

ITALMOBILIARE

Consolidated quarterly report
as of 31 March 2003



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Consolidated quarterly report
as of 31 March 2003

May 14, 2003

ITALMOBILIARE

Società per Azioni

Head office: via Borgonuovo, 20
20121 Milano, Italy

Share capital € 100.166.937
Milano Company Register



■ BOARD OF DIRECTORS

(term ends on approval of financial statements at 31 December 2004)

Giampiero Pesenti	¹	Chairman - Chief Executive Officer
Giovanni Giavazzi	¹⁻²	Deputy Chairman
Mauro Bini	³⁻⁴	
Giorgio Bonomi	³	
Italo Lucchini	¹⁻³	
Luca Minoli	²	
Giorgio Perolari	²⁻³⁻⁴	
Carlo Pesenti	¹	General Manager
Livio Strazzerà		
Graziano Molinari	⁵	Secretary to the Board

■ BOARD OF STATUTORY AUDITORS

(term ends on approval of financial statements at 31 December 2004)

Acting Auditors

Luigi Guatri	Chairman
Claudio De Re	
Paolo Marchi	

Substitute Auditors

Dino Fumagalli
Eugenio Mercorio
Pietro Curcio

Reconta Ernst & Young S.p.A.	Independent Auditors
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- ¹ Member of the Executive Committee
- ² Member of the Remuneration Committee
- ³ Member of the Internal Control Committee
- ⁴ Independent Director
- ⁵ Secretary to the Executive Committee



Comments on performance and significant events during the period

As noted in earlier interim reports, the quarterly figures presented here are not entirely representative of full year trends. This is due to the seasonal nature of the core business (cement) and because dividends of companies that are not consolidated on a line-by-line basis are recorded in the quarter in which payout is approved.

In 1st quarter 2003, the Italmobiliare Group reported aggregate net sales of 27.1 million euro and Group net income of 10.7 million euro. These results compared with 38.7 million euro and 19.3 million euro respectively in 1st quarter 2002.

The reduction in net sales and group net income was due to the following factors:

- the reduction in Italcementi group net income, although profitability on industrial operations improved;
- a larger contribution from Sirap Gema, which confirmed the upturn achieved during 2002;
- a smaller overall contribution from the wholly owned financial subsidiaries, largely as a result of the differences in stock market trends in the two 1st quarters under comparison.

Performance in the core businesses is summarised below.

The **Italcementi group**, Italmobiliare's main industrial subsidiary, reported net sales of 947.9 million euro (937.7 million euro in 1st quarter 2002), gross operating profit of 183.9 million euro (176.7 million euro) and operating income of 88.8 million euro (84 million euro).

Total net income and group net income declined, from 28.1 to 22.2 million euro and from 24 to 15.8 million euro respectively. This was due to higher financial charges, the negative balance on results of companies valued with the equity method, and a net charge for non-recurring items, compared with a positive balance and net income on non-recurring items in the year-earlier 1st quarter.

Significant events in the 1st quarter included:

- an increase in the equity investment in Ciments Français from 71.8% at 31 December 2002 to 74.6% at 31 March 2003, for an outlay of 49.9 million euro;
- the Italcementi S.p.A. buy-back of 635,138 ordinary shares to service stock option plans for directors and managers, for an outlay of 5.4 million euro.



The **Sirap Gema group** (food packaging and thermal insulation) reported net sales of 25.9 million euro and net income of 1.8 million euro, compared with 23.7 million euro and 1.0 million euro respectively in 1st quarter 2002.

The main **financial companies** controlled directly by Italmobiliare reported the following results for 1st quarter 2003:

- **Italmobiliare International Finance Ltd**, which operates on the international capital markets, posted net income of 5.3 million euro (2.7 million euro in 1st quarter 2002);
- **Société de Participation Financière Italmobiliare S.A.**, a holding for equity investments, posted a loss of 1.8 million euro, compared with income of 6.2 million euro in 1st quarter 2002; this was largely the result of writedowns on the securities portfolio compared with writebacks in 2002; results for the two quarters are not comparable, however, due to the financial restructuring that took place at the end of 2002;
- the **Fincomind group**, which heads Finter Bank Zürich and Finter Bank France, posted net income of 0.3 million Swiss Francs (1.8 million Swiss francs in 1st quarter 2002).



Key equity investments of the Italmobiliare parent company and its financial subsidiaries and related operations

The subsidiary Intermobiliare S.p.A. purchased 512,503 Italcementi ordinary shares on the open market for an outlay of 4.5 million euro. At 31 March 2003, Italmobiliare held 58.58% of Italcementi ordinary capital stock, directly and through Intermobiliare.

Key consolidated figures:

	(in millions of euro)			
	1 st Quarter 2003	1 st Quarter 2002 pro forma *	% change	Full year 2002
Net sales	973.9	960.6	1.4	4,365.3
Gross operating profit	187.9	178.8	5.1	1,117.0
<i>% of net sales</i>	<i>19.3</i>	<i>18.6</i>		<i>25.6</i>
Depreciation and amortisation	97.9	95.2	2.8	408.7
Operating income	90.0	83.6	7.7	708.3
<i>% of net sales</i>	<i>9.2</i>	<i>8.7</i>		<i>16.2</i>
Financial income (charges)	(27.8)	(24.8)	12.1	(62.6)
Adjustments to asset values and non-recurring items	(4.2)	14.6	-128.8	(79.0)
Income before taxes	58.0	73.4	-21.0	566.7
<i>% of net sales</i>	<i>6.0</i>	<i>7.6</i>		<i>13.0</i>
Income taxes	(30.9)	(34.7)	-11.0	(190.5)
Total net income	27.1	38.7	-30.0	376.2
<i>% of net sales</i>	<i>2.8</i>	<i>4.0</i>		<i>8.6</i>
Minority interests	16.4	19.4	-15.5	256.4
Group net income	10.7	19.3	-44.6	119.8
<i>% of net sales</i>	<i>1.1</i>	<i>2.0</i>		<i>2.7</i>
Employees at period end (heads)	18,250	18,204	0.3	18,489

* re-stated after consolidation with the equity method of SAB Autoservizi S.r.l., which was sold during 2002

	31 March 2003	31 December 2002	31 March 2002
Net debt	(1,883.1)	(1,913.1)	(1,785.1)



Net sales and operating income

The net sales breakdown by business segment and geographical area is set out below:

	(in millions of euro)			
	1 st Quarter 2003	1 st Quarter 2002 pro forma	% change 2003/2002	
			Published	At constant size and exchange rates
Business segment				
Construction materials	947.1	936.8	1.1	3.0
Food packaging and thermal insulation	25.9	23.7	9.3	9.3
Other	0.9	0.1	n.s.	n.s.
Total	973.9	960.6	1.4	3.2
Geographical area				
European Union	749.4	724.8	3.4	3.1
<i>of which Italy</i>	<i>351.8</i>	<i>327.8</i>	<i>7.3</i>	<i>7.2</i>
North America	86.0	109.0	-21.1	15.8
Other countries and trading	138.5	126.8	9.2	20.2
Total	973.9	960.6	1.4	3.2

n.s. = not significant

The 1.4% increase in net sales compared with 1st quarter 2002 arose as follows:

- 3.2% from higher sales volumes;
- 1.4% from changes in the consolidation area;
- 3.2% due to the negative exchange rate effect.

1st quarter gross operating profit and operating income grew by 5.1% and 7.7% compared with the 1st quarter of 2002. The return on net sales rose from 18.6% to 19.3% for gross operating profit and from 8.7% to 9.2% for operating income. These improvements were generated by positive performance in the industrial businesses.

At gross operating profit level, the appreciation of the euro against the other currencies had a negative impact of 5.6 million euro on the translation of the foreign companies' results.



Financial income and charges and other items

Financial income and charges generated a net charge of 27.8 million euro, a 3.0 million euro increase on the 1st quarter 2002 net charge, largely as a result of translation losses.

Adjustments to financial asset values showed a negative balance of 3.9 million euro in the 1st quarter, against a positive balance of 9.7 million euro in 2002. The change was due to the negative balance on results for companies valued with the equity method and to the decline caused by the downturn in stock market trends, which generated writedowns on some equity investment book values in 1st quarter 2003, compared with writebacks in 1st quarter 2002.

A small negative balance was posted for non-recurring items in 1st quarter 2003, compared with non-recurring income, arising mainly in the construction sector, in 1st quarter 2002.

Investments in fixed assets

1st quarter investments in fixed assets totalled 150 million euro (207.8 million euro in 1st quarter 2002). They included 59.0 million euro of investments in financial fixed assets (131 million euro in 1st quarter 2002).

Net debt

Net debt at 31 March 2003 stood at 1,883.1 million euro, an improvement of approximately 30 million euro compared with 31 December 2002.

The reduction arose as the result of strong cash flows from operations and a lower working capital requirement, despite investments in fixed assets totalling approximately 150 million euro.

Exchange rate fluctuations had a positive effect of 1.4 million euro.

The debt/equity ratio (including net floating rate subordinated securities) was 55.8% at 31 March 2003, compared with 55.1% at 31 December 2002. The ratio at 31 March 2003 reflected a reduction of approximately 106.4 million euro in total shareholders' equity due to the exchange rate effect, which had an impact of approximately 83.4 million euro on the reserve for translation differences, and to the purchase of additional shares in Ciments Français, as a result of which minority interests decreased.

The debt/gross operating profit ratio (included net floating rate subordinated securities) decreased from 1.78 at the end of December 2002 to 1.74 at 31 March 2003.



The net financial position of Italmobiliare S.p.A. and its wholly owned financial subsidiaries was as follows:

(in thousands of euro)

	31 March 2003		31 December 2002	
	Italmobiliare S.p.A.	Consolidated Italmobiliare and financial companies *	Italmobiliare S.p.A.	Consolidated Italmobiliare and financial companies *
Cash, cash equivalents and current financial assets	74,266	627,086	93,605	641,546
Short-term financing	(419,141)	(425,582)	(377,018)	(382,656)
Short-term net financial position	(344,875)	201,504	(283,413)	258,890
Medium/long-term financial assets	-	-	7,747	7,747
Medium/long-term financing	(23,500)	(23,500)	(85,475)	(85,475)
Net financial position (debt)	(368,375)	178,004	(361,141)	181,162

* comprising: Italmobiliare International Finance Limited - Italmobiliare International B.V. - Intermobiliare S.p.A. - Société de Participation Financière Italmobiliare S.A. - Fincomind S.A. and Soparfinter S.A.

The changes in financial items compared with 31 December 2002 reflect the different residual maturities of financial assets and liabilities.



Construction materials

This business comprises the activities of the Italcementi group in cement, ready mixed concrete and aggregates.

Key consolidated figures:

	(in thousands of euro)			
	1 st Quarter 2003	1 st Quarter 2002	% change	Full year 2002
Net sales	947.9	937.7	1.1	4,261.7
Gross operating profit	183.9	176.7	4.0	1,108.8
<i>% of net sales</i>	19.4	18.8		26.0
Depreciation and amortisation	(95.0)	(92.7)	2.5	397.7
Operating income	88.8	84.0	5.7	711.2
<i>% of net sales</i>	9.4	9.0		16.7
Financial income (charges)	(31.5)	(28.5)	10.4	(127.6)
Adjustments to asset values and non recurring items	(5.3)	(5.5)	<i>n.s.</i>	(52.5)
Income before taxes	52.1	61.0	-14.6	531.0
<i>% of net sales</i>	5.5	6.5		12.5
Income taxes	(29.9)	(32.9)	-9.1	(174.1)
Total net income	22.2	28.1	-21.0	356.9
<i>% of net sales</i>	2.3	3.0		8.4
Minority interests	(6.4)	(4.1)	56.0	82.9
Group net income	15.8	24.0	-34.1	274.0
<i>% of net sales</i>	1.7	2.6		6.4
Employees at period-end (heads)	17,608	17,550	0,3	17,838

n.s. = not significant

	31 March 2003	31 December 2002	31 March 2001
Net debt	(2,057.0)	(2,086.0)	(1,917.5)



Sales volumes and internal transfers

	Cement and clinker (millions of metric tons)			Aggregates * (millions of metric tons)			Ready mixed concrete (millions of m ³)		
	1 st Quarter 2003	% change vs. 1 st Quarter 2002		1 st Quarter 2003	% change vs. 1 st Quarter 2002		1 st Quarter 2003	% change vs. 1 st Quarter 2002	
		Published	At constant size		Published	At constant size		Published	At constant size
European Union	5.9	0.8	0.8	12.2	(1.6)	(2.6)	3.9	1.1	1.1
North America	1.0	(8.7)	(17.1)	-	-	-	-	-	-
Asia	1.5	(0.4)	(0.4)	-	-	-	0.2	8.8	8.8
Other emerging countries	1.4	12.6	12.6	0.4	30.5	30.5	0.4	36.3	36.3
Trading	0,7	44,4	44,4	-	-	-	-	-	-
Eliminations	(0.7)	n.s.	n.s.	-	-	-	-	-	-
Total	9.8	2.8	1.6	12.6	(0.2)	(1.9)	4.6	4.0	4.0

* excluding outgoes on work-in-progress account

Overall, 1st quarter 2003 levels of activity in the cement and concrete businesses improved compared with the 1st quarter of 2002, also at constant size. Inside the European Union, Italy, Greece and Spain turned in positive performances, which more than offset the slowdown on the French market and the Belgian cement market.

In North America, the contribution of Riverton Investment Corporation, which has been consolidated since the end of May 2002, mitigated only in part the sharp decrease in sales volumes. On the other hand, growth remained strong in the emerging countries, where only India reported a sales slowdown compared with the year-earlier 1st quarter.

The modest downturn in the aggregates business was largely due to performance on the French market.



Performance by geographical region (area sub-consolidations)

(in millions of euro)

	Net sales		Gross operating profit		Capex	
	1 st Quarter 2003	% change vs. 1 st Quarter 2002	1 st Quarter 2003	% change vs. 1 st Quarter 2002	1 st Quarter 2003	% change vs. 1 st Quarter 2002
European Union	736.9	3.2	139.6	0.9	36.5	48.5
North America	86.0	-21.2	3.3	-68.6	11.5	10.8
Asia	50.1	9.7	15.4	183.2	2.4	1.1
Other emerging countries	79.3	2.3	25.3	13.1	2.5	5.2
Trading and other	38.9	4.7	0.3	>100	0.3	0.1
Inter-area eliminations	(43.3)	<i>n.s.</i>	-	-	-	-
Total	947.9	1.1	183.9	4.0	53.2	65.7

n.s. = not significant

European Union

1st quarter 2003 cement and concrete consumption in **Italy** remained strong, although the marked differences in regional trends that emerged in 2002 continued.

Supported by strong net sales, operating results improved compared with 1st quarter 2002, despite the rise in operating costs (particularly for energy, raw materials and transport) and the higher concentration of maintenance during the period under review.

On 3 April 2003, the Market and Competition Authority opened an investigation into ten companies on the ready mixed concrete market and one company on the cement market, regarding supplies of ready mixed concrete in Lombardy. Within the group, Calcestruzzi S.p.A. and Cemencal S.p.A. are under investigation. The Authority must complete its inquiry by 30 July 2004.



In **France**, group cement sales on the domestic market decreased. At the same time, production levels at Ciments Calcia rose sharply compared to 1st quarter 2002, which was adversely affected by a long series of strikes.

Operating results improved despite the slowdown in net sales, benefiting from a strong sales price trend and the reduction in variable production costs, largely as a result of cost containment and an improved fuel mix.

In the ready mixed concrete and aggregates businesses, slower consumption in public works brought a significant reduction in sales and consequently in operating results.

In **Belgium**, cement sales by Compagnie des Ciments Belges (CCB) were affected by negative conditions on the domestic market and the decrease in sales to France and exports to other countries.

In **Spain**, market demand remained strong in the period under review, with a positive impact on the group's cement sales.

The favourable economic climate in the southern regions also assisted an increase in ready mixed concrete sales; aggregates sales were affected by the delay in the start-up of a number of important construction sites.

Good sales price trends in all business areas helped to boost net sales, thus offsetting the rise in operating costs.

In **Greece**, cement consumption was affected by adverse weather conditions during the early months of the year. Nevertheless, Halyps reported a further significant increase in sales volumes, helped in part by positive sales price trends in all sectors, and operating results made a strong improvement in the 1st quarter.

North America

In a highly uncertain economic climate, which was also affected by the war in Iraq, the downturn in the construction sector that had already emerged in the final period of 2002 continued.

Total 1st quarter cement sales, which also include sales by Riverton Investment Corporation, decreased sharply compared with 1st quarter 2002, due in part to adverse weather conditions, despite a recovery in March.

The slowdown in sales volumes had a significant impact on net sales and operating results, which narrowed significantly against 1st quarter 2002 levels; this was also due to the negative exchange rate effect.



Asia

In **Thailand**, group cement sales on the domestic market turned in a satisfactory improvement in the 1st quarter of 2003; sales also rose in the ready mixed concrete business, driven in particular by demand for major public works. The less aggressive market environment compared with 2002 drove a strong recovery in sales prices; this had a very positive impact on net sales and operating results, which, with the added benefit of efficient control over fixed costs, improved significantly compared with the modest results reported in 1st quarter 2002.

In **India**, where the market continued to grow, the group's cement sales slowed slightly in 1st quarter 2003; this was due solely to the decision to terminate unprofitable marketing operations, which were present in 1st quarter 2002. Net sales were sharply down, reflecting once again the negative impact of excess production capacity, which heightened pressures on sales prices, and the depreciation of the Rupee. Operating results consequently decreased compared to 1st quarter 2002.

Other emerging countries

In **Bulgaria**, group sales on the domestic market decreased, although the slowdown was slighter than the general market slowdown. Strong exports enabled the group to report an increase in overall cement and clinker sales compared with 1st quarter 2002.

Operating results remained steady compared with the year-earlier 1st quarter, thanks to containment of operating costs.

In **Morocco**, market conditions were extremely favourable, with excellent prospects in the agricultural sector and new public works programmes. Against this background, the group reported exceptionally high cement sales, despite a reduction in export volumes.

Operating results benefited from increased sales volumes and good price trends, to make a strong improvement.

In **Turkey**, the strong growth achieved in cement sales in fourth quarter 2002 continued into January 2003 and then slowed as a result of the war in Iraq and poor weather conditions.

Compared with 1st quarter 2002, the strong devaluation of the Turkish Lira and competitive pressures generated by the entry of a new player led to a sharp decline in 1st quarter net sales, which was reflected on operating results despite successful action to contain operating costs.



In **Egypt**, the general economic climate was affected by the devaluation of the Egyptian Pound, while performance on the cement market slowed due to excess production capacity. Suez Cement Company (Suez) boosted cement sales volumes on the domestic market and reduced clinker exports, to report a modest improvement in overall sales volumes. Net sales and operating results nevertheless fell heavily, largely as a result of the strong reduction in sales prices.

e-business

For 1st quarter 2003, BravoSolution S.p.A. and its subsidiaries in France and Spain reported overall net sales of approximately 2.5 million euro, up by almost 90% from the year-earlier 1st quarter (1.3 million euro).

The full year will show a loss, but this will be significantly smaller than the loss posted in 2002.

Full year outlook

The global macroeconomic and geopolitical scenario remains uncertain, making it difficult to formulate reliable projections for full year results.

Although, as pointed out, the foregoing quarterly results are not greatly representative of annual performance in the industry, they appear to confirm the comments in the annual report concerning a market weakening in a number of mature countries - North America, France, Belgium - and positive progress in many emerging countries.

Against this background, the group will continue its policy to improve operating efficiency - with a view to consolidating operating results - and reduce debt.



Food packaging and thermal insulation

The group is active in the food packaging and thermal insulation businesses through Sirap Gema S.p.A. and its subsidiaries.

Key consolidated figures:

	(in millions of euro)			
	1 st Quarter 2003	1 st Quarter 2002	% change	Full year 2002
Net sales	25.9	23.7	9.3	104.9
Gross operating profit	5.9	4.6	28.3	20.2
<i>% of net sales</i>	22.8	19.4		19.3
Operating income	4.0	3.0	33.3	13.1
<i>% of net sales</i>	15.4	12.7	-	12.5
Financial income (charges)	(0.4)	(0.5)	20.0	(2.1)
<i>% of net sales</i>	(1.5)	(2.1)	-	(2.0)
Non-recurring income (charges)	(0.1)	(0.1)	-	(0.2)
<i>% of net sales</i>	(0.4)	0.4	-	(0.2)
Income taxes	(1.7)	(1.4)	-21.4	(6.7)
<i>% on net sales</i>	(6.6)	(5.9)		(6.4)
Net income	1.8	1.0	80.0	(4.1)
<i>% of net sales</i>	6.9	(4.2)		3.9
Employees at period-end (heads)	583	594	-1.9	592

	31 March 2003	31 December 2002	% change	31 March 2002
Net debt	(33.6)	(36.5)	-7.9	(39.4)

Group operations produced a strong improvement in earnings figures, despite significant changes in the prices of polymers in the 1st quarter of 2003.

After the slow downturn at the end of 2002, raw material prices rose sharply in 1st quarter 2003, reaching significantly higher levels than those of the year-earlier 1st quarter; the upward trend looks set to continue, albeit at a slower rate.

The impact of these increases was easily compensated by successful action to improve efficiency, especially in thermal insulation, and by prudent inventory management.



Performance by area

(in thousands of euro)

	Net sales		Gross operating profit		Capex	
	1 st Quarter 2003	% change vs. 1 ^o Quarter 2002	1 st Quarter 2003	% change vs. 1 ^o Quarter 2002	1 st Quarter 2003	% change vs. 1 ^o Quarter 2002
Food packaging	16.813	7,2	4.522	15,4	242	-85,3
Italy	10.923	9,3	3.408	22,4	176	-85,6
France	5.890	3,6	1.114	-1,7	66	-86,4
Thermal insulation	9.086	13,5	1.353	111,1	224	-85,3
Total	25.899	9,4	5.875	28,9	466	-85,3

Food packaging

Consumption on both the core markets was weak and this, combined with strong competitive pressures, kept sales prices down.

Net sales in both Italy and France rose moderately as a result of higher volumes and changes in the mix, with a growing shift in demand from standard trays to absorbent trays (Activopack).

In Italy, careful inventory management successfully offset the rise in raw material prices, while higher net sales and production rationalisation boosted gross operating profit by 22%; in France, gross operating profit declined slightly, mainly as a result of negative price trends.

Thermal insulation

The Italian insulation market was supported by strong performance in the building sector, most notably in home renovations, where the extension of tax benefits to September 2003 was a key factor.

Net sales, which arose largely on the Italian market, increased by 13.5% thanks to higher volumes and changes in the mix.

Gross operating profit made an impressive improvement both as an absolute value and in terms of profitability; to a significant extent, the improvement reflected the fact that production reached full capacity after a difficult 1st quarter in 2002, with the start-up of the single-layer panel production lines and a changeover in expanding gases.



Significant events after the end of the 1st quarter

Talks are at an advanced stage regarding an important opportunity to expand the group's food packaging operations into Eastern Europe. Negotiations should be completed by the end of the summer.

Full year outlook

Subject to unforeseeable events, the group expects to post a positive net result for 2003, although trends in polymer prices could narrow profit margins.

Financial sector

Italmobiliare International Finance Limited (Dublin)

A summary of key highlights for 1st quarter 2003 and 2002 is laid out below

(in millions of euro)				
	1 st Quarter 2003	1 st Quarter 2002	Change vs. 1 st Quarter 2002	Full year 2002
Financial income, net	6.0	4.7	1.3	19.0
Value adjustments	0.1	(1.5)	1.6	(0.1)
Operating costs, depreciation and amortisation	(0.2)	(0.2)	-	(0.8)
Net income	5.3	2.7	2.6	16.2
	31 March 2003	31 December 2002	Change vs. 31 December 2002	31 March 2002
Net financial position	557.9	556.1	1.8	453.4

Net income for the 1st quarter to 31 March 2003 was 5.3 million euro compared with 2.7 million euro in 1st quarter 2002.

The improvement was due in part to the rise in available funds and in part to writebacks on the book value of a number of fixed-income securities, which had previously been written down.

Although the decrease in interest rates in the 1st quarter had an adverse effect on yields on the floating rate securities portfolio, it drove a recovery in the stock market values of fixed-rate securities, allowing earlier writedowns to be reversed and increasing unrealised gains on these securities.

The net financial position at 31 March 2003 was 558 million euro, up from 556 million euro at 31 March 2002.

The full year result is expected to be in line with that posted in 2002.



Fincomind group (Zürich)

Key consolidated data:

(in millions of Swiss Francs)

	1 st Quarter 2003	1 st Quarter 2002	Change vs. 1 st Quarter 2002	Full year 2002
Net interest income	2.3	3.0	(0.7)	11.2
Commissions and services	9.2	10.8	(1.5)	38.8
Trading income	2.3	2.0	0.3	8.0
Gross operating profit	1.3	2.7	(1.4)	3.9
Income before taxes	0.6	2.5	(1.9)	(2.0)
Net income	0.3	1.8	(1.5)	(4.2)

The uncertain climate on the stock markets, which has been affecting players in the private banking sector for some time now, continued to impact performance at Finter Bank Zürich, Fincomind's main subsidiary. The result was a decrease in 1st quarter commissions and banking income, accompanied by lower interest income as a result of the continuing reduction in interest rates.

1st quarter net income totalled 1.7 million Swiss Francs, compared with 3.0 million Swiss Francs in 1st quarter 2002.

3rd party assets under management amounted to 4.2 billion Swiss francs at the end of the quarter, in line with the position at 31 December 2002.

Finter Bank France operations in the 1st quarter of 2003 did not show signs of a recovery from the difficulties that have already been described in previous reports. Restructuring measures are being introduced to deal with this situation.

Fincomind S.A. closed the 1st quarter of 2003 with net debt of 33.4 million Swiss Francs, unchanged from the position at 31 December 2002.



Société de Participation Financière Italmobiliare S.A. (Luxembourg)

The main financial figures for 1st quarter 2003 and 2002 are set out below.

(in millions of euro)

	1 st Quarter 2003	1 st Quarter 2002	Change vs. 1 st Quarter 2002	Full year 2002
Financial income, net	0.1	1.4	(1.3)	10.0
Value adjustments	(1.8)	4.9	(6.7)	(22.0)
Operating costs, depreciation and amortisation	(0.1)	(0.1)	-	(0.6)
Net income	(1.8)	6.2	(8.0)	(12.7)
	31 March 2003	31 December 2002	Change vs. 31 December 2002	31 March 2002
Net financial position	8.2	8.3	-0.1	88.4

The financial re-organisation implemented in 2002 and the share capital reduction this entailed have brought significant changes in the company's financial structure compared with the situation for most of 2002.

As explained in the 2002 annual report, the company now operates exclusively as a holding for equity investments; therefore, its income statement is purely a record of the results of these investments.

The 1st quarter 2003 result - a loss of 1.8 million euro - is not entirely comparable with the net income of 6.2 million euro posted in 1st quarter 2002, since the year-earlier figure included income from financial operations, which were largely non-existent in 2003.

Moreover, while the 2002 result benefited from value writebacks (totalling approximately 5 million euro), the 1st quarter 2003 result reflected the downturn in share prices in March. In accordance with customary accounting policies, a number of listed stocks in the portfolio were written down to market values.

The net financial position at 31 March 2003 showed funds of 8.2 million euro, largely unchanged from 31 December 2002, with funds of 8.3 million euro.

The full year result will depend on stock market trends; in view of the highly volatile conditions on the markets, it is difficult to offer a reliable forecast.



Dealings with related parties

The Italmobiliare Group's dealings with related parties did not include transactions of an untypical or unusual nature.

For the purposes of the consolidated report, dealings with related parties refer to those with:

- subsidiaries valued with the equity method or at cost;
- associated companies.

Dealings with related parties reflect the Group's interest in leveraging synergies to enhance production and commercial integration, employ competencies efficiently and rationalise use of corporate divisions and financial resources.

All dealings are of a business and/or financial nature.

All the foregoing dealings are conducted at normal market conditions.

Additionally, Italmobiliare provides administration services for some associated companies, which are charged at cost.

Significant events after the end of 1st quarter 2003

In April, an agreement was reached with Saur International with regard to the transfer price of the Sigesa equity investment. The sale price determined on the basis of the agreed valuation methods is 21.6 million euro, of which 19.8 million euro were collected in 2002, giving a gain of 1.77 million euro on the book value. The agreement was reached without recourse to arbitration.

Following disputes over the interpretation and application of contractual clauses in respect of the sale of Loro & Parisini S.p.A., the buyer began international arbitration proceedings, as envisaged under the contract.

Additional purchases of Italcementi ordinary shares were made through the Intermobiliare subsidiary: at 30 April 2003, 262,649 shares had been acquired for a value of 2.2 million euro. Italmobiliare held 58.73% of Italcementi ordinary stock directly, or indirectly through Intermobiliare.



Full year operating outlook

Although the war in Iraq has come to an end, the world economic scenario remains uncertain, and there are no clear signs that a recovery can be expected in the short term; this makes it difficult to draw up reliable projections for full year results.

1st quarter results in the construction materials industry in which Italcementi, Italmobiliare's main subsidiary, operates, are not greatly representative of annual performance in that industry; nevertheless they appear to confirm the comments in the annual report regarding a market weakening in a number of mature countries - North America, France, Belgium - and positive progress in many emerging countries.

Against this background, the Italcementi group will continue its policy to improve operating efficiency - with a view to consolidating operating results - and reduce debt.

The volatility of the financial markets is another significant factor influencing the share prices of the listed stocks held by Italmobiliare and its wholly owned financial companies; this adds to the difficulty of forecasting the magnitude of what will in any case be a substantial full year consolidated result.

■ Consolidated
financial statements



Consolidated financial statements

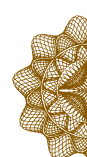
(n thousands of euro)

	1 st Quarter 2003	%	1 st Quarter 2002 pro forma*	%	Changes	%	1 st Quarter 2002	%	Full year 2002	%
Net sales	973,873	100.0	960,673	100.0	13,200	1.4	969,574	100.0	4,365,279	100.0
Variation in inventories	8,386	0.9	519	0.1	7,867	n.s.	519	0.1	16,994	0.4
Increase on internal work capitalised under fixed assets	4,284	0.4	4,172	0.4	112	2.7	4,172	0.4	18,210	0.4
Other revenues	9,163	0.9	10,201	1.1	(1,038)	-10.2	21,273	2.2	39,721	0.9
Net sales and other operating income	995,706	102.2	975,565	101.6	20,141	2.1	995,538	102.7	4,440,204	101.7
Consumables	(260,701)	-26.8	(250,700)	-26.1	(10,001)	4.0	(253,502)	-26.1	(1,094,291)	-25.1
Services	(330,096)	-33.9	(333,486)	-34.7	3,390	-1.0	(337,139)	-34.8	(1,369,839)	-31.4
Other operating costs	(26,349)	-2.7	(29,848)	-3.1	3,499	-11.7	(30,135)	-3.1	(108,619)	-2.5
Value added	378,560	38.9	361,531	37.6	17,029	4.7	374,762	38.7	1,867,455	42.8
Personnel expenses	(185,754)	-19.1	(176,279)	-18.3	(9,475)	5.4	(186,567)	-19.2	(722,751)	-16.6
Provisions and writedowns	(4,947)	-0.5	(6,475)	-0.7	1,528	-23.6	(6,482)	-0.7	(27,749)	-0.6
Gross operating profit	187,859	19.3	178,777	18.6	9,082	5.1	181,713	18.7	1,116,955	25.6
Depreciation and amortisation	(97,822)	-10.0	(95,211)	-9.9	(2,611)	2.7	(97,226)	-10.0	(408,651)	-9.4
Operating Income	90,037	9.2	83,566	8.7	6,471	7.7	84,487	8.7	708,304	16.2
Financial income and charges, net	(27,778)	-2.9	(24,767)	-2.6	(3,011)	12.2	(24,625)	-2.5	(62,557)	-1.4
Adjustments to financial asset values, net	(3,930)	-0.4	9,701	1.0	(13,631)	-140.5	7,440	0.8	(32,464)	-0.7
Non-recurring items, net	(315)	0.0	4,929	0.5	(5,244)	-106.4	6,150	0.6	(46,573)	-1.1
Income before taxes	58,014	6.0	73,429	7.6	(15,415)	-21.0	73,452	7.6	566,710	13.0
Income taxes	(30,881)	-3.2	(34,741)	-3.6	3,860	-11.1	(34,764)	-3.6	(190,489)	-4.4
Total net income	27,133	2.8	38,688	4.0	(11,555)	-29.9	38,688	4.0	376,221	8.6
Minority interests	16,414	1.7	19,386	2.0	(2,972)	-15.3	19,386	2.0	256,463	5.9
Group net income	10,719	1.1	19,302	2.0	(8,583)	-44.5	19,302	2.0	119,758	2.7
Cash flow (income+depreciation and amortisation)	124,955	12.8	133,899	13.9	(8,944)	-6.7	135,914	14.0	784,872	18.0
Investments in fixed assets	150,028		207,847		(57,819)	-27.8	208,740		872,703	

* re-stated after consolidation with the equity method of the Sab group, which was sold during the year

Net debt (available funds)	31 March 2003	31 December 2002	Changes	%
Cash, cash equivalents and current financial assets	(791,300)	(849,726)	58,426	-6.9
Short-term financing	857,518	834,861	22,657	2.7
Medium/long-term financial assets	(374)	(8,410)	8,036	-95.6
Medium/long-term financing	1,817,239	1,936,336	(119,097)	-6.2
Net debt	1,883,083	1,913,061	(29,978)	-1.6
Floating rate subordinated securities, net	70,658	77,010	(6,352)	-8.2
Net debt + floating rate subordinated securities, net	1,953,741	1,990,071	(36,330)	-1.8
Total shareholders' equity	3,503,369	3,609,719	(106,350)	-2.9

Notes to the consolidated financial statements



Foreword

The consolidated accounting schedules at 31 March 2003 have been drawn up pursuant to art. 82 of the Consob regulation adopted with resolution no. 11971 of 14 May 1999.

Amounts in the accounting schedules, tables and explanatory and supplementary notes in this Quarterly Report are presented in thousands of euro, unless otherwise indicated.

To provide a consistent basis of comparison with 1st quarter 2003, the consolidated figures at 31 March 2002 have been re-stated by consolidating Sab Autoservizi s.r.l. (Italy) with the equity method; this company was sold in the second quarter of 2002. This method was also applied in the 2002 annual report and in the interim accounts at 30 June and 30 September.

Basis of Presentation

The consolidated accounting schedules are based on the accounts at 31 March 2003 of the consolidated companies, adjusted where necessary to ensure alignment with the group's classification criteria and accounting policies. They adopt the valuation criteria and consolidation principles used to draw up the 2002 consolidated financial statements.

Consolidation Area

The main changes in the consolidation area compared with the income statement for 1st quarter 2002 were the entry of the following companies:

- **Companies that entered the consolidation area:**

- With the line-by-line method

E.S.A Monviso S.p.A. (Italy); Riverton Investment Corporation (USA); Berkeley Resource Recovery Ltd. (USA); Capitol Cement Corporation (USA); Consumer Materials Inc. (USA); Riverton Corporation (USA); Riverton Lime&Stone Co. Inc. (USA);

- With the proportional method:

Calcaires Lorrains (France) at 50%; Carrières du Tournais (Belgium) at 65%;



- Companies that left the consolidation area:
 - With the equity method:
Cave Comand S.r.l. (Italy); Betonsud S.r.l. - winding up (Italy); Sab Autoservizi s.r.l. and its subsidiaries (Italy);
- Merged companies:
 - In Unibéton S.A. (Francia)
Unibéton Sud-Ouest S.a.s., Unibéton Mediterranee S.a.s., Unibéton Ouest Pays de Loire S.a.s., Unibéton Saba S.A.;
 - In Compagnie General de Canteras S.A. (Spain)
Maquinaria y Proyectos Inmobiliarios S.L.;
 - In Essroc Cement Corp. (USA)
Essroc Puerto Rico Holdings.



Exchange rates used to translate the accounts of non-italian companies

The accounts denominated in foreign currency of non-Italian subsidiaries consolidated with the line-by-line or proportional methods and those valued with the equity method have been translated into the accounting currency using the exchange rate ruling at 31 March 2003 for balance sheet items and the average rate for the 1st three months of 2003 for income statement items.

Specifically:

(euro)

Currency	Average rate			Period-end rate		
	1 st Quarter 2003	Full year 2002	1 st Quarter 2002	31 March 2003	31 December 2001	31 March 2002
US Dollar	1.07314	0.94557	0.87659	1.08950	1.04870	0.87240
Canadian Dollar	1.62032	1.48381	1.39776	1.60370	1.65500	1.39230
Pound sterling	0.66961	0.62883	0.61471	0.68960	0.65050	0.61300
Cypriot Pound	0.58001	0.57530	0.57578	0.58404	0.57316	0.57557
Moroccan Dirham	10.69883	10.38230	10.19480	108.14900	10.65100	10.16840
Turkish Lira	1,765,000.40	1,429,836.00	1,189,847.00	1,833,254.00	1,703,477.00	1,161,142.00
Swiss Franc	1.46623	1.46703	1.47331	1.47650	1.45240	1.46700
Thai Baht	45.91053	40.61510	38.33450	46.68130	45.20940	37.85370
Indian Rupee	52.12202	47.11580	43.66730	53.34380	50.50710	43.79890
Mauritanian Ouguiya	283.27673	254.65200	229.50600	289.11400	285.22200	230.47200
Albanian Lek	139.49979	131.68300	122.96800	140.10700	139.53800	124.64800
Srk Lanka Rupee	105.90208	89.63800	80.65820	108.14900	102.85700	80.77380
Egyptian Pound	5.64563	4.36766	4.03699	6.22112	4.84821	4.03316



Net sales

Net sales totalled 973,873 thousand euro (960,673 thousand euro in 1st quarter 2002), as follows:

(in thousands of euro)

	1 st Quarter 2003	1 st Quarter 2002 pro forma	Change		1 st Quarter 2002
			Value	%	
Product sales in Italy	329,741	308,451	21,290	6.9	308,451
Product sales outside Italy	618,719	629,440	(10,721)	-1.7	629,440
Services provided in Italy	13,433	12,608	825	6.5	21,509
Services provided outside Italy	10,074	8,699	1,375	15.8	8,699
Other net sales in Italy	1,009	872	137	15.7	872
Other net sales outside Italy	897	603	294	48.8	603
Total	973,873	960,673	13,200	1.4	969,574

A breakdown of net sales by business and by geographical area is provided in the section "Comments on performance".

Consumables

Consumables totalled 260,701 thousand euro (250,700 thousand euro in 1st quarter 2002), as follows:

	1 st Quarter 2003	1 st Quarter 2002 pro forma	Change		1 st Quarter 2002
			Value	%	
Raw materials and semi-finished goods	121,530	101,682	19,848	19.5	101,682
Fuel	54,573	54,177	396	0.7	56,462
Packaging, materials and machinery	64,057	60,165	3,892	6.5	60,805
Finished goods	23,652	32,079	(8,427)	-26.3	32,095
Changes in inventories of raw materials, consumables and other	(3,111)	2,579	(5,708)	-219.8	2,458
Total	260,701	250,700	10,001	4.0	253,502



Services

Costs for services totalled 330,096 thousand euro (333,486 thousand euro in 1st quarter 2002), as follows:

	1 st Quarter 2003	1 st Quarter 2002 pro forma	Change		1 st Quarter 2002
			Value	%	
Electricity, water and gas	65,448	65,455	(7)	0.0	65,565
Maintenance service providers	94,330	94,910	(580)	-0.6	96,623
Transport	93,617	94,784	(1,167)	-1.2	94,786
Consultancy fees	13,735	16,427	(2,692)	-16.4	16,734
Consultancy fees	9,087	7,315	1,772	24.2	7,765
Leasehold expenses	19,888	19,423	465	2.4	19,597
Other selling, industrial and administrative expenses	33,991	35,172	(1,181)	-3.4	36,069
Total	330,096	333,486	(3,390)	-1.0	337,139

Other operating costs

Other operating costs totalled 26,349 thousand euro (29,848 thousand euro in 1st quarter 2002), as follows:

	1 st Quarter 2003	1 st Quarter 2002 pro forma	Change		1 st Quarter 2002
			Value	%	
Subscriptions	2,437	2,762	(325)	-11.8	2,802
Other taxes	14,880	16,003	(1,123)	-7.0	16,117
Other costs	9,032	11,083	(2,051)	-18.5	11,216
Total	26,349	29,848	(3,499)	-11.7	30,135



Personnel expenses

Personnel expenses totalled 185,754 thousand euro (176,279 thousand euro in 1st quarter 2002), as follows:

	1 st Quarter 2003	1 st Quarter 2002 pro forma	Change		1 st Quarter 2002
			Value	%	
			(in thousands of euro)		
Wages and salaries	128,634	123,997	4,637	3.7	131,454
Social security contributions	49,790	44,692	5,098	11.4	46,829
Employee leaving entitlements	4,968	4,338	630	14.5	4,998
Pensions and similar obligations	2,362	3,252	(890)	-27.4	3,286
Total	185,754	176,279	9,475	5.4	186,567

The number of employees at the end of the period, and the average number of heads for the period, were as follows:

	1 st Quarter 2003	1 st Quarter 2002 pro forma	Full year 2002	(units)
				1 st Quarter 2002
Employees at end of period	18,250	18,204	18,489	19,275
Average number of employees	18,332	18,420	18,420	19,475

Provisions and writedowns

The overall total of 4,947 thousand euro (6,475 thousand euro in 1st quarter 2002) reflects writedowns on receivables of 3,113 thousand euro (4,958 thousand euro in 1st quarter 2002) and other provisions totalling 1,834 thousand euro (1,517 thousand euro in 1st quarter 2002).

Depreciation and amortisation

The overall total of 97,822 thousand euro (95,211 thousand euro in 1st quarter 2002) reflects amortisation of intangible assets for 23,543 thousand euro (23,819 thousand euro in 1st quarter 2002) and depreciation of tangible assets for 74,279 thousand euro (71,392 thousand euro in 1st quarter 2002).



Financial income and charges

The net posting of -27,778 thousand euro (-24,767 thousand euro in 1st quarter 2002) arose as follows:

	1 st Quarter 2003	1 st Quarter 2002 pro forma	Change		1 st Quarter 2002
			Value	%	
Income and gains on equity investments	94	2,581	(2,487)	-96.4	2,581
Interest income and financial income	16,298	17,657	(1,359)	-7.7	17,837
Interest expense and financial charges	(42,391)	(46,432)	4,041	-8.7	(46,470)
Net translation differences	(1,779)	1,427	(3,206)	-224.7	1,427
Total	(27,778)	(24,767)	(3,011)	12.2	(24,625)

Adjustments to financial asset values

The balance of -3,930 thousand euro posted at 31 March 2003 (a positive balance of 9,701 thousand euro at 31 March 2002) reflected the net result of -1,368 thousand euro for companies valued with the equity method (9,529 thousand euro at 31 March 2002), of which the Suez Cement group (Egypt) accounted for -2.4 million euro; a provision of 4,905 thousand euro to write down equity investments, other financial fixed assets and securities held as current assets (a provision of 6,714 thousand euro in 1st quarter 2002); writebacks and revaluations of securities for 2,343 thousand euro (6,886 thousand euro in 1st quarter 2002).

Income taxes

The tax posting of 30,881 thousand euro (34,741 thousand euro in 1st quarter 2002) arose as follows:

	1 st Quarter 2003	1 st Quarter 2002 pro forma	Change		1 st Quarter 2002
			Value	%	
Current taxes	25,887	36,215	(10,328)	-28.5	36,215
Deferred taxes	4,994	(1,474)	6,468	-438.8	(1,451)
Total	30,881	34,741	(3,860)	-11.1	34,764

Investments in fixed assets

Investments in fixed assets at 31 March 2003 totalled 150 million euro (207.8 million euro at 31 March 2002), as follows:

	(in thousands of euro)				
	1 st Quarter 2003	1 st Quarter 2002 pro forma	Change		1 st Quarter 2002
			Value	%	
Intangible fixed assets	2,7	3,4	(0,7)	-20.6	3,4
Tangible fixed assets	55,0	68,0	(13,0)	-19.1	68,9
Financial fixed assets	59,0	131,0	(72,0)	-55.0	131,0
Change in payables arising from fixed asset purchases	33,3	5,4	27,9	516.7	5,4
Total	150,0	207,8	(57,8)	-27.8	208,7

Investments in financial fixed assets totalled 59 million euro. They comprised 49.9 million euro for the purchase of additional shares of Ciments Français S.A., 5.4 million euro for the Italcementi S.p.A. share buy-back and 3.1 million euro for coverage of losses at Silicalcite, Istituto Europeo di Oncologia and S. Marinella.

Net debt

Net debt at 31 March 2003 totalled 1,883,083 thousand euro. The decrease against 31 December 2002 was 29,978 thousand euro, broken down as follows:

	(in thousands of euro)
	Change vs. 31 December 2002
Cash, cash equivalents and current financial assets	58,426
Short-term financing	22,657
Change in short-term net debt	81,083
Medium/long-term assets	8,036
Medium/long-term financing	(119,097)
Change in medium/long-term net debt	(111,061)
Change in total net debt	(29,978)

The 30.0 million euro decrease in net debt compared with the year-opening position arose as follows:

- financial flows from operations for 165.6 million euro;
- investments in fixed assets totalling 150 million euro;
- disposals for 4.9 million euro;
- other net movements for 9.5 million euro.