow Statement at 30 September 2005

(amounts in EUR millions)

Consolidated cash flow statement	9 months 2005	9 months 2004
<u>CASH FLOW FROM OPERATING ACTIVITIES:</u>		
Operating profit before taxation	840.4	741.6
+ Depreciation and amortisation	591.5	634.4
+ Other provisions and non-cash movements	18.0	23.5
+ Change in working capital	260.7	253.5
- Interests paid/cashed-in	3.5	(21.5)
- Tax paid	(242.2)	(106.5)
Net cash flow from operating activities [A]	1,471.9	1,525.0
<u>CASH FLOW FROM INVESTING ACTIVITIES:</u>		
Cash-in for fixed assets sales	5.7	4.7
Cash-in for equity investments sales	77.7	-
Cash-in for interests and other financial income	-	45.0
Investments in television rights	(491.9)	(546.1)
(Increase)/Decrease in advances for television rights	(70.9)	11.3
Investments in other fixed assets	(98.6)	(138.9)
Equity investments	(2.0)	(100.3)
(Increase)/Decrease in other financial assets	38.5	27.4
Cash-in/Payments for loans granted to other companies	(29.7)	-
Cashed-in dividends	4.4	2.8
Business combinations (*)	(114.2)	-
Net cash flow from investing activities [B]	(681.0)	(694.1)
<u>CASH FLOW FROM FINANCING ACTIVITIES:</u>		
Share capital issues	-	-
Change in own shares	(117.2)	(13.1)
Financial liabilities net variation	(8.8)	(385.4)
Dividends paid	(534.8)	(391.3)
Other financial assets/liabilities variations	1.0	-
Interests cashed-in/paid	6.3	3.7
Net cash flow from financing activities [C]	(653.5)	(786.1)
CHANGE IN CASH AND CASH EQUIVALENTS [D=A+B+C]	137.4	44.8
<u>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD [E]</u>	293.7	318.5
<u>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD [F=D+E]</u>	431.1	363.3

(*): During the period, Mediaset Group has bought Home Shopping Europe Broadcasting's company branch as well as Home Shopping Europe equity investment. The acquired assets and liabilities' fair value evaluation is summarizable as follows:

Fixed tangible assets	2.2
Goodwill	6.5
Other intangible assets	130.3
Non current financial assets	0.0
Taxes paid in advance	22.6
Stocks	2.9
Cash and cash equivalents	1.7
Other receivables and current assets	20.5
Trade liabilities	-24.0
Other liabilities	-46.9
Total amount paid	116.0
- Net cash flow acquired	-1.7
Net cash flow generated by the operation	114.2

SIGNIFICANT OPERATIONS IN THE THIRD QUARTER

Purchase of the business division of Home Shopping Europe Broadcasting and of an interest in Home Shopping Europe

In the third quarter of the current year, the Mediaset Group acquired the business belonging to the Home Shopping Europe S.p.A. Group. The operation was performed by RTI S.p.a. acquiring on 23 July 2005 from Home Shopping Europe Broadcasting S.p.A. the business division regarding television systems and frequencies, for EUR 100 million while, on 29 July 2005, in execution of the commitments taken with Convergenza S.C.A., on 18 March 2005, RTI S.p.A. acquired 100% of share capital of Home Shopping Europe S.p.A. for EUR 112.7 million, EUR 10 million of which was paid in March and EUR 102.7 million simultaneously with the acquisition.

As from 23 July, analogue programmes of television Canal D were ceased for good; the frequencies of Home Shopping Europe Broadcasting were digitalised with the objective of the creation of a new terrestrial digital multiplex that will host channels of third party broadcasters on at least 40% of its space.

The net financial expenditure of the Mediaset Group for the acquisition amounted to EUR 114.4 million, amounting to the difference between the price paid – EUR 116 million (including ancillary costs that can be directly attribute to the combination for EUR 3.3 million) - and net liquid cash acquired of EUR 1.7 million.

Below is a summary table with the amount calculated according to IFRS at the acquisition date for assets and liabilities acquired through the business combination described above:

(amounts in EUR millions)

ASSETS		SHAREHOLDERS' EQUITY AND LIABILITIES	
Tangible fixed assets	2.2	Employee Termination Indemnity	0.9
Goodwill/Differences arising from consolidator	2.7	Provision for current risks and charges	0.7
Other intangible fixed assets	2.2	Financial payables	0.4
Financial fixed assets	0.0	Due to suppliers	24.0
Total non current assets	7.1	Other liabilities	33.0
		Total liabilities	59.0
Stocks	2.9		
Trade receivables	14.9		
Other receivables and current assets	5.6		
Cash and cash equivalents	2.2		
Total current assets	25.6	Total Shareholders' equity	-26.3
TOTAL ASSETS	32.7	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	32.7

Under IFRS 3, at the acquisition date, in order to allocate the acquisition cost, the fair value of assets, liabilities and potential company liabilities was determined thanks to the support of a specific valuation estimate drafted by an independent expert.

The fair value of assets, liabilities and potential liabilities identified as resulting from the valuation is detailed below:

- the value of television frequencies, determined by using multiples of recent comparable transactions, amounts to EUR 115.7 million;
- the value of specific intangible assets generated in-house by the acquired company and connected to customers and marketing total EUR 12.4 million;

- the value attributed to tax assets for losses brought forward, that can be recorded after the acquisition since they meet the requirements of IAS 12, amount to EUR 22.6 million.

Overall, net of deferred tax liabilities for EUR 12.3 million generated on temporary differences detected on higher current values attributed to intangible assets, the *fair value* of net assets identified at the acquisition date was therefore recalculated as EUR 110.4 million.

The difference between the overall payment of EUR 116 million for the acquisition and the *fair value* of net assets identified at the acquisition date, amounting to EUR 110.4 million, resulted in recording goodwill of EUR 5.6 million.

Such goodwill is attributable to the creation of synergies with the brands and activities of the Mediaset Group in the field of television sales through the various distribution platforms available. In particular, as from October 2005, on the already digitalised acquired frequencies, terrestrial digital programmes were started for the *Mediashopping* channel, which makes use of the brand with the same name developed by RTI S.p.A. and that is based on the Know-how, logistics, sales and *customer care* facilities of the purchased company.

Starting from the acquisition date, newly acquired companies contributed to revenues and net consolidated profit of the Mediaset Group for EUR 3.4 million and EUR -1.0 million, respectively. The impact on period consolidated EBIT including amortisation of the intangible assets recorded with respect to the allocation of the price paid is equal to EUR -1.5 million.

Own shares buyback plan

On 13 September 2005 the Board of Directors of Mediaset decided, within the limits of the authorisation decision for the purchase of own shares taken by the General Meeting held on 29 April 2005, to carry out an Own shares Buyback plan on the Regulated market for a maximum of 41,370,000 ordinary shares, equal to 3.5% of share capital, or for a maximum total of EUR 400 million. The plan, which started on 24 September, will end when reaching one of these parameters, but no later than 23 December 2005.

The buyback plan is aimed at cash investment; bought shares will therefore not be destined to current or future stock option plans and will not be sold until the date of the General Meeting for the approval of the Financial statements at 31 December 2005.

Buybacks are carried out within the ceiling of 25% of daily exchange, or no more than one million shares, at a price which is not higher than the lower between EUR 12.294 (reference price of the stock on the day before the decision, increased by 20%) and the reference price of the stock in the day before any purchase operation, increased by 20%.

Mediaset has asked Mediobanca to prepare the Buyback plan above in compliance with the established parameters.

At 30 September 2005, 8,500,000 ordinary shares had been bought back, equal to 0.720% of share capital, for an amount of EUR 85.9 million.

ANALYSIS OF RESULTS AND INDUSTRY INFORMATION

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 regions of the Group, Italy and Spain, considered as “primary sectors” and by supplying the most important figures required by business, identified as “secondary sectors”.

Economic results

As is envisaged by IAS 34, both cumulative period data as well as those regarding the interim period of reference (third quarter) are presented, compared with the relevant comparative data for the corresponding interim periods (cumulative and reference) for the previous year.

The income statement, besides the usually described interim results, also includes in terms of EBIT the cost and revenue elements generated in the event of a possible sale of consolidated investments which, by nature of the operation and in terms of significance of the amount, are to be considered as non recurrent.

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: Reclassified income statement summary				
	first 9 months		3rd quarter	
	2005	2004	2005	2004
Total consolidated net revenues	2,609.8	2,399.0	625.4	589.9
Personnel expenses	327.1	297.9	107.4	93.3
Purchases, services, other costs	845.1	712.6	233.5	189.9
Operating costs	1,172.2	1,010.5	340.9	283.2
EBITDA	1,437.6	1,388.6	284.7	306.8
Amortisations, depreciations and write-downs	591.5	634.4	192.8	219.4
Operating profit	846.1	754.1	91.6	87.2
Gain/(Losses) from equity disinvestments	43.1	-	0.1	-
EBIT	889.3	754.1	91.8	87.2
Financial income/(losses)	(9.2)	24.7	(2.8)	(5.0)
Income/(expenses) from investments	(2.5)	(12.5)	(0.3)	3.9
EBT	877.5	766.3	88.7	78.4
Income taxes	(306.9)	(287.1)	(32.5)	(25.7)
Net profit from ongoing operations	570.6	479.3	56.2	52.8
Net profit from discontinuous operations	-	-	-	-
(Profit)/Loss pertaining to minority interests	(106.0)	(67.2)	(18.1)	(14.2)
Mediaset Group net profit	464.6	412.1	38.0	38.6

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

	first 9 months		3rd quarter	
	2005	2004	2005	2004
Net consolidated revenues	100.0%	100.0%	100.0%	100.0%
Operating costs	44.9%	42.1%	54.5%	48.0%
EBITDA	55.1%	57.9%	45.5%	52.0%
Amortisation, depreciation and write-downs	22.7%	26.4%	30.8%	37.2%
Operating profit	32.4%	31.4%	14.6%	14.8%
EBIT	34.1%	31.4%	14.7%	14.8%
EBT	33.6%	31.9%	14.2%	13.3%
Mediaset Group net profit	17.8%	17.2%	6.1%	6.5%
Tax rate (EBT %)	35.0%	37.5%	36.6%	32.8%

In particular, it should be noted that because of the seasonal character that is typical of the Group's core business, which determines a greater concentration of advertising revenues in the first part of the year, the Group profitability in the two business areas at 30 September is not necessarily an indication of the expected annual profitability as is also shown by the trends recorded in the previous year.

It should also be noted that, in order to briefly highlight the contribution to the determination of Group results in the two geographical areas of activity, the income statement of Italian activities is shown already net of the amount regarding the dividends received from Gestelevision Telecinco.

Analysis of results by geographical area: Italy

Below is the summary of the Income Statement of the Mediaset Group, arising from Italian operations:

(amounts in EUR millions)

Italy: Reclassified income statement summary				
	first 9 months		3d quarter	
	2005	2004	2005	2004
Total consolidated net revenues	1,938.9	1,852.5	463.6	447.4
Personnel expenses	273.0	247.1	89.4	77.0
Purchases, services, other costs	642.0	532.9	170.8	140.5
Operating costs	915.0	780.0	260.2	217.5
EBITDA	1,023.9	1,072.5	203.5	229.9
Amortisations, depreciations and write-downs	483.0	515.9	160.3	179.4
Operating profit	540.9	556.5	43.0	50.5
Gain/(Losses) from equity disinvestments	40.9	-	-	-
EBIT	581.9	556.5	43.1	50.5
Financial income/(losses)	(13.2)	22.1	(4.4)	(5.8)
Income /(expenses) from investments	(3.1)	(12.9)	(0.4)	(3.8)
EBT	565.6	565.8	38.3	40.9
Income taxes	(209.7)	(226.4)	(18.9)	(17.9)
Net profit from ongoing operations	355.8	339.4	19.3	23.0
Net profit from discontinuous operations	-	-	-	-
(Profit)/Loss pertaining to minority interests	(0.2)	(0.3)	-	0.1
Mediaset Group net profit	355.6	339.2	19.4	23.1

In the table below, the percentage on consolidated net revenues of a few significant components of the income statement are analysed.

	first 9 months		3rd quarter	
	2005	2004	2005	2004
Net consolidated revenues	100.0%	100.0%	100.0%	100.0%
Operating costs	47.2%	42.1%	56.1%	48.6%
EBITDA	52.8%	57.9%	43.9%	51.4%
Amortisation, depreciation and write-downs	24.9%	27.8%	34.6%	40.1%
Operating profit	27.9%	30.0%	9.3%	11.3%
EBIT	30.0%	30.0%	9.3%	11.3%
EBT	29.2%	30.5%	8.3%	9.1%
Mediaset Group net profit	18.3%	18.3%	4.2%	5.2%
Tax rate (EBT %)	37.1%	40.0%	43.9%	35.4%

Here follows a description of the contribution to EBIT of Italian operations in the *businesses* that have been identified, in accordance to IAS 14, considering their importance and the organisational and business structure of the Group. The businesses identified are:

- **Free To Air** commercial television: the Group's traditional core business, it includes the television operations of the three nationwide networks currently broadcast analogically, the activities linked to the non-encrypted proprietary channels broadcast through digital terrestrial technologies (currently Boing, a channel produced by the company with the same name jointly owned by RTI and Turner Broadcasting) and the operations associated with the development of a digital terrestrial broadcasting platform and its interactive applications;
- **pay per view** television operations, relating to *Mediaset Premium* that was launched at the beginning of 2005;
- **other ancillary business areas** completing the core business (new media, thematic channels, other advertising concessions, television sales).

(amounts in EUR millions)

	Free to Air TV		Pay per View		Other		Total Italy	
	2005	2004	2005	2004	2005	2004	2005	2004
Revenues	1,849.9	1,787.4	27.7	-	61.4	65.0	1,938.9	1,852.5
Total revenues %	95.4%	96.5%	1.4%	-	3.2%	3.5%	100.0%	100.0%
Operating Costs	821.6	723.0	40.3	-	53.2	56.8	915.0	780.0
EBITDA	1,028.3	1,064.4	(12.6)	-	8.2	8.2	1,023.9	1,072.5
Amortisation, depreciation and write-downs	467.9	500.9	6.6	7.0	8.6	8.1	483.0	515.9
EBIT	560.4	563.5	(19.2)	(7.0)	(0.4)	0.1	540.9	556.5
Revenues %	30.3%	31.5%	-69.3%	-	-0.7%	0.2%	27.9%	30.0%

Net revenues

30/09/2005	1,938.9
30/09/2004	1,852.5
%Growth	4.7%

Consolidated net revenues from Italian operations recorded a EUR 86,4 million increase in the third quarter of 2005 over the same period of the previous year.

This change mainly resulted from increased television advertising sales and from increased net revenues from pay per view digital television operations, which did not exist in 2004, as shown in the following table:

(amounts in EUR millions)

	first 9 months		3rd quarter	
	2005	2004	2005	2004
Mediaset Networks gross advertising revenues	2,086.2	2,012.4	488.0	470.5
Other revenues from television operations	54.3	62.0	13.3	23.5
Agency discounts	(310.2)	(298.7)	(72.6)	(69.5)
Analogue Commercial TV	1,830.4	1,775.7	428.7	424.5
Digital Multichannel	3.3	-	1.2	-
Digital Terrestrial Television (DTT)	16.2	11.8	5.2	4.0
TOTAL FREE TO AIR TV	1,849.9	1,787.4	435.1	428.5
Pay per View	27.7	-	6.2	-
Net revenues from non-television operations	61.4	65.0	22.3	19.0
TOTAL ITALY CONSOLIDATED NET REVENUES	1,938.9	1,852.5	463.6	447.5

More specifically, revenues from *free to air* television operations can be detailed as follows:

- gross **advertising revenues** from **Mediaset networks**, totalling EUR **2,086.2** million, recorded an increase of EUR 73.8 million, **+3.7%** up on the same period of the previous year;
- **other revenues from television operations** recorded a reduction of EUR 7.6 million, mainly attributable to reduced reselling of entertainment rights to the satellite platform;
- **revenues from digital terrestrial television**, mainly deriving from the Group's activity as *network operator*, recorded a EUR 4.4 million increase.

As for **pay per view** television operations, *Mediaset Premium* commercial offer launched early this year, generated revenues of EUR 22.0 million from the sale of prepaid cards, EUR 15.2 of which regarding cards sold with expiry date 30 June 2005 and EUR 6.8 million of revenues accounted for on an accrual basis because of the amount of EUR 49.3 million for the sale of refillable prepaid cards and refills that have been distributed since the third quarter. Under IAS 18 the amounts received by the distributors from the sale of prepaid cards and their refills (and similarly, also the direct industrial and distribution costs) that enable to watch events under the Pay per View mode, are shared based on the residual validity of cards sold not refilled and of refills.

In the same period, net revenues totalling EUR 3.7 million deriving from the transfer of ADSL use referring to the broadcasting rights (for which Mediaset also holds the encrypted rights for the use in terrestrial digital mode) of football matches of the second part of 2005 Italian Football Division and for the next two seasons 2005-2006 and 2006-2007 were recorded in the third quarter.

Lower **revenues from non television operations** were generated by television sales activities which, in the first nine months of 2004, recorded high volumes, mainly connected to the start of the sale of interactive set-top-boxes and by international advertising sales and for non television media.

Operating costs

30/09/2005	915.0
30/09/2004	780.0
%Growth	17.3%

The operating costs of Italian operations showed an increase of EUR 135.0 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.

Personnel expenses

30/09/2005	273.0
30/09/2004	247.1
%Growth	10.5%

The change in personnel expenses, up EUR 25,9 million over the first three quarters of 2004, is mainly due to the increase in average personnel resulting from both the increased production volume required by television operations and the increased costs absorbed by the structure dedicated to *pay per view* television operations as well as to the effects of contract renewals made in the period under examination.

Under IFRS 2, personnel expenses also include the fair value of 2003-04-05 stock option plans being accrued. In the first nine months of 2005, following the allocation of the 2005 plan, the overall cost of these plans totalled EUR 5 million, compared to EUR 3.5 million accounted for in the same period of 2004.

The tables below show the effective and average workforce in the periods considered. It is worth noting that the acquisition of Home Shopping Europe businesses starting from August resulted in a further 115 people joining the Group.

31/12/2004	Number of employees (including temporary staff)	30/09/2005	30/09/2004
313	Managers	325	311
335	Journalists	358	334
682	Middle managers	712	674
3,129	Office workers	3,248	3,124
4,459	Total	4,643	4,443

2004 full year	Average workforce (including temporary staff)	First 9 Months	
		2005	2004
313	Managers	323	313
331	Journalists	346	329
666	Middle managers	701	662
3,105	Office workers	3,226	3,099
4,415	Total	4,596	4,402

Purchases, services and other costs

30/09/2005	642.0
30/09/2004	532.9
%Growth	20.5%

In total, the item *purchases, services and other costs* showed an increase of EUR 109.1 million in the first nine months of 2005 over the same period of the previous year.

EUR 87.5 million of this increase is attributable to **operating costs of Free To Air television activities**, EUR 71.4 million of which regarding analogue television activities for the significant production required by the schedules of the three networks in the first part of the year compared to the same period of the previous year.

Overall television costs for analogue networks, including those elements connected to personnel expenses and amortisation, depreciation and write-downs of television rights and other fixed assets, showed a 4.8% increase over the same period of the previous year, with a reduced growth compared to the first year half and in line with the more limited growth trend expected for the remaining part of the year. As of late August, this trend was also affected by the costs regarding the free to air rights of use of the highlights of the 2005-2006 Football Division (purchased with exclusive rights by RTI for the next three football seasons) and to the relative new Sunday production "Serie A".

The residual change is due for an amount of EUR 27.1 million to the costs – which are partly variable costs – for the launch of **Mediaset Premium** activities in the first three quarters, while, as already mentioned, the mainly variable costs of some **non television operations** showed a EUR 5.4 million decrease.

EBITDA

30/09/2005	1,023.9
30/09/2004	1,072.5
%Growth	-4.5%

A decrease in EBITDA was recorded in the period for an amount of EUR –48.6 million; its percentage impact on revenues went from 57.9% in the first three quarters of 2004 down to 52.8% in the same period of 2005.

EBIT – Italian operations

30/09/2005	581.9
30/09/2004	556.5
%Growth	4.6%

EBIT at 30 September 2005 referring to Italian operations recorded a EUR –15.6 million decrease compared to the same period of the previous year. This is attributable to the trends we have already commented regarding operating revenues and costs, while amortisation, depreciation and write-downs showed a –32.9 million decrease, mainly resulting from lower amortisation of rights regarding entertainment productions.

As a result of the capital gains totalling EUR 40.9 million due to the disposal of the 1.9% stake held in Telecinco, EBIT referring to Italian operations totalled EUR 581.9 million, showing a EUR 25.4 million increase over the same period of the previous year. The percentage impact of EBIT on consolidated net revenues, equal to 30.0%, was in line with the percentage in the same period of 2005.

Analysis of results by geographical area: 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: reclassified income statement				
	first 9 months		3rd quarter	
	2005	2004	2005	2004
Total consolidated net revenues	671.5	547.4	162.5	142.7
Personnel expenses	54.1	50.7	18.0	16.3
Purchases, services, other costs	203.8	180.6	63.4	49.6
Operating costs	257.9	231.3	81.4	65.9
EBITDA	413.6	316.1	81.1	77.0
Amortisations, depreciations and write-downs	108.5	118.5	32.6	40.0
Operating profit	305.2	197.6	48.6	36.9
Gain/(Losses) from equity disinvestments	-	-	-	-
EBIT	305.2	197.6	48.6	36.8
Financial income/(losses)	4.0	2.6	1.6	0.7
Income /(expenses) from investments	0.7	0.4	0.1	(0.1)
EBT	309.9	200.6	50.4	37.4
Income taxes	(97.2)	(60.8)	(13.6)	(7.8)
Net profit from ongoing operations	212.6	139.9	36.8	29.6
Net profit from discontinuous operations	-	-	-	-
(Profit)/Loss pertaining to minority interests	-	-	-	-
Mediaset Group net profit	212.6	139.9	36.8	29.6

In the table below, we detail the percentage impact on consolidated net revenues of a few significant items of the income statement referring to Spanish operations.

	first 9 months		3rd quarter	
	2005	2004	2005	2004
Net consolidated revenues	100.0%	100.0%	100.0%	100.0%
Operating costs	38.4%	42.3%	50.1%	46.2%
EBITDA	61.6%	57.7%	49.9%	54.0%
Amortisation, depreciation and write-downs	16.2%	21.6%	20.1%	28.0%
EBIT	45.5%	36.1%	29.9%	25.9%
EBT	46.2%	36.6%	31.0%	26.2%
Mediaset Group net profit	31.7%	25.6%	22.6%	20.7%
Tax rate (EBT %)	31.4%	30.3%	27.0%	20.9%

Net revenues

30/09/2005	671.5
30/09/2004	547.4
%Growth	22.7%

In the first nine months of 2005, the consolidated net revenues generated by the Telecinco Group increased by EUR 124.1 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)

	first 9 months		3rd quarter	
	2005	2004	2005	2004
Revenues from the sale of commercials	574.5	476.3	136.0	121.3
Revenues from television sales, promotions and sponsorship	80.9	62.9	19.3	15.1
Gross advertising revenues	655.4	539.2	155.3	136.4
Other revenues	45.6	42.0	14.3	11.3
Agency discounts	(29.5)	(33.8)	(7.1)	(5.0)
Total Spain consolidated net revenues	671.5	547.4	162.5	142.7

The considerable increase in revenues is mainly due to the performance of **advertising revenues from television rights** referring to the sale of advertising space performed as sole agents for Telecinco by Publiespana and Publimedia. In particular, **Publiespana** revenues totalled EUR 640.8 million, showing an outstanding 21.4% increase; third quarter growth was equal to 13.5% compared to 26.9% in the second quarter and 20.1% in the first quarter. These trends reflect, considering the reduction in sold space, the considerable sales increase generated by special projects and a significant growth in the average revenue per generated contact.

In the nine months, this item also recorded the substantial reduction in the percentage impact of commissions paid to media centres.

Increased **other revenues from television operations** were mainly generated by increased revenues from telephone services linked to the main television productions.

Operating costs

30/09/2005	257.9
30/09/2004	231.3
%Growth	11.5%

The operating costs of the Telecinco Group showed an increase totalling EUR 26.6 million over the same period of 2004. The main items in operating costs are personnel expenses and purchases, services and other costs, which are analysed below. For a better appreciation of the economic trend of the period, it is worth noting that the Telecinco Group's *overall costs*, including amortisation, depreciation and write-downs, showed a 4.7% growth in the first three quarters of 2005, net of the variable elements linked to sales equal to 2.2%.

Personnel expenses

30/09/2005	54.1
30/09/2004	50.7
%Growth	6.7%

Personnel expenses of the companies belonging to the Telecinco Group showed a EUR 3.4 million increase over the same period of the previous year, EUR 1.2 million of which regarding the relevant share for the first nine months of the 2005 stock option plan. The tables below show the evolution of personnel in the Telecinco Group in the periods being analysed.

31/12/2004	Number of employees (including temporary staff)	30/09/2005	30/09/2004
64	Managers	70	65
105	Journalists	102	103
118	Middle managers	112	124
875	Office workers	841	888
41	Industry workers	37	41
1,203	Total	1,162	1,221

2004 full year	Average workforce (including temporary staff)	first 9 months	
		2005	2004
66	Managers	66	66
104	Journalists	120	103
120	Middle managers	120	120
890	Office workers	846	891
43	Industry workers	38	44
1,223	Total	1,190	1,224

Purchases, services and other costs

30/09/2005	203.8
30/09/2004	180.6
%Growth	12.8%

Overall costs for purchases, services and other costs recorded a EUR 23.2 growth in the first nine months of 2005 over the same period of the previous year.

(amounts in EUR millions)

	first 9 months		3rd quarter	
	2005	2004	2005	2004
Commercial costs	3.6	3.7	1.1	1.3
Schedule operating costs	153.2	127.5	47.6	36.6
Broadcasting costs	13.7	13.3	4.7	4.5
Other costs	33.3	36.1	10.0	7.2
Spain purchases, services and other costs	203.8	180.6	63.4	49.6

Higher operating costs for programme schedules are due to both increased variable costs, that we have already commented, and the more frequent use of in-house produced entertaining programmes compared to the issuing of television rights. In the first three quarters of 2005, in-house produced programmes increased to 81.1% of television scheduling, compared to 77.3% in the same period of the previous year.

EBITDA

30/09/2005	413.6
30/09/2004	316.1
%Growth	30.8%

Following a strong increase in net revenues and the limited increase in costs, EBITDA recorded an increase of EUR 97.5 million in the first nine months of 2005 over the same period of the previous year; the percentage impact on consolidated net revenues went from 57.7% in the first nine months of 2004 to 61.6% in the same period of 2005.

EBIT – Spanish operations

30/09/2005	305.2
30/09/2004	197.6
%Growth	54.5%

In the first nine months of 2005, EBIT for the Spanish area increased by EUR 107.6 million. The percentage impact on net revenues totalled 45.5% compared to 36.1% in the previous year

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

Group EBIT

30/09/2005	889.3
30/09/2004	754.1
%Growth	17.9%

Group EBIT recorded a EUR 135.2 million increase in the first nine months of 2005, of which EUR 43.1 million is attributable to the capital gains deriving from the disposal of the 1.9% stake in Telecinco. Operating profitability went to 34.1%, up compared to the same period in the previous year (31.4%).

Financial income / (charges)

30/09/2005	(9.2)
30/09/2004	24.7
Growth in € m	(33.9)

In September 2004, net income for EUR 35 million had been accounted for, regarding economic use and *total return swap* contracts stipulated for Telecinco listing at the stock exchange. On a like for like basis, in the period being analysed, compared to the same period of the previous year, increased financial income was recorded generated by the management of liquidity invested in deposits and securities, considering the increased evaluation charges due to the application of the fair value criterion required by IAS 39 (a standard adopted in 2005) for the identification of hedge derivatives in the financial statements.

Income / (charges) from investments

30/09/2005	(2.5)
30/09/2004	(12.5)
Growth in € m	10.0

The balance at 30 September 2005 refers to the evaluation by the equity method of jointly owned companies and those classified under non current financial assets available for sale and assessed under IAS 39. The balance in the same period of 2004 referred to the equity valuation of the stake held in Albacom S.p.A., sold in February 2005.

Net profit

30/09/2005	464.6
30/09/2004	412.1
%Growth	12.7%

As already said, this item is net of estimated period income taxes. The decrease in the tax rate from 37.5% in the first nine months of 2004 down to 35.0% in the first nine months of 2005 is mainly due to the fact that the capital gains obtained in 2005 from the disposal of the 1.9% stake held in Telecinco were not taxable.

Balance sheet and financial position

Here follows the balance sheet summary of the Mediaset Group for the periods being analysed.

(amounts in EUR millions)

Mediaset Group - Balance Sheet Summary	30/09/2005	31/12/2004
Television rights	1,922.3	1,996.5
Goodwill and differences arising from consolidation	378.5	396.4
Other tangible and intangible fixed assets	862.9	621.9
Other non current assets	520.3	506.2
Non current assets	3,684.0	3,521.0
Current assets	1,538.3	1,518.2
TOTAL ASSETS	5,222.3	5,039.2
Group Shareholders' equity	2,796.3	2,870.3
Shareholders' equity attributable to minority interests	249.0	231.1
Total Shareholders' equity	3,045.3	3,101.4
Non current liabilities	369.5	500.2
Current liabilities	1,807.5	1,437.6
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5,222.3	5,039.2

Below is a summary of the main changes that took place in the balance sheet in the first nine months of 2005 compared to 31 December 2004.

Item *goodwill and consolidation differences* showed a decrease of EUR -18 million, due to a EUR 24.6 million reduction after the disposal of the 1.9% stake held in Telecinco and a EUR 6.5 million increase resulting from the acquisition of Home Shopping Europe assets carried out in the third quarter.

Main changes in *Other fixed assets* refer for EUR 132.5 million to the acquisition above, after which, at the moment of allocating the price paid, current values of television frequencies were recorded for EUR 115.7 million and other specific intangible assets for EUR 12.4 million. The residual change is attributable to period amortisation and depreciation as well as to the change in advance payments made for future investments in rights totalling EUR 70.8 million (EUR 84.2 million of which reclassified under *television rights* for contracts stipulated in the period being analysed), property investments for EUR 19.6 million (regarding the purchase carried out in the first half of the year of the managerial and service building property in Cologno Monzese) and other mainly technical investments connected to multiplex digitalisation.

The increase in *other non current assets* is mainly attributable to EUR 49.2 million due from British Telecom for the sale of the equity interest in Albacom carried out in February and for EUR 22.6 million to the recording of advance taxes regarding Home Shopping Europe tax losses that can be brought forward.

Change in *Shareholder's equity* is attributable to the period EBIT as well as to dividend distribution for EUR 448.8 million by the Parent company and for EUR 86.1 million by subsidiary Gestelevision Telecinco to minority shareholders. A EUR 105.9 million decrease is recorded regarding the cost of own shares bought back in the nine months, EUR 85.9 million of which regarding the 8,500,000 shares purchased within the framework of the buyback plan previously described and EUR 20 million regarding purchases for stock option plans.

The remaining change can be mainly attributed to Cash flow hedge provisions and to the provision which includes the cost of the 2003-2004-2005 stock option plans for the amount accrued starting from the year of assignment.

The reduction in non current liabilities is mainly attributable for EUR 120 million to the repayment of part of the medium-long term loan stipulated by Mediaset S.p.A..

Below the balance sheet situation of the two geographical areas, Italy and Spain, is illustrated separately. It should be noted that the balance sheet situation referring to Italian operations includes the book value of the stake (50.1% at 30 September 2005) held in Gestevision Telecinco. This value is eliminated for consolidation.

(amounts in EUR millions)

Balance Sheet Summary (geographical detail)	Italy		Spain	
	30/09/2005	31/12/2004	30/09/2005	31/12/2004
Television rights	1,730.1	1,803.9	192.2	192.7
Goodwill and differences arising from consolidation	24.8	18.1	-	-
Other tangible and intangible fixed assets	743.2	519.5	119.7	102.2
Other non current assets	1,073.0	1,095.2	24.8	24.3
Non current assets	3,571.1	3,436.7	336.7	319.2
Current assets	1,029.6	1,085.1	510.6	433.1
TOTAL ASSETS	4,600.7	4,521.8	847.3	752.3
Group Shareholders' equity	2,759.1	2,856.9	508.0	477.7
Shareholders' equity attributable to minority interests	1.6	1.4	0.4	0.4
Total Shareholders' equity	2,760.7	2,858.3	508.4	478.1
Non current liabilities	298.1	438.3	71.4	66.6
Current liabilities	1,541.9	1,225.2	267.5	207.6
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,600.7	4,521.8	847.3	752.3

In the table below, a summary of the balance sheet situation of the Group is provided as at 30 September 2005 highlighting the effects deriving from the line-by-line consolidation of shareholdings in the Telecinco Group.

(amounts in EUR millions)

Balance Sheet Summary - 30/09/2005	Italy	Spain	Eliminations/ Adjustments	Mediaset Group
Television rights	1,730.1	192.2	-	1,922.3
Goodwill and differences arising from consolidation	24.8	-	353.7	378.5
Other tangible and intangible fixed assets	743.2	119.7	-	862.9
Other non current assets	1,073.0	24.8	(577.5)	520.3
Non current assets	3,571.1	336.7	(223.8)	3,684.0
Current assets	1,029.6	510.6	(1.9)	1,538.3
TOTAL ASSETS	4,600.7	847.3	(225.7)	5,222.3
Group Shareholders' equity	2,759.1	508.0	(470.8)	2,796.3
Shareholders' equity attributable to minority interests	1.6	0.4	247.0	249.0
Total Shareholders' equity	2,760.7	508.4	(223.8)	3,045.3
Non current liabilities	298.1	71.4	-	369.5
Current liabilities	1,541.9	267.5	(1.9)	1,807.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILIT	4,600.7	847.3	(225.7)	5,222.3

In accordance with IAS 14, the detail of operations and investments is set out below by business area in Italy as at 30 September 2005.

(amounts in EUR millions)

Balance Sheet Summary (italian activities detail)	Free TV	Pay per View	Other	Total
Television rights	1,710.9	9.1	10.2	1,730.1
Goodwill/Differences arising from consolidation	8.6		16.2	24.8
Other tangible/intangible assets	656.5	63.1	23.6	743.2
Total fixed assets	2,375.9	72.2	50.0	2,498.1
Trade receivables	505.9	74.4	25.4	605.8
Stocks	15.3	3.1	2.8	21.1
Total assets	2,897.1	149.7	78.2	3,125.0
Television rights	378.1	6.8	5.7	390.6
Other fixed assets	205.0	6.0	23.3	234.3
Total investments	583.1	12.8	29.0	624.9

Receivables from Pay per View operations are generated by the sale of broadband encrypted rights and for cards and refills invoiced at 30 September but whose payment has been received thereafter.

It should be noted that investments in *other fixed assets* include tangible/intangible operations (EUR 115.7 million of which attributed to *television operations* and EUR 23.3 million attributed to *other operations*) acquired through the business combination, as detailed in the table of the Group Cash Flow Statement.

At 30 September 2005 Group net financial position is positive for EUR 163.9 million (EUR 62.0 million at 31 December 2004) as results from the net indebtedness of Italian operations, equal to EUR -197.9 million and net cash of the Telecinco Group equal to EUR 361.8 million. It is worth noting that, at 30 September 2005, net financial position includes the effects resulting from the adoption of IAS 32 and IAS 39 accounting standards adopted as from 1 January 2005 which, on the occasion of the accounting adjustment of the balance sheet opening positions for this year, resulted in recording higher net financial liabilities for EUR 7.4 million, generated by the calculation of the negative *fair value* of existing hedge derivatives at such date, with no impact on Group actual cash. At 30 September 2005, the value of these net financial liabilities amounted to EUR 6.2 million.

(amounts in EUR millions)

Consolidated net financial position	30/09/2005	31/12/2004
Cash and cash equivalents	431.1	293.7
Bonds and other current financial assets	56.1	67.4
Financial assets available for sale	84.8	108.8
TOTAL FINANCIAL ASSETS	571.9	469.9
non current financial payables	(60.1)	(240.1)
financial payables	(322.0)	(164.4)
other non current financial liabilities	(5.7)	(3.0)
other current financial liabilities	(20.3)	(0.4)
TOTAL FINANCIAL LIABILITIES	(408.1)	(407.9)
NET FINANCIAL POSITION	163.9	62.0

Below are the tables of the summary cash flow statements by geographical area, in order to appreciate the contribution to financial movements in the two periods.

(amounts in EUR millions)

	Mediaset Group		Italy		Spain	
	30/09/2005	30/09/2004	30/09/2005	30/09/2004	30/09/2005	30/09/2004
Net financial position at the beginning of the period	62.0	(198.9)	(182.3)	(451.4)	244.3	252.5
Free Cash Flow	786.4	856.2	495.4	652.0	291.0	204.2
- Free cash flow from operating activities (*)	1,135.5	1,090.2	808.1	821.9	327.4	268.3
- Investments in TV rights	(491.9)	(546.1)	(390.6)	(433.3)	(101.3)	(112.8)
- Other investments	(98.6)	(138.9)	(95.3)	(135.9)	(3.3)	(3.0)
- Disinvestments	5.7	4.7	2.8	1.2	2.9	3.5
- Increase/decreases in cash and other financial assets	235.7	446.3	170.4	398.1	65.3	48.2
Business combinations	(114.2)	-	(114.2)	-	-	-
Own shares buyback	(85.9)	-	(85.9)	-	-	-
Equity (investments)/disinvestments	46.0	(55.4)	48.0	(55.4)	(2.0)	-
Cashed-in dividends	4.4	2.8	89.9	131.9	1.1	0.9
Dividends paid	(534.8)	(391.3)	(448.8)	(271.3)	(172.6)	(250.0)
Surplus/Deficit	101.8	412.3	(15.6)	457.2	117.4	(44.9)
Net financial position at the end of the period	163.9	213.5	(197.9)	5.8	361.8	207.7

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

Free cash flow from Group operations amounted to EUR **786.4 million**, down EUR -69.8 million over the same period of 2004. In Italy, the reduction by EUR -156.6 million is mainly attributable to higher tax liabilities which, in 2004, benefited from lower tax in 2003. In Spain, cash generation from company operations was EUR 291.0 million, with an increase of EUR 86.8 million with respect to the same period of 2004.

Item **Business combinations** includes net cash flows of EUR 114.2 million absorbed by the acquisition of the business division of Home Shopping Europe Broadcasting and of the interest in Home Shopping Europe S.p.A. which, as was previously commented, implied a cash payment of EUR 116 million compared to which net financial assets acquired of EUR 1.7 million.

During the first three quarters, **equity investment** operations generated net incoming payments of EUR 46 million, because of the income resulting from the disposal of the 1.9% stake in Telecinco (EUR 76.6 million) and the net expenditure made on the occasion of the disposal of the interest in Albacom (EUR 29.7 million). At 30 September 2004, the main components of equity investments were EUR 78.2 million in cash outflows regarding the price adjustment, determined at the moment of listing Telecinco at the stock exchange, for the 12% stake in Telecinco acquired by Vocento in 2003, EUR 19.5 million for the expenditure connected to the non-interest bearing loan granted by shareholders to Albacom and EUR 45 million for the net income received when Telecinco was listed at the stock exchange, for the use contract stipulated with ICE Finance and the total return swap contract stipulated at the end of 2003.

Below is the table, presented according to the cash flow statement template drafted under IAS 7, which shows the main changes in liquid funds and equivalents.

The cash flow statement was prepared by applying the indirect method, by means of which EBIT is adjusted for the effects of non monetary operations, any deferred payment or allocation of previous or future receivables or operating payments and for items of revenues or costs connected with the financial flows resulting from investment or financial operations. Investments in television rights as well as the change in advance payments made for the future purchase of

rights are included in investment operations. Income and charges regarding cash flow hedge operations for payments in foreign currency of television rights are recorded in line with the element hedged in the flows resulting from operations. Income and charges regarding medium-long term loans and the relevant hedging instruments, as well as dividends paid, are included in financial operations.

(amounts in EUR millions)

Cash flow statement (geographical detail)	Italy		Spain	
	30/09/2005	30/09/2004	30/09/2005	30/09/2004
Net cash flow from operating activities [A]	1,048.7	1,213.7	423.2	311.3
Investing activities				
Equity investments/disinvestments	77.7	(100.3)	(2.0)	-
Cash-in for interests and other financial income	-	45.0	-	-
Investments in television rights	(390.6)	(433.3)	(101.3)	(112.8)
(Increase)/Decrease in advances for television rights	(47.9)	(1.0)	(23.0)	12.2
Investments in other fixed assets	(95.3)	(135.9)	(3.3)	(3.0)
Other disinvestments	2.8	1.2	2.9	3.5
(Increases)/Decreases in other financial assets	26.9	5.3	11.6	22.2
Cash-in/Payments for loans granted to other companies	(29.7)	-	-	-
Cashed-in dividends	89.9	131.9	1.1	0.9
Business combinations	(114.2)	-	-	-
Net cash flow from investing activities [B]	(480.4)	(487.1)	(114.0)	(77.0)
Net cash flow from financing activities [C]	(560.1)	(659.1)	(180.0)	(257.0)
CHANGE IN CASH AND CASH EQUIVALENTS [D=A+B+C]	8.2	67.5	129.2	(22.7)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD [E]	70.3	96.6	223.4	221.9
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD [F=D+E]	78.5	164.1	352.6	199.2

RELATIONSHIPS WITH RELATED PARTIES

Below are the main investment and economic relationships which took place as at 30 September 2005 with “related parties”, in accordance with CONSOB communication no. DEM 2064231 dated 30 September 2002 and 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.	-	2.5	1.7	1.8	4.1	-
Associated companies						
ALBA SERVIZI AEROTRASPORTI S.P.A.	-	0.0	0.9	0.1	4.5	-
ARNOLDO MONDADORI EDITORE S.P.A.	-	4.5	0.3	22.3	0.1	-
BANCA MEDIOLANUM S.P.A.	-	0.3	0.0	2.9	-	-
IL TEATRO MANZONI S.P.A.	-	0.3	0.4	0.0	0.2	-
MEDIOLANUM VITA S.P.A.	-	-	0.0	-	-	-
MEDUSA FILM S.P.A.	-	0.2	104.5	0.7	0.1	-
MEDUSA CINEMA S.P.A.	-	-	-	0.1	-	-
MEDUSA VIDEO S.R.L.	-	0.1	0.1	0.1	0.3	-
MILAN A.C. S.P.A.	-	0.2	7.9	0.1	4.4	-
PAGINE ITALIA S.P.A.	-	1.8	1.5	0.0	0.5	-
SERVIZI MILAN S.R.L.	-	-	-	-	0.0	-
QUINTA COMMUNICATION S.A.	-	-	6.3	-	-	-
Altre	-	4.5	2.0	3.6	6.1	0.0
Total parent company and associated	-	14.3	125.5	31.6	20.2	0.0
Joint controlled entities						
BOING S.P.A.	-	0.8	0.7	1.9	1.3	(0.1)
FASCINO PROD. E GESTIONE TEATRO	-	-	1.8	0.1	27.4	0.3
PRESS TV S.P.A.	-	-	0.4	0.1	1.1	-
TITANUS ELIOS S.P.A.	-	-	-	-	2.3	-
MEDIAVIVERE S.R.L.	-	0.6	8.3	1.3	21.4	1.2
EUROPORTAL JUMPY ESPANA S.A.	-	0.4	0.3	0.1	0.5	0.0
PREMIERE MEGAPLEX S.A.	1.7	0.0	-	-	-	0.0
Affiliates companies						
AUDITEL S.R.L.	-	-	-	-	3.7	-
APROK IMAGEN S.L.	-	0.0	0.5	0.0	1.5	-
CANAL FACTORIA DE FICTION S.A.	-	0.7	0.4	0.7	0.7	(0.1)
PUBLICICI TELEVISION S.A.	-	0.3	-	1.4	-	-
CONSORZIO CAMPUS MULTIMEDIA	-	0.1	-	0.1	0.0	-
Total joint controlled entities and affiliates	1.7	2.7	12.5	5.7	60.0	1.3
Other related parties						
	-	-	0.0	-	0.0	(0.0)
TOTAL	1.7	17.0	138.0	37.2	80.2	1.3

In accordance with CONSOB communications no. 97001574 of 20 February 1997 and 98015375 of 27 February 1998 and in compliance with the international accounting standard IAS 24, we inform you that the commercial relationships with the Fininvest Group as set out in the table above were subject to normal market conditions.

We point out that revenues from other companies belonging to the Fininvest Group and Mediolanum Group mainly regarded the sale of television advertising spaces.

It should also be noted that, at 30 September 2005, the Mediaset Group purchased television rights from Medusa Film S.p.A. (a company of the Fininvest Group) for EUR 20.6 million. Among the agreements finalised with Medusa Film S.p.A., there are agreements that had been previously classified as advances for EUR 11.2 million and new advances were paid for EUR 20.2 million.

Lastly, we point out that Mediaset S.p.A. holds a stake, equal to 16.40% in the capital managed by the SICAV (open-end investment company) ABS Finance Fund, a Luxemburg fund which is 67.15% by Misa Finance Fund PLC, a company belonging to the Mondadori Group, and 16.45% controlled by Trefinance S.A., a subsidiary company of Fininvest S.p.A.

APPENDIX: TRANSITION TO THE INTERNATIONAL ACCOUNTING STANDARDS IAS/IFRS

After the enforcement of the (EC) Regulation no. 1606/2002 issued by the European Parliament and the European Council in July 2002, starting from 2005 the companies whose shares are negotiated in a regulated market of the Member States of the European Union shall draft their consolidated financial statements in compliance with the international accounting standards (IAS / IFRS) issued by the International Accounting Standard Board (IASB) and approved by the EU.

The Mediaset Group adopted these standards in preparing its consolidated financial statements starting from 1 January 2005.

This note, as established in IFRS 1 - First-time adoption of IFRS - provides for the interim period at 30 September 2004 for comparative purposes in this Report, the **reconciliation** and related explanatory notes of the **income statement, EBIT** and **Group shareholders' equity** at 30 September 2004 published and drafted in the past according to the previous principles (Italian accounting standards) and the corresponding values recalculated according to the new standards.

As to the reconciliation of the shareholders' equity and the EBIT at the date of transition (1 January 2004) and regarding the last annual report closed at 31 December 2004 and that of shareholders' equity at 1 January 2005 in order to show the effects on equity balance deriving from the adoption of IAS 32 and 39 starting from that date, reference is made to the tables and the notes included in the Appendix included in the Quarterly Report on the first quarter 2005.

It should be noted that the figures presented in the reconciliation tables below and in those already presented on the occasion of the first 2005 quarterly report regarding the 2004 balance sheet and income statement may change as a consequence of the future orientation of the European Commission on IFRS homologation or as a result of new statements by IASB or IFRIC by 31 December 2005, possibly with retroactive effects.

We also point out that since IFRS preliminary reconciliation tables are now prepared only to ensure the transition in drafting the first consolidated financial statements of the Group as at 31 December 2005 according to the IFRS approved by the European Commission, they come without the comparative tables and information or without the relevant explanatory notes that would be necessary for a truthful and correct presentation of the income statement and balance sheet situation and of the consolidated economic result of the Mediaset Group in accordance with IFRS standards regarding the comparative periods above. More information will be provided when preparing the first consolidated financial statements at 31 December 2005.

As already described in the Appendix published on the occasion of the 2005 Quarterly Report, in the first-time adoption of the new standards, the Group retrospectively applied the accounting principles in force at 31 December 2004, as is required by IFRS 1, choosing the following **optional exemptions specified by IFRS 1**.

The main options adopted by the Mediaset Group referred to:

- the application, starting from 1 January 2005 with no comparative figures with 2004, of the IAS 32 and 39 accounting standards referring to the classification, evaluation and assessment of financial assets and liabilities;
- the business combination operations that occurred before the date of transition were not submitted to retrospective review, that is, to the recalculation of the current value of assets and liabilities referring to the moment when they were purchased by the Group;
- post-employment benefits: all accrued actuarial profits and losses at 1 January 2004 were booked, though the Group adopted the "corridor method" which makes it possible to

defer the booking of actuarial profits and losses, only for an amount above a pre-established threshold, that will be generated following such date.

Reconciliation tables of the income statement, net profit and shareholders' equity at 30 September 2004

Here follows a reclassification of IFRS in the different items of the income statement at 30 September 2004 as well as the reconciliation of net profit at 30 September 2004 with that deriving from the application of IFRS.

Income statement first 9 months 2004 <i>EUR million</i>	According to Italian GAAP	Reclassific.	IAS/IFRS adjustments	Effects of transition to IAS/IFRS	IAS/IFRS
Consolidated net revenues	2,400.2	2.2	-3.3	-1.2	2,399.0
Personnel expenses	-294.6	-5.5	2.3	-3.2	-297.9
Operating costs	-717.4	0.9	4.0	4.9	-712.6
Total operating costs	-1,012.0	-4.6	6.2	1.6	-1,010.5
EBITDA	1,388.2	-2.4	2.9	0.5	1,388.6
Amortisation, depreciation and write-downs	-643.7	-	9.3	9.3	-634.4
EBIT before Telecinco goodwill amortisation	744.5	-2.4	12.2	9.8	754.1
Amortis. of differences arising from Telecinco consolidation	-34.7	-	34.7	34.7	-
EBIT	709.8	-2.4	46.9	44.5	754.1
Financial income/(losses)	28.3	-	-3.6	-3.6	24.7
Income/(Expenses) from equity investments	-13.2	-	0.7	0.7	-12.5
Extraordinary income/(charges)	-2.4	2.4	-	2.4	-0.0
Profit before taxation	722.5	-	44.0	44.0	766.3
Income taxes	-283.5	-	-3.6	-3.6	-287.1
Net profit from ongoing operations	438.9	-	40.4	40.4	479.3
Net profit from discontinuous operations	-	-	-	-	-
Net profit	438.9	-	40.4	40.4	479.3
Loss/(Profit) pertaining to minority interests	-67.2	-	0.0	0.0	-67.2
Net profit pertaining to the Mediaset Group	371.7	-	40.4	40.4	412.1

It should be noted that the period result at 30 September 2004 drafted according to domestic principles which, in the 2004 interim report, was presented gross of taxes by making use of the option envisaged by article 81 clause 7 of the Company Regulation issued by CONSOB, while in the reconciliation tables it included the relevant taxes, whose determination is requested in the presentation of interim situations according to IAS 34.

The main reclassifications were made in order to spread on the single lines of the income statement the cost and revenue elements that were previously classified as extraordinary income and charges and of some cost elements previously included in service costs (canteen and emoluments to directors of Group companies), which according to IAS 19 are reclassified under personnel expenses.

Because of these adjustments, **Consolidated net result** for the period went from EUR 371.7 million to EUR **412.1 million**, with a positive change of EUR 40.4 million mainly determined by the lack of the amortisation regarding the difference arising from the consolidation of the Telecinco Group, equal to EUR 34.7 million.

The table below and the subsequent explanatory notes are a summary of the main changes in the consolidated net result of the period and highlight the main adjustments made by geographical area. The overall tax effect of these adjustments is included separately in item "Other adjustments".

Reconciliation table of net profit for the first 9 months of 2004	Italy	Spain	Consolidation eliminations/ adjustments	Mediaset Group
Gross profit as per Italian GAAP (*)	556.4	200.8	-34.7	722.5
Income taxes for the period	-222.8	-60.8	29.1	-254.5
Loss/(Profit) pertaining to minority interests (*)	-0.3	0.0	-96.0	-96.3
Net profit as per Italian GAAP	333.3	140.0	-101.6	371.7
1. Reclassifications	0.0			0.0
2. Costs that cannot be capitalised	1.6			1.6
3. Goodwill	3.9		34.7	38.6
4. Revenue recognition criterion	3.2			3.2
5. Share-based payments (stock options)	-3.5			-3.5
6. Employee benefits	3.8			3.8
7. Discounting of payables and provisions for medium-long term risks	-0.1			-0.1
8. Other	-3.1	-0.1	0.0	-3.2
Total IAS/IFRS adjustments	5.8	-0.1	34.7	40.4
Net profit as per IAS/IFRS	339.2	139.9	-66.9	412.1

(*) as per quarterly report at 30 September 2004

Below the main changes which occurred in the main items of 2004 income statement are set out, referring by number and type to the adjustments previously specified:

Revenues:

- 1. Reclassifications (IAS 1):** extraordinary income was reclassified for EUR 2.2 million (EUR 1.4 million of which regarding Italian operations), since it can no longer be booked as an independent standalone item.
- 4. Different recognition criterion of revenues (IAS 18):** revenues from limited transfer of rights were recognised when the transfer occurred and were not spread throughout the duration of the licence, with a positive impact on the period for EUR 3.2 million. Sales of advertising space against goods (and the relevant purchase cost of goods) were booked at the fair value of goods received, with a reversal effect of costs and revenues for EUR 5.8 million, respectively.

Personnel expenses:

- 1. Reclassifications (IAS 19):** canteen costs and the emoluments of directors belonging to Group companies totalling EUR 5.5 million were reclassified under personnel expenses.
- 5. Share-based payments - Stock Options (IFRS2):** the fair value of the rights attributed that are believed will accrue at the end of the *Vesting period*, was spread starting from the year when they were granted to the end of the accrual period. At 30 September 2004 the accrual cost for the year booked, amounting to EUR 3.5 million, referred to the stock option plans attributed in 2003 and 2004;
- 6. Employee benefits (IAS 19):** the different accounting treatment of the employee benefits paid before 12 months decreased costs by EUR 5.5 million; the difference with the provisions for employee termination indemnity according to statutory criteria of the quota accrued by the employee during the year (a quota which is known as the “*current service cost*”), based

on recalculation using the actuarial employee termination benefit method, decreased costs by EUR 4.6 million. With respect to current benefits, the different accrual criterion of some elements determines a reversal of costs for EUR 0.9 million because of the differing accrual of some personnel expenses items.

Operating costs

- 1. Reclassifications:** extraordinary costs were reclassified (**IAS 1**) which could no longer be booked as independent items for EUR 2.8 million and, among personnel expenses (**IAS 19**), canteen costs and emoluments of directors belonging to Group companies totalling EUR 5.5 million.
- 4. Different recognition criterion of revenues (IAS 18):** the cost of goods corresponding to the related amount of revenues from advertising sales was adjusted for EUR 5.8 million.

Amortisation, depreciation and write-downs

- 2. Costs which cannot be capitalised (IAS 38):** amortisation on multiyear costs which cannot be capitalised as per IAS 38 were reversed for EUR 1.6 million.
- 3. Goodwill (IAS 36/38):** the final amortisation quota referring to Jumpy's goodwill and to differences arising from consolidation linked to Italian operations totalled EUR 3.2 million; the final amortisation quota referring to Telecinco's goodwill amounted to EUR 34.7 million.
- 7. IAS 38:** minor amortisation and write-downs were recorded for EUR 0.8 million after the amount of rights originally booked at values including an implicit interest rate were recalculated.

Financial charges

- 6. Employee benefits (IAS 19):** notional financial charges (or interest costs) were recognised based on the actuarial employee termination indemnity method of calculation for an amount of EUR 1.7 million.
- 7. Discounting of payables and provisions for medium and long term risks (IAS 37/38):** financial charges and charges due to the adjustment of profits on exchange rates were recorded after discounting multiyear payables for EUR 0.9 million; the discounting of provisions for risks with estimated expiry after the end of the fiscal year produced financial charges for EUR 0.4 million.
- 8. Other:** the profits generated by the sale and purchase of own shares were reversed for EUR 1.1 million since they can no longer be booked in the income statement, but in shareholders' equity and liabilities and net charges for EUR 1.3 million deriving from the valuation of financial liabilities connected with stock option plans.

Income /(charges) from equity investments

- 3. Goodwill (IAS 38/36):** the goodwill amortisation quota regarding joint ventures is reversed, for EUR 0.7 million.

The table below shows the reconciliation of the **Group shareholders' equity at 30 September 2004** which summarises by geographical area the main changes regarding shareholders' equity in the 2004 interim report drafted according to the previous accounting criteria. These changes are shown, where calculated, net of the tax effect, and are shown using the same number and type adopted for the reconciliation tables of shareholders' equity at the transition date and at 31 December 2004 published in the quarterly report at 31 March 2005.

Reconciliation table of Group Shareholders' equity at 30 September 2004	Italy	Spain	Consolidation eliminations/ adjustments	Mediaset Group
Shareholders' equity as per italian GAAP (*)	2,982.6	449.0	-489.1	2,942.4
Income taxes for the period	-222.8	-60.8	29.0	-254.5
Shareholders' equity as per italian GAAP	2,759.8	388.3	-460.1	2,688.0
1. Reclassifications	-25.4	-9.5	9.5	-25.4
2. Intangible assets	-2.5	0.0		-2.5
2.1 Goodwill	3.5		34.7	38.2
3. Tangible assets	0.0	0.0		0.0
4. Revenue recognition - different criterion	7.3	0.0		7.3
5. Stock Options	0.0	0.0		0.0
6. Employee benefits	0.6	0.0		0.6
7. Discounting of payables and provisions for medium-long term risks	-0.7	0.0		-0.7
8. Government grants	-0.8	0.0		-0.8
9. Other	6.3	15.5	-7.4	14.4
Total IAS/IFRS adjustments	-11.6	6.0	36.8	31.2
Shareholders' equity as per IAS/IFRS	2,748.2	394.3	-423.3	2,719.2

(*) as per quarterly report at 30 September 2004

Group shareholders' equity shown in the interim report at 30 September 2004 drafted according to Italian accounting principles amounted to EUR 2,942.4 million, which included the gross profit for the period. Group shareholders' equity at 30 September 2004, recalculated at EUR 2,688.0 million to consider the tax effects on this result as a consequence of the adoption of the new criteria, amounts to EUR **2,719.2 million**, showing a positive change of EUR **31.2 million**.

Briefly, the main elements of this change are:

- the effect arising from adjustments made at the transition date (1 January 2004) which showed a negative change of EUR 10.5 million, mainly due to the reclassification of own shares reducing shareholders' equity;
- a EUR –3.5 million decrease which reflects the change in own shares with respect to 1 January 2004;
- a better economic result for the period equal to EUR 40.4 million (already commented above);
- a higher value of reserves for EUR 4.6 million regarding period costs (connected to stock option plans and purchase and sale operations of own shares) which have a corresponding amount in the balance sheet.

for the Board of Directors
the Chairman