



*Report on operations
In the first quarter of 2004*

MEDIASET GROUP

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

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: SUMMARY OF FIGURES

Main income statement data

2003			1 st quarter 2004		1 st quarter 2003	
ml €	%		ml €	%	ml €	%
3,070.0	100.0%	Consolidated net revenues	850.7	100.0%	777.1	100.0%
2,424.9	79.0%	Italy	677.6	79.7%	634.8	81.7%
646.0	21.0%	Spain	173.2	20.4%	142.3	18.3%
820.8	100.0%	Operating profit (loss) (*)	285.0	100.0%	219.4	100.0%
650.1	79.2%	Italy	228.1	80.0%	191.5	87.3%
170.7	20.8%	Spain	56.8	19.9%	27.9	12.7%
777.6		Mediaset Group Operating profit (loss)	274.2		208.6	
675.1		Profit before taxation and third parties' shares	274.1		191.1	

Main balance sheet/financial data

31-12-2003		31-03-2004	31-03-2003
ml €		ml €	ml €
3,031.8	Capitale Investito Netto	2,835.0	2,916.8
2,832.5	Group shareholders' equity and shareholders' equity attributable to minority interests	3,050.9	2,857.3
2,591.6	Group shareholders' equity	2,837.6	2,644.6
240.9	Shareholders' equity attributable to minority interests	213.3	212.7
(199.3)	Net financial position	215.9	(59.5)
1,537.6	Operating cash-flow (net profit + amortisation)	532.3	458.8
835.1	Investments	194.6	186.4
264.3	Dividends paid	-	-

Personnel

2003			1 st quarter 2004		1 st quarter 2003	
	%			%		%
5,600	100.0%	Mediaset Group number of employees	5,628	100.0%	5,559	100.0%
4,395	78.5%	Italy	4,400	78.2%	4,378	78.8%
1,205	21.5%	Spain	1,228	21.8%	1,181	21.2%
5,633	100.0%	Mediaset Group average workforce	5,627	100.0%	5,558	100.0%
4,397	78.1%	Italy	4,396	78.1%	4,379	78.8%
1,236	21.9%	Spain	1,231	21.9%	1,179	21.2%

Main indicators

2003			1 st quarter 2004		1 st quarter 2003	
26.7%		Operating profit(*)/Net revenues	33.5%		28.2%	
26.8%		Italy	33.7%		30.2%	
26.4%		Spain	32.8%		19.6%	
25.3%		Group operating profit(*)/Net revenues	32.2%		26.8%	
22.0%		Profit before taxation and third parties' shares/Revenues	32.2%		24.6%	

(*): before amortisation goodwill Telecinco

MEDIASET GROUP

Report on Operations in the first quarter of 2004

Dear Shareholders,

in the first quarter of 2004, the Group heading your company recorded the following results:

- **consolidated net revenues** amounted to **EUR 850.7 million**, showing a 9.5% increase compared to EUR 777.1 million in the same period of the previous year;
- **EBIT** amounted to **EUR 274.2 million**, showing a 31.4% increase compared to the EUR 208.6 million recorded in the same period of the previous year, net of amortisation, depreciation and write-downs for EUR 220.6 million. Gross operating profitability significantly increased accounting for 32.2% over 26.8% in the first quarter of 2003;
- **earnings before tax and the shareholding of third parties** amounted to **EUR 274.1 million**, showing a 43.4% increase compared to EUR 191.1 million in the first quarter of 2003. This is partly due to the increase in the result of equity investments and financial activities. Net of the shareholding of third parties, this result amounted to EUR 246.1 million and was the best result ever obtained by the Group in the first quarter;
- the **consolidated net financial position** went from minus EUR 199.3 million at December 31st, 2003 up to **EUR 215.9 million** at March 31st, 2004. In the first three months of 2004, the **cash generation** which characterises the Group amounted to EUR 356.3 million in Italy and EUR 58.9 million in Spain, thus recording a significant growth over the same period of 2003, that is, EUR 201.5 million and EUR 43.5 million respectively.

The positive results obtained in the first quarter are an excellent basis to achieve the growth objectives for the year, in a legal framework which is characterised by the approval of the *Law on the reorganisation of the radio television system*, which is described in the section of the present Report entitled *Significant events after March 31st*.

It should be noted that, due to the high seasonal character of advertising sales, which are more concentrated in the first part of the year, and the payments of dividends and taxes, which are prevalingly concentrated in the second quarter of the year, operating profitability and the change in the net financial position in the first quarter of the year could not be calculated over the whole year.

The economic results obtained by the Group in the first quarter of 2004 reflect the excellent beginning of the television season in both geographical areas, Italy and Spain. The Group recorded excellent results in terms of advertising sales while total *television costs* were extremely limited in the quarter, especially with reference to the improvement obtained in terms of audience results.

More specifically, in **Italy, advertising sales on Mediaset networks** in the first quarter of 2004 showed an increase of 8.1%, a figure that though compared to a less dynamic period in 2003, confirmed the strengthening of the advertising market and, more specifically, of the television market which had already taken off in the second half of 2003. Based on the estimates published by *Nielsen*, advertising investments in Italy in *classic media* in the first two months of 2004





recorded a growth totalling 7.4%, which was mainly supported by the increase in investments devoted to television. This trend was positively impacted by the strong increase in investments in the car, telecommunication and financial (banks and insurance companies) industries.

In the quarter under investigation, characterised by a further improvement in television and by an extremely competitive offer from RAI networks, the growth of **results in terms of audience share of Mediaset networks** continued after the record established in 2003.

In the first quarter of 2004, the total audience share in the Full Day reached 10.5 million TV viewers, a figure slightly higher than that recorded in the first quarter of the past year (+0.4%), as a consequence of an increase in Prime Time (+0.8%) and late evening (+3.9%) which compensated for the decrease in Day Time (-0.8%).

In the same period, Mediaset networks recorded an average daily share of 44%, showing a 0.3% increase on the results of January-March 2003. This was attributable to both the result obtained in Day Time (+0.9 higher than the first quarter of the past year) and the result recorded in Prime Time, once again higher than RAI's (45.1% vs. 44.6%).

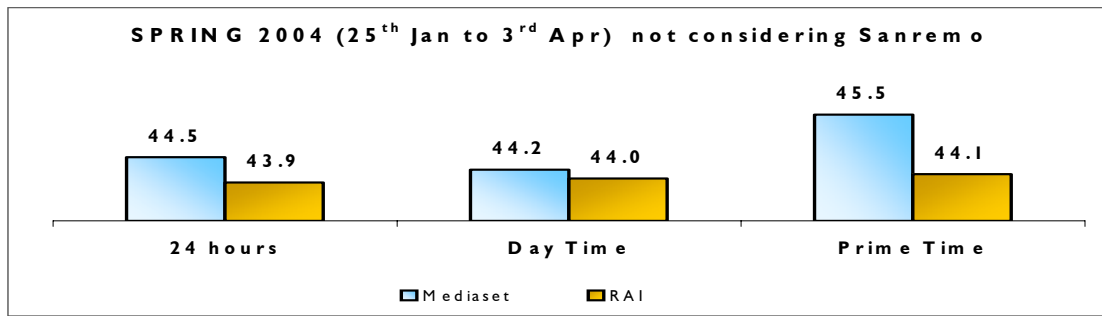
Considering audience share figures per single network, it should be noted that Canale 5 was on the increase in all time brackets (+0.8 percentage points in Day Time, +0.9 in Prime Time and +0.8 in the 24 hours) while Italia 1 obtained the third position in Prime Time outperforming RAI 2 by 1.7 percentage points (11.2% vs.9.5%) and Rete 4 did better than Rai 3 in Day Time and in the Full Day (in both time brackets 9.0% vs. 8.9%).

Individual share - 1 st quarter 2004	24 hours	Prime Time	Day Time 7:00-2:00
	23.8%	24.9%	23.5%
	11.2%	11.2%	11.2%
	9.0%	9.0%	9.0%
	44.0%	45.1%	43.7%

These results were recorded in all the main types of programmes, from the main news productions to entertainment, from mini series to events and sports broadcasts. More specifically, for Canale 5 these programmes should be noted: the fourth *Grande Fratello* that outperformed even the third evening of *Festival di Sanremo* with a 32.3% audience share and, as far as drama is concerned, the extraordinary success obtained by the TV series *Elisa di Rivombrosa*, which has been unanimously considered as the most important event of the 2003/2004 television season.

In the 24 hours, in this quarter, Mediaset networks maintained their leadership in the *commercial target* of TV viewers aged between 15 and 64 as well as children aged 4-14 (45.7% and 54% respectively vs. 41.4 and 32% for RAI).

Also the beginning of the observation period recorded absolutely positive results: as is shown in the graph below, Spring 2004 (from January 25th to April 3rd, excluding the week when the *Festival di Sanremo* was broadcast), Mediaset networks outperformed RAI in all time brackets.




More specifically, in the observation period, Canale 5 did better than RAI 1 in Day Time (23.6% vs. 23%) and in the 24 hours (23.8% vs. 23.5%), Italia 1 recorded 11.5% in all time brackets thus confirming its third position in Prime Time (ahead of RAI 2 that stopped at 9.6%) and Rete 4 equalled RAI 3 in Prime Time (9.2%) and outperformed it in Day Time (9.1% vs. 8.8%) and in the Full Day (9.2% vs. 8.9%).


Considering the total results achieved in terms of audience share, in the first quarter of the year, *television costs* were in line with those recorded in the same period of the previous year, thus making it possible to operationally exploit the significant increase in net revenues in the best possible way. As a consequence of this evolution, the **EBIT of Italian operations** reached **EUR 228.1 million**, showing a 19.1% increase over the same period of the previous year while operating profitability went from 30.2% in the first quarter of 2003 up to 33.7% in the first quarter of 2004.

During the first quarter of 2004, in the framework of the process of converting to **digital terrestrial television**, investments continued with a view to further extending the coverage that by 2004 should reach about 70% of the Italian population and enlarge/enrich the television offer in terms of new contents and interactive services. In the first months of 2004, the basic offer of digital bouquets was launched also by other Italian operators, that is, RAI, Telecom/La 7 and D-Free, whose multiplex platform is used to digitally broadcast Canale 5 and Italia 1, and the set-top-boxes which are needed to watch the contents broadcast with digital techniques started to be marketed nationwide. The number of digital decoders which are now installed in Italian households amounts to about 250,000 units and, if the current sale trend persists, we can reasonably suppose that one million pieces of equipment will be sold by the end of 2004.

In Spain, **gross advertising sales by Publiespana** for Telecinco grew in the period in question at an extremely fast pace of 21.2%, although this compared to the first quarter of 2003 when 28% growth was recorded that enabled this company to offset the decrease recorded in the first quarter of 2002.

The high growth trend of advertising sales reflected the excellent **results in terms of audience share** that **Telecinco** obtained recording a 23.9% share in the peak period (against 22.5% in the same period of the previous year) and setting itself for the first time in this period of the year as the first network at a national level. As for the daily average of this quarter, Telecinco recorded a 22.1% audience share (against 21.4% in the same period of the previous year), thus confirming its leadership among private broadcasters and significantly reducing the gap with the State-owned broadcaster TVE1, which recorded a decrease from 23.7% in the first quarter of 2003 to 22.9% in the first quarter of 2004. As for the *commercial target*, where Telecinco is an unquestioned leader nationwide, a further increase was recorded in the quarter in both average share (from 24.7% to 25.2%) and Prime Time (from 26.8% to 28.3%), thus maintaining an advantage over Antena 3 of about 8 percentage points in terms of share.

 Individual Share	I st quarter 2004	I st quarter 2003	2004 vs 2003 % variation
24 hours	22.1%	21.4%	3.3%
Prime Time	23.9%	22.5%	6.2%
Day Time	21.4%	21.0%	1.9%

 Coomercial Target Share	I st quarter 2004	I st quarter 2003	2004 vs 2003 % variation
24 hours	25.2%	24.7%	2.0%
Prime Time	28.3%	26.8%	5.6%
Day Time	23.7%	23.8%	-0.4%

The considerable increase in revenues, combined with a limited growth in costs which in this quarter were below 2%, enabled the **Telecinco Group** to obtain **EBIT** amounting to **EUR 56.8 million**. EBIT more than doubled compared to the result achieved in the same period of 2003.

As already specified in the *Report on Operations at December 31st, 2003*, it should be noted that, on March 17th, 2004, the shareholders of Gestevisión Telecinco S.A. and Publiespana S.A., that is, Mediaset SPA (25%), Mediaset Investement (27%), Vocento (13%), Dresdner Bank (25%) and ICE Finance (10%), signed an agreement with a view to starting a project for the listing of Gestevisión Telecinco S.A. which should be finalised by the end of 2004 through an offer for sale. In order to prepare the company for the listing, on March 29th, 2004, the General Meetings of the two companies decided to transfer the shareholdings of Publiespana S.A. to Gestevisión Telecinco S.A., whose shareholding structure is unchanged after this operation.

FINANCIAL AND ECONOMIC RESULTS OF THE MEDIASET GROUP

Drafting criteria

According to CONSOB resolution no. 11971 of May 14th, 1999, the economic and balance sheet information given below refers to the first quarter of 2004, the first quarter of 2003 and the figures at December 31st, 2003. In preparing the accounts, the same criteria used for preparing the financial statements and the consolidated financial statements at December 31st, 2003 were utilised.

The analysis of the income statement and of the consolidated financial position and balance sheet situation in the first quarter of 2004 was also performed - in accordance with that established in CONSOB Communication no. 98084143 of October 27th, 1998 with regard to information per business sector - by separately highlighting the contribution to the financial and economic results of the Group by the television operations of the two geographical areas, Italy and Spain.

The Report on Operations in the First Quarter of the year is not submitted for audit certification by Independent Auditors.

Economic results

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

In compliance with that established in article 81 clause 7 of the Regulations approved by the CONSOB resolution no. 11971 of May 14th, 1999 and subsequent amendments, the economic result of the period was presented before taxes. This result was also amended in order to show the stake of minority interests in Gestelevision Telecinco and Publiespana; in the annual report, this amendment will be determined based on the net result of these investments.

It should also be noted that the income statement also includes the effects - in 2003 and the first quarter of 2004 - of the line-by-line consolidation of Publieuros and Publieurope. These companies were previously recorded at cost and they perform advertising sales activities at an international level for Publitalia '80, Publiespana and other media companies in Europe. The impact of this change on the economic results of the first quarter of 2004 is extremely reduced, since it amounts to EUR 1.3 million in terms of net revenues (against EUR 5.4 million of total aggregate revenues of both companies) and to EUR 0.4 million in terms of EBIT and earnings before tax and this does not therefore jeopardise the comparability of figures between the two quarters.

(EUR millions)

Mediaset Group: Re-classified income statement summary

2003		I st quarter	I st quarter
		2004	2003
3,029.3	Sales of goods and services	841.1	771.0
40.7	Other revenues and income	9.6	6.1
3,070.0	Total consolidated net revenues	850.7	777.1
379.5	Personnel expenses	97.6	93.7
901.8	Purchases, services, other costs	258.3	215.4
1,281.3	Operating costs	355.9	309.1
1,788.7	Gross operating profit (loss)	494.8	468.0
967.9	Amortisation, depreciation and write-downs	209.8	248.6
820.8	Operating profit (loss) before amortisation goodwill Telecinco	285.0	219.4
43.2	Amortisation goodwill Telecinco	10.8	10.8
777.6	Operating profit (loss)	274.2	208.6
(6.2)	Financial income/(charges)	2.7	(6.0)
(84.3)	Income/(charges) from equity investments	(2.3)	(11.0)
687.1	Profit (loss) before extraordinary items	274.6	191.6
(12.0)	Sundry and extraordinary income/(charges)	(0.5)	(0.5)
675.1	Profit before taxation and third parties' share	274.1	191.1
(58.9)	Third parties' profit before taxation	(28.0)	(13.6)

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

2003		I st quarter	I st quarter
		2004	2003
100.0%	Net consolidated revenues	100.0%	100.0%
41.7%	Operating costs	41.8%	39.8%
58.3%	Gross operating profit (loss)	58.2%	60.2%
31.5%	Amortisation, depreciation and write-downs	24.7%	32.0%
26.7%	Operating profit (loss) before amortisation goodwill Telecinco	33.5%	28.2%
25.3%	Operating profit (loss)	32.2%	26.8%
22.4%	Profit (loss) before extraordinary items	32.3%	24.7%
22.0%	Profit before taxation and third parties' shares	32.2%	24.6%

As already mentioned, it should be noted that, due to the high seasonal character of television operations, especially with respect to the trend of revenues from advertising (which are more concentrated in the first part of the year), the results of the period being investigated may not fully represent a trend on an annual basis.

Here follows an analysis of the single Mediaset Group income statement elements. This analysis was carried out by highlighting the economic contribution in terms of operating management arising from television operations separately in the two geographical areas (including the contribution arising from the line-by-line consolidation of Publieurope, as a result of the advertising sub-concession relations prevalently established by this company in the domestic market), Italy and Spain.

Analysis of results by geographical area: Italy

Below is the summary of the reclassified income statement of the Mediaset Group, arising from Italian operations:

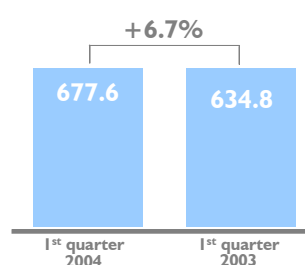
(EUR millions)

Italy: Re-classified income statement summary			
2003		I st quarter 2004	I st quarter 2003
2,389.1	Sales of goods and services	668.9	629.3
35.8	Other revenues and income	8.7	5.5
2,424.9	Total consolidated net revenues	677.6	634.8
314.6	Personnel expenses	80.8	77.6
686.7	Purchases, services, other costs	200.3	166.1
1,001.3	Operating costs	281.1	243.7
1,423.6	Gross operating profit (loss)	396.5	391.1
773.5	Amortisation, depreciation and write-downs	168.4	199.6
650.1	Operating profit (loss)	228.1	191.5
(11.0)	Financial income/(charges)	1.4	(7.5)
(82.0)	Income/(charges) from equity investments	(2.5)	(10.3)
557.1	Profit (loss) before extraordinary items	227.0	173.7
(9.8)	Sundry and extraordinary income/(charges)	(0.3)	(0.1)
547.3	Profit before taxation and third parties' shares	226.7	173.6

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

2003		I st quarter 2004	I st quarter 2003
100.0%	Net consolidated revenues	100.0%	100.0%
41.3%	Operating costs	41.5%	38.4%
58.7%	Gross operating profit (loss)	58.5%	61.6%
31.9%	Amortisation, depreciation and write-downs	24.9%	31.4%
26.8%	Operating profit (loss)	33.7%	30.2%
23.0%	Profit (loss) before extraordinary items	33.5%	27.4%
22.6%	Profit before taxation and third parties' shares	33.5%	27.3%

Net Revenues



Consolidated net revenues from Italian operations recorded a EUR 42.8 million increase in the first quarter of 2004 over the same period of the previous year.

This change mainly resulted from increased *net revenues from television operations*, as shown in the following table:

(EUR millions)

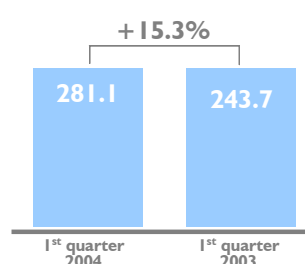
2003		1 st quarter 2004	1 st quarter 2003
2,264.4	Revenues from the sales of advertising slots	641.7	586.8
366.0	Revenues from television sales, promotions, sponsorship	106.8	105.8
2,630.4	Advertising revenues from third parties	748.5	692.6
94.7	Other revenues from television operations	17.0	24.5
(389.6)	Agency discounts	(111.9)	(102.2)
2,335.5	Total net revenues from television operations	653.6	614.9
89.4	Total net revenues from non-television operations	24.0	19.9
2,424.9	Total consolidated net revenues from Italy	677.6	634.8

More specifically, revenues from television operations can be detailed as follows:

- gross **advertising revenues** from **Mediaset networks**, totalling EUR 748.5 million, recorded an increase equal to EUR 55.9 million, amounting to an 8.1% increase over the same period of the previous year. In particular, the *revenues from the sale of commercials* recorded a 9.4% increase whereas the *revenues from television sales, promotions and sponsorships* showed 0.9% growth;
- **other revenues from television operations** recorded a decrease totalling EUR 7.5 million, mainly attributable to the lost revenues arising from the sale of the pay-TV satellite platform of the rights of *Champions League* matches. This amount was not available since, starting from the third quarter of 2003, for the 2003/2004 season, Mediaset has been holding television rights only for non encrypt broadcasting.

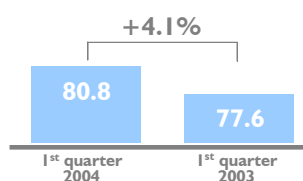
As a whole, **revenues from non television operations** included EUR 1.3 million arising from the consolidation of Publieurope in the first quarter of 2004; on a like for like basis, an increase was recorded over the first quarter of 2003 totalling EUR 2.8 million, which is mainly attributable to earnings from the distribution of theme channels, after reviewing the agreement with Sky Italia in the second half of 2003, and to the multimedia publishing content- providing and content packaging operations carried out with mobile telephony operators.

Operating costs



The operating costs of Italian operations showed an increase of EUR 37.4 over the same period of the previous year. The main items in operating costs are personnel expenses and purchases, services and other costs, which are detailed below.

Personnel Expenses



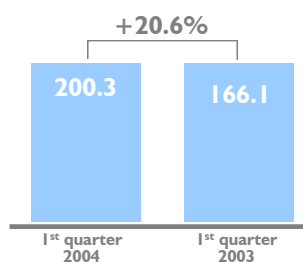
The change in personnel expenses, which is mainly the result of the remuneration policy adopted, included also the effects of the consolidation of Publieurope for an amount of EUR 0.7 million.

In the tables below, the effective and average workforce in the first quarter of 2004 and in 2003, including the personnel of Publieurope, are illustrated, totalling 23 and 24 units respectively:

31/12/2003	Number of employees (including temporary staff)	31/03/2004	31/03/2003
318	Managers	313	300
324	Journalists	330	304
651	Middle managers	649	651
3,102	Office staff	3,108	3,123
4,395	Total	4,400	4,378

2003	Average workforce (including temporary staff)	1 st quarter 2004	1 st quarter 2003
309	Managers	314	300
310	Journalists	328	300
656	Middle managers	650	651
3,122	Office workers	3,103	3,128
4,397	Total	4,396	4,379

Purchases, services and other costs



As a whole, the item *purchases, services and other costs* showed an increase of EUR 34.2 million in the first quarter of 2004 over the same period of the previous year.

More specifically, as can be seen in the figures below, this variation is mainly attributable to the increase in *television costs* that, in the third quarter of 2003, included the costs referring to the matches of the new *UEFA Champions League* (2003/2004). It should be noted that the amount deriving from the four-year agreement on previous Champions League matches (1999-2003 period) used to be capitalised and written down in the available period since, contractually, the Mediaset Group held its availability on a multiyear basis.

(EUR millions)

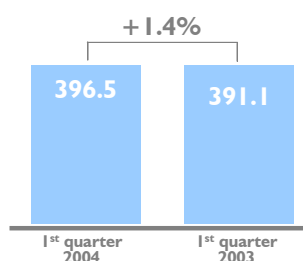
2003		1st quarter 2004	1st quarter 2003
90.9	Selling costs	20.5	19.8
436.6	Television scheduling costs	138.0	111.0
35.8	Broadcasting costs	7.0	7.9
67.6	Other costs	15.0	14.1
630.9	Total television costs	180.5	152.8
55.8	Other non-television costs	19.8	13.3
686.7	Purchases, services and other costs	200.3	166.1

The increase in *television costs* over the same period of the previous year is mainly attributable to the trend in *television scheduling costs*. This increase was impacted not only by the already mentioned costs referring to the *Champions League*, but also by the different scheduling organisation in the two periods being analysed and a few cost items according to sales performance.

For a better appreciation of the dynamics in television costs, it is worth noting that *overall television costs*, including those elements connected to personnel expenses and amortisation, depreciation and write-downs of television rights and other fixed assets, showed a slight decrease over the same period of the previous year.

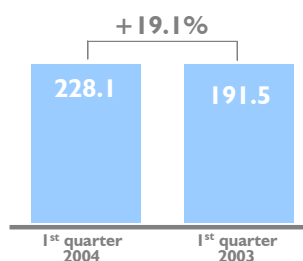
The increase in **operating costs** concerning **non-television operations** compared to the same period of 2003 is mainly attributable, for an amount of about EUR 7 million, to the network-operator and content-provider activities associated with the conversion process to digital terrestrial broadcasting.

EBITDA



A growth in EBITDA was recorded in the period for an amount of EUR 5.4 million; as a result of the significant growth of consolidated net revenues, its percentage impact on these revenues went from 61.6% in the first quarter of 2003 down to 58.5% in the first quarter of 2004.

EBIT



EBIT referring to Italian operations recorded a EUR 36.6 million increase in the first quarter of 2004 over the same period of the previous year. This is attributable not only to the trends we have already commented, but also to the decrease in overall amortisation, depreciation and write-downs for an amount of EUR 31.2 million. This evolution is mainly due, as already mentioned, to the different accounting method adopted for rights for the new matches of *Champions League* that, starting from the third quarter of 2003, have been recorded in operating costs, as a result of the different structure of the new agreement.

The percentage impact of EBIT on consolidated net results showed a significant increase from 30.2% in the first quarter of 2003 to 33.7% in the first quarter of 2004.

Analysis of results by geographical area: Spain

Here follows the income statement referring to Spanish operations which correspond to the consolidated figures of Gestevisión Telecinco S.A., Publiespana S.A. and the subsidiary and affiliated companies associated with them (the Telecinco Group). Appropriate reclassification was performed in order to make the accounting standards established by Spanish law on statutory financial statements comparable to those established by the Italian law.

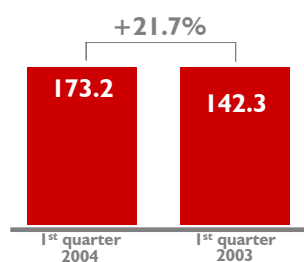
(EUR millions)

Spain: Re-classified income statement summary			
2003		1st quarter 2004	1st quarter 2003
640.2	Sales of goods and services	172.2	141.7
5.8	Other revenues and income	1.0	0.6
646.0	Total consolidated net revenues	173.2	142.3
64.9	Personnel expenses	16.8	16.1
216.0	Purchases, services, other costs	58.1	49.3
280.9	Operating costs	74.9	65.4
365.1	Gross operating profit (loss)	98.3	76.9
194.4	Amortisation, depreciation and write-downs	41.5	49.0
170.7	Operating profit (loss)	56.8	27.9
4.8	Financial income/(charges)	1.4	1.5
(2.3)	Income/(charges) from equity investments	0.1	(0.7)
173.2	Profit (loss) before extraordinary items	58.3	28.7
(2.2)	Sundry and extraordinary income/(charges)	(0.2)	(0.4)
171.0	Profit before taxation and third parties' shares	58.1	28.3

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

2003		1st quarter 2004	1st quarter 2003
100.0%	Net consolidated revenues	100.0%	100.0%
43.5%	Operating costs	43.2%	46.0%
56.5%	Gross operating profit (loss)	56.8%	54.0%
30.1%	Amortisation, depreciation and write-downs	24.0%	34.4%
26.5%	Operating profit (loss)	32.8%	19.6%
26.8%	Profit (loss) before extraordinary items	33.7%	20.2%
26.5%	Profit before taxation and third parties' shares	33.5%	19.9%

Net revenues



In the first quarter of 2004, the consolidated net revenues generated by the Telecinco Group increased by EUR 30.9 million over the same period of the previous year.

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

(EUR millions)

2003		1 st quarter 2004	1 st quarter 2003
563.4	Revenues from the sales of advertising slots	151.2	126.6
70.1	Revenues from television sales, promotions, sponsorships	18.3	13.3
633.5	Advertising revenues from television operations	169.5	139.9
65.3	Other revenues	14.6	13.8
(52.8)	Agency discounts	(10.9)	(11.4)
646.0	Total consolidated net revenues from Spain	173.2	142.3

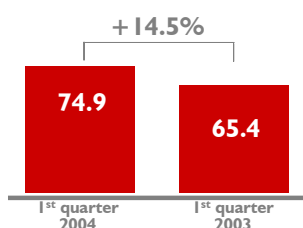
The main item in revenues is **advertising revenues from television operations** referring to the sale of advertising space performed as sole agent for Telecinco by Publiespana. This item recorded an extremely positive evolution in the first months of 2004, showing 21.2% growth over the same period of the previous year, totalling EUR 169.5 million. More specifically, in the first quarter of 2004, *revenues from television sales, promotions and sponsorships* increased by 37.6% over the first quarter of 2003.

The item **other revenues from television operations** includes a variety of revenues which are by nature complementary and additional with respect to television operations. These can be grouped in two main types:

- revenues arising from the *selling of television contents* and the *distribution of film rights*, an activity that virtually consists of the residual exploitation of products mainly purchased for television broadcasting;
- revenues associated with *content extension* activities, that include income from merchandising projects, telephone calls generated by the interaction via SMS with a few television productions and other revenues – including advertising revenues, arising from the exploitation on other media of successful television formats.

In this quarter of 2004, overall revenues amounted to EUR 14.6 million, showing a 5.8% increase over the first quarter of 2003. This was mainly due to the advertising sales of the subsidiary company Publimedia.

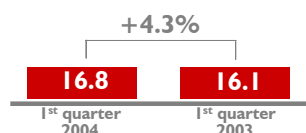
Operating costs



The operating costs of the Telecinco Group showed an increase totalling EUR 9.5 million over the first quarter of 2003. 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 the items associated with personnel expenses and amortisation, depreciation and write-downs, showed an extremely limited growth, equal to 1.7%, in the quarter being analysed.

Personnel expenses

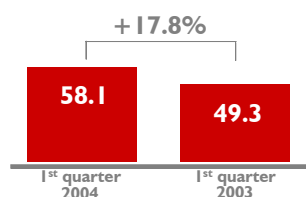


Personnel expenses of the companies belonging to the Telecinco Group showed a EUR 0.7 million increase over the same period of the previous year. This change is mainly attributable to the increase in the average workforce (as shown in the tables below) as a result of hiring personnel working in the area of television productions which was previously outsourced. The economic impact of this increase was partially absorbed in terms of decreased *other operating costs*.

31/12/2003	Number of employees (including temporary staff)	31/03/2004	31/03/2003
69	Managers	67	67
105	Journalists	103	108
120	Middle managers	123	110
889	Office workers	888	888
22	Industry workers	47	8
1,205	Total	1,228	1,181

2003	Average workforce (including temporary staff)	1 st quarter 2004	1 st quarter 2003
69	Managers	67	65
101	Journalists	103	106
120	Middle managers	122	110
923	Office workers	891	890
23	Industry workers	47	8
1,236	Total	1,231	1,179

Purchases, services and other costs



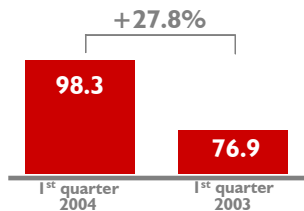
Overall costs for purchases, services and other costs recorded a EUR 8.8 million growth over the first quarter of 2004. This increase was mainly due to increased television scheduling costs.

(EUR millions)

2003		1 st quarter 2004	1 st quarter 2003
8.4	Selling costs	1.1	1.5
149.2	Television scheduling costs	42.5	35.3
17.4	Broadcasting costs	4.3	4.5
41.0	Other costs	10.2	8.0
216.0	Purchases, services and other costs	58.1	49.3

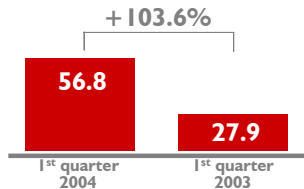
With respect to the same period of the previous year, the increase in **television scheduling costs** was due to greater use of in-house produced programmes compared to the issuing of television rights referring to films as well as international and Italian series. The increase in operating costs of in-house productions is substantially offset in the period by the decrease in costs referring to amortisation and write-downs of television rights. This change was also impacted by a few cost items, mainly depending on advertising sales, referring to the amounts due to professional associations for the exploitation of publishing and musical rights.

EBITDA



Following a strong increase in net revenues and the limited increase in costs, EBITDA recorded an increase of EUR 21.4 million in the first quarter of 2004 over the same period of the previous year; the percentage impact on consolidated net revenues went from 54.0% in the first quarter of 2003 up to 56.8% in the first quarter of 2004.

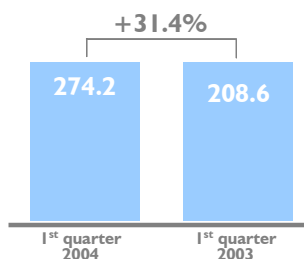
EBIT



In the first quarter of 2004, EBIT for the Spanish Area reached EUR 56.8 million, with a percentage impact on net revenues totalling 32.8%. This result was positively influenced in the first quarter of 2004 by the decrease in overall amortisation, depreciation and write-downs which went from EUR 49.0 million in the first quarter of 2003 down to EUR 41.5 million in the first quarter of 2004, mostly as a consequence of the already-mentioned reduced amortisation of television rights.

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

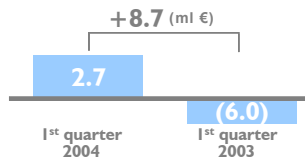
EBIT (after goodwill amortisation of Telecinco)



The EBIT of the Group also includes the goodwill amortisation quota on the stake held in Gestevisión Telecinco and Publiespana, which in both periods amounted to EUR 10.8 million.

The increase in EBIT recorded in the first quarter of 2004 over the same period of 2003 is attributable for an amount of EUR 36.6 million to Italian operations and for EUR 28.9 million to the Telecinco Group.

Financial income / (charges)

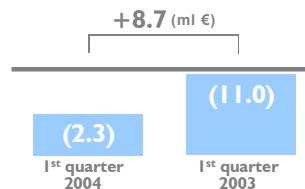


The increase of this item compared to the first quarter of the previous year was generated by Italian operations totalling EUR 8.8 million.

The balance of this item in the first quarter of 2004 includes:

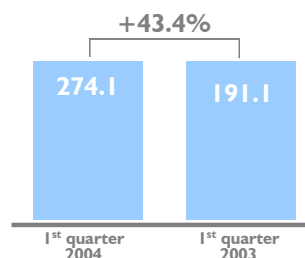
- revenues from the difference in exchange rates for EUR 0.5 million (minus EUR 4.6 million in the first quarter of 2003);
- net revenues of EUR 4.5 million referring to the right for economic exploitation of 10% stakes in Gestevisión Telecinco and Publiespana held by ICE Finance, taken over by Mediaset at the end of 2003;
- other net financial charges totalling EUR 2.3 million (EUR 1.4 million in the same period of the previous year).

Income / (charges) from investments



The positive change in the balance of this item is mainly attributable to decreased charges arising from the value adjustment of the stake held in Albacom S.p.A. in the period (minus EUR 2.4 million in the first quarter of 2004, minus EUR 10.3 million in the same period of the previous year) based on the preliminary estimates referring to the end of the fiscal year of Albacom at March 31st, 2004 currently available.

EBT and minority interests



The positive change in this item is due to EUR 53.1 million of Italian operations and EUR 29.8 million of the Telecinco Group.

Provisions for income taxes

In accordance with article 81 clause 7 of the Regulation approved by CONSOB resolution no. 11971 of May 14th, 1999 and subsequent amendments, the period result was shown gross of taxation and, therefore, no deferred tax assets or liabilities deriving from the application of the current accounting standard, regarding income taxes, were accounted for.

Balance sheet and financial position

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

(EUR millions)

31/12/2003	Mediaset Group: Balance sheet summary	31/03/2004	31/03/2003
1,923.6	Television rights	1,921.9	2,027.2
563.1	Other intangible/tangible fixed assets	535.1	565.3
300.3	Adjustment from Telecinco net consolidation	289.5	332.6
136.0	Equity investments and financial fixed assets	137.8	194.8
215.7	Net working capital and other assets/liabilities	59.5	(100.6)
(106.9)	Allocation for severance indemnities	(108.8)	(102.5)
3,031.8	Net investments	2,835.0	2,916.8
(199.3)	Net financial position	215.9	(59.5)
2,591.6	Group shareholders' equity	2,837.6	2,644.6
240.9	Shareholders' equity attributable to minority interests	213.3	212.7
2,832.5	Group shareholders' equity and shareholders' equity attributable to minority interests	3,050.9	2,857.3

Below the balance sheet situation of the two geographical areas, Italy and Spain, is illustrated separately.

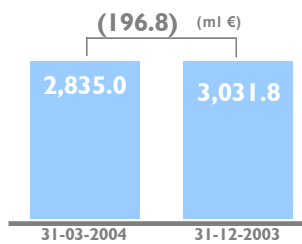
It should be noted that the balance sheet situation referring to Italian operations includes the book value of shareholding and dividends received by Spanish companies, deducted at Group level, as well as the line-by-line consolidation of Publieurope and Publieuros. On the other hand, the balance sheet situation referring to the Spanish Area corresponds to that of the Telecinco Group. More specifically, it is worth noting that the change in the net shareholders' equity of the Telecinco Group at March 31st, 2004 against December 31st, 2003 includes not only the period result, but also the period decrease in the payment of ordinary dividends, totalling EUR 115.8 million, which was decided on March 29th, 2003 and which was paid in April. Similarly, the item *Net working capital and other current assets and liabilities* includes both the pro-quota liabilities and receivables referring to those dividends.

(EUR million)

Balance Sheet summary (geographical detail)	Italy		Spain	
	31/03/2004	31/12/2003	31/03/2004	31/12/2003
Television rights	1,719.9	1,740.3	202.0	183.3
Other intangible/tangible fixed assets	417.2	433.5	118.0	129.6
Equity investments and other financial fixed assets	664.8	663.0	7.9	7.9
Net working capital and other assets/liabilities	257.6	290.1	(198.1)	(74.4)
Allocation for severance indemnities	(108.7)	(106.9)	-	-
Net investments	2,950.8	3,020.0	129.8	246.4
Net financial position	(95.1)	(451.4)	311.0	252.1
Group shareholders' equity	2,854.2	2,567.2	440.5	498.2
Shareholders' equity attributable to minority interes	1.5	1.4	0.3	0.3
Group shareholders' equity and shareholders' equity attributable to minority interests	2,855.7	2,568.6	440.8	498.5

Below are comments to the main items of the consolidated balance sheet at March 31st, 2004 and their variations compared to December 31st, 2003.

Net invested capital



The most significant element of the invested capital of the Mediaset Group is **television rights**, an item which is substantially unchanged since December 31st, 2003 as a consequence of the decrease in the rights held in Italy totalling EUR 20.4 million (due to an increased amortisation quota compared to the investments accounted for in the period) and of the increase equal to EUR 18.7 million referring to the rights held by the Telecinco Group.

Other tangible and intangible assets showed a EUR 28.0 million decrease compared to December 31st, 2003; this decrease is attributable for EUR 16.3 million to Italian operations and for EUR 11.6 millions to the Telecinco Group.

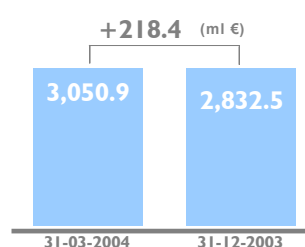
The item **variations from changes in the consolidated area** reflects the effect of the line-by-line consolidation of the shareholding in the Telecinco Group, net of amortisation quotas.

The item **investments and other financial assets** is substantially unchanged since December 31st, 2003. It should be noted that in the quarter being analysed, Mediaset S.p.A. – based on the resolution of the Extraordinary Meeting of Albacom dated March 29th, 2003 – converted EUR 17,2 million of the financial receivables from the company for shareholders' financing into capital. More specifically, EUR 7.3 million was used for the pro-quota coverage of losses for the part exceeding the shareholders' equity (which was already partially covered by the provisions especially made at December 31st, 2003) and EUR 9.9 million was allocated pro-quota to the reconstitution of the share capital.

This conversion was performed pro-quota by Albacom's shareholders following the reduction in the company's share capital decided to cover the losses arising from the balance sheet approved at December 31st, 2003.

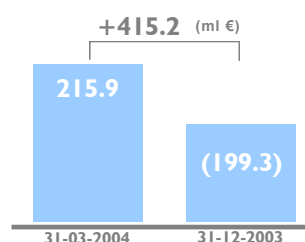
The balance of the item **working capital and other current assets and liabilities** totalling EUR 59.5 million includes a positive balance of EUR 257.6 million referring to Italian operations and a negative balance of EUR 198.1 million referring to the Telecinco Group. The decrease compared to December 31st, 2003, totalling EUR 215.7 million is mainly attributable to trade receivables associated with invoicing practices in Italy and payables for the dividends to be paid to minority interests of Telecinco and Publiespana.

Net Group shareholders' equity and attributable to minority interests



The increase over December 31st, 2003 reflects the gross profit for the period, net of dividends to be paid to minority interests as decided.

Net financial position



The net financial position of the Group at March 31st, 2004 results from the net borrowing of Italian operations totalling EUR 95.1 million and from the net liquid funds of the Telencinco Group amounting to EUR 311.0 million.

Below, the consolidated net financial position at March 31st, 2004 is analysed and compared to the same period of 2003 and at December 31st, 2003.

(EUR millions)

31/12/2003		31/03/2004	31/03/2003
286.2	Liquid funds	525.8	353.9
226.1	Financial income and securities (which are not fixed assets)	193.8	201.4
512.3	Total financial assets	719.6	555.3
(704.2)	Due to banks	(493.0)	(599.3)
	Due to other financial institutions:		
(2.2)	Factoring companies	-	(6.4)
(4.1)	Leasing companies	(4.0)	(4.5)
(1.1)	Other	(6.7)	(4.6)
(711.6)	Total financial liabilities	(503.7)	(614.8)
(199.3)	Net financial position	215.9	(59.5)

Below is the cash flow statement of the Group as a whole and broken down per geographic areas showing the main elements of the financial evolution in the periods under investigation.

(EUR millions)

2003	Mediaset Group: Sources and applications	Ist quarter 2004	Ist quarter 2003
1,537.6	Operating cash-flow	532.3	458.8
13.7	Total disinvestments in fixed assets	1.0	-
(835.1)	Total investments of which:	(194.6)	(186.4)
(705.7)	investments in television rights	(182.7)	(173.6)
(9.4)	equity investments	-	-
(50.9)	other investments in intangible fixed assets	(2.9)	(8.1)
(69.1)	investments in tangible fixed assets	(9.0)	(4.7)
-	Share capital increases	-	-
(264.3)	Dividends paid	-	-
(354.1)	Other monetary variations	76.5	(27.4)
(126.3)	Changes in the consolidation area	-	(133.7)
(28.5)	Net cash flow	415.2	111.3

(EUR millions)

Sources and applications	Italy		Spain	
	1st quarter 2004	1st quarter 2003	1st quarter 2004	1st quarter 2003
Operating cash-flow	440.7	388.7	91.6	70.1
Total disinvestments in fixed assets	0.4	-	0.6	-
Total investments of which:	(136.2)	(409.8)	(58.4)	(52.6)
investments in television rights	(125.7)	(123.0)	(57.0)	(50.6)
equity investments	-	(276.0)	-	-
other investments in intangible fixed assets	(2.8)	(8.1)	(0.1)	-
investments in tangible fixed assets	(7.7)	(2.7)	(1.3)	(2.0)
Share capital increases	-	-	-	-
Dividends paid	-	-	-	-
Other monetary variations	51.4	(53.4)	25.1	26.0
Changes in the consolidation area	-	-	-	-
Net cash flow	356.3	(74.5)	58.9	43.5

More specifically, there is to be noted the change in the financial position that occurred in the quarter in Italian operations. It recorded a significant positive cash flow generated by the period operations totalling about EUR 356 million. This flow is significantly higher than that generated in the same period of the previous year, which – net of EUR 276 million paid to purchase a 12% stake in the Telecinco Group – amounted to about EUR 202 million.

SIGNIFICANT EVENTS AFTER MARCH 31ST, 2004

- The new Gasparri Law Decree was definitively approved by the Senate on April 29th and was issued by the President of the Italian Republic on May 3rd. On May 30th the Council of the Authority for communication guarantees approved the technical report submitted on the overall offer of digital terrestrial television programmes. By the end of May a final report, which is now being prepared, will be submitted in accordance with Law 43/2004 to the Italian Government and Competent Parliamentary Commissions. As already said in the consolidated Report on Operations at December 31st, 2003, the conditions established by the Law are expected to be met and therefore Retequattro will continue to broadcast using analogue terrestrial techniques. On April 30th, the Authority also closed the inquiry on the presence of dominating positions in the period 2001-2003 and conclusions will be shortly disclosed. The Council of the Authority will have to take into account the new legislative framework of the Gasparri Law that, among other things, abrogated the limit established by Law, and the overall offer of analogue and digital terrestrial television programmes.

FORESEEABLE DEVELOPMENTS

- The first four months of the year confirm the positive trend of audience share of Mediaset networks. More specifically, on May 8th, 2004, in the Full Day, Mediaset increased its audience share going from 44.0% in the first quarter of 2003 to 44.3%, thus strengthening its leadership nationwide; in Prime Time, Mediaset networks reached 44.9% and in this time bracket too, maintained the first position among Italian television groups. In the observation period (from January 25th to May 8th, excluding the week when the *Festival di Sanremo* was broadcast), Mediaset networks recorded a 44.7% share in the Full Day and a 45.2% share in Prime Time. The record strengthened with TV viewers aged 15-64, the so-called commercial target, where Mediaset reached 46.0% in the Full Day and 46.6% in Prime Time.
- The first four months of 2004 Telecinco recorded the best result in terms of audience share of the past seven years and it confirmed its leadership – as was the case for the first quarter – in Prime Time at a national level with an average share of 23.6% (22.3% in the previous year); Telecinco also increased its audience share in the full day where it recorded an average share of 22.2% (21.6% in the previous year), closely following the State-owned network TVEI that, in the same period, showed an average share in the Full Day of 22.8% (23.6% in the previous year). In the same period, Telecinco also consolidated its absolute leadership on its commercial target where an average share of 25.3% was achieved in the 24 hours (24.8% in the previous year) and an average share of 28% in Prime Time (26.5% in the previous year).
- In the first four months of 2004, advertising sales on Mediaset networks showed an increase of 8.5% over 2003; in this period, also in Spain advertising sales confirmed the positive trend recorded in the first quarter of the year. Considering this evolution, both in the first part of 2004 and on an annual basis, operating profitability and cash flow are expected to further improve.

For the Board of Directors

The Chairman