

ITALMOBILIARE

**Consolidated
quarterly as of
March 31, 2005**

DIRECTORS, OFFICERS AND AUDITORS

Board of Directors

Term ends on approval of financial statements at December 31, 2007

Giampiero Pesenti	1	Chairman – Chief Executive Officer
Italo Lucchini	1-2	Deputy Chairman
Pier Giorgio Barlassina		
Mauro Bini	3-4-5	
Giorgio Bonomi	3	
Gabriele Galateri Di Genola		
Luca Minoli	2	
Giorgio Perolari	1-2-3-4	
Carlo Pesenti	1	Chief Operating Officer - COO
Livio Strazzera		
Graziano Molinari	6	Secretary to the Board

Board of Statutory Auditors

Term ends on approval of financial statements at December 31, 2007

Acting auditors

Luigi Guatri	Chairman
Claudio De Re	
Eugenio Mercurio	

Substitute auditors

Dino Fumagalli	5
Pietro Curcio	
Enrico Locatelli	

Independent auditor

RECONTA Ernst & Young S.p.A.

- 1 Member of the Executive Committee
- 2 Member of the Remuneration Committee
- 3 Member of the Internal Control Committee
- 4 Independent Director
- 5 Member of the Supervisory Board
- 6 Secretary to the Executive Committee

The consolidated quarterly report as of March 31, 2005 has been prepared in conformity with the International Financial Reporting Standards (IFRS) and presented on the basis of the criteria indicated in annex 3D of the regulation as set out in CONSOB resolution no. 11971 of May 14, 1999

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FOREWORD

On the basis of the provisions of articles 82 and 82 bis of the regulation for issuers, defined by CONSOB resolution no. 14990 of April 14, 2005, Italmobiliare S.p.A. has elected to apply to the consolidated quarterly report at March 31, 2005 the reporting and evaluation criteria envisaged by the international financial reporting standards IFRS and to present the report on the basis of the criteria indicated in annex 3D of the regulation as set out in CONSOB resolution no. 11971 of May 14, 1999. For the purposes of comparison, the figures for the 1st quarter 2004 have been recalculated on the basis of the IFRS with the sole exception, for the comparative data for 2004, of IAS 32 and 39, which have been applied as from January 1, 2005; opening shareholders' equity (IFRS) at January 1, 2005 has also been reconciled with closing shareholders' equity at December 31, 2004 (IFRS) in order to take the introduction of these two principles into account.

In accordance with the requirement of paragraph 4 of article 82 bis of the aforementioned CONSOB resolution no. 14990, a reconciliation has also been made, in the section "Transition to international financial reporting standards", as envisaged by IFRS 1, of shareholders' equity at the start and end of 2004, as well as of the net income for 2004 and key changes made to the cash flow statement.

On the basis of the above, in the directors' report all comparisons, unless otherwise stated, are made with reference:

- for income statement items, to the results at March 31, 2004 restated on the basis of the application of the new IFRS;
- for balance sheet items, to the balances at December 31, 2004 restated on the basis of the application of the new IFRS and, where necessary, to the balances at January 1, 2005 restated to take account of the application of IAS 32 and 39 as from that date.

In order to better understand the data and information that will be set out below it is necessary to remember that the application of the new standards entailed:

- the inclusion in the operating results of some income statement items that previously, although contributing to the net income, were indicated after the operating income;
- the line-by-line consolidation of companies in the banking sector, which had previously been consolidated on an equity basis, since their business was different from the main activity of the Group;
- the information by business sector with groupings that in some cases were not present in the previous reports.

Given the complexity of the matter, for a complete overview of the changes following the introduction of the new international accounting standards refer to the specific document “Transition to international accounting standards” and to the explanatory notes to the financial statements.

COMMENTS ON PERFORMANCE

As already noted in previous interim reports, to correctly understand the data for the 1st quarter it is important to recall that these are only partly representative of full-year trends owing, on the one hand, to seasonal phenomena, which is a feature of the main business (construction sector), and, on the other, to the method of accounting for the dividends of companies that are not consolidated on a line-by-line basis, which considers the quarter in which their distribution is decided.

In the 1st quarter 2005 the expansion which was a feature of the international economy worldwide in 2004 was largely unchanged, although some unbalanced factors worsened. In particular it is worth recording the different growth rate of the USA and the emerging countries compared to the euro zone, the confirmation of the weakness of the dollar, the oil price which reached new peaks and the uncertainty of the financial markets.

Against this background in the 1st quarter 2005 the Italmobiliare Group recorded **net income before minority interest** of 56.9 million euro and **Group net income** of 18.2 million euro, compared with 75.8 million euro and 23.3 million euro respectively in the 1st quarter 2004.

The other main results of the quarter to March 31, 2005 were (figures in millions of euro):

- **Net sales:** 1,041.2 compared with 1,055.9 at March 31, 2004 (-1.4%)
- **Operating income:** 93.7 compared with 121.7 (-23.0%)
- **Financial income and charges:** net charges of 16.6 compared with 14.5 (+14.2%)

These results reflect the less favorable trend in the construction sector and broad stability, with slight improvements in some components, for the other sectors overall.

At the end of March 2005 **total shareholders' equity** stood at 4,688.0 million euro, compared with 3,976.1 million euro at December 31, 2004 and 4,459.8 million euro at January 1, 2005 following the application of IAS 32 and 39.

Net debt at March 31, 2005 was 1,500.1 million euro, while at the end of December 2004 it was 1,312.5 million euro and, following application of IAS 32 and 39, at January 1, 2005 was 1,470.3 million euro.

Following the changes in shareholders' equity and net debt, gearing improved slightly from 33% at the end of December 2004 to 32% at the end of March 2005.

The performance of the individual sectors, which make up the Italmobiliare Group, may be summarized thus:

- the **construction sector**, consisting of the Italcementi group (Italmobiliare's main industrial equity investment) was adversely affected by extremely unfavorable meteorological conditions in almost all the European countries, despite the construction market showing a positive trend in the main industrial countries where the group operates. The slowdown in business owing to the weather had an impact on sale volumes, above all in the markets of the European Union, while the overall improvement in sale prices enabled the increase in operating costs, especially for energy, to be offset. Net sales, at 990.2 million euro, fell by 1.6% compared with the same period in 2004, which in any case had particularly strong business levels. Operating income was 90.1 million euro, compared to 117.7 in the 1st quarter 2004. The aforementioned results, together with an increase in financial charges, led to a fall in overall net income (51.2 million euro compared with 71.3) and group net income (33.8 million euro compared with 50.8);
- the **packaging and insulation sector**, consisting of the Sirap Gema group, saw an increase in net sales of 8.7%, thanks to the rise in sale prices and the solid performance of Petruzalek (which operates in East Europe). Operating income rose slightly from 3.5 to 3.6 million euro, as did overall net income: 2.2 million euro compared with 1.9 in the 1st quarter 2004;
- the **financial sector**, which includes the parent company Italmobiliare and the wholly owned financial companies, recorded operating income below that for the same period in 2004 (2.0 million euro compared with 3.5 million euro) owing to the unfavorable performance of the financial markets and a reduced contribution from dividends. The overall result was practically unchanged, while the contribution to the Group's consolidated result improved owing to a more favorable tax component.
- the **banking sector** brings together the business of Finter Bank Zurich and Crédit Mobilier de Monaco as well as Finter Bank France which, as indicated in

previous reports, is at an advanced stage in the process of gradually winding down its banking business which will end with giving up its banking license as from June 30, 2005. Operating income and the overall result from operations in the sector were slightly better in the quarter mainly owing to the ending of provisions made in connection with the restructuring of Finter Bank France;

- the **property and services sector** does not have a major role in the global context of the Group and, therefore, the results, that were substantially in line with those for the previous year, were not of particular significance.

GROUP FINANCIAL HIGHLIGHTS

The business and the results of the Italmobiliare Group in the 1st quarter 2005 are summarized below:

(in millions of euro)	1st quarter 2005 IFRS	1st quarter 2004 IFRS	% change	2004 IFRS
Net sales	1,041.2	1,055.9	(1.4)	4,773.0
Gross operating profit	172.4	200.5	(14.0)	1,154.3
<i>% of net sales</i>	<i>16.6</i>	<i>19.0</i>		<i>24.2</i>
Amortization, depreciation and adjustments to fixed asset values	(78.7)	(78.8)	(0.1)	(317.4)
Operating income	93.7	121.7	(23.0)	836.9
<i>% of net sales</i>	<i>9.0</i>	<i>11.5</i>		<i>17.5</i>
Financial income and charges	(16.6)	(14.5)	14.2	(65.9)
Income from companies valued on equity basis	5.3	5.0	5.7	22.3
Pre-tax income	82.4	112.2	(26.5)	793.3
<i>% of net sales</i>	<i>7.9</i>	<i>10.6</i>		<i>16.6</i>
Tax for the period	(25.5)	(36.4)	(29.9)	(266.9)
Income before minority interest	56.9	75.8	(24.9)	526.4
<i>% of net sales</i>	<i>5.5</i>	<i>7.2</i>		<i>11.0</i>
Minority interest	38.7	52.5	(26.3)	334.9
Group net income	18.2	23.3	(21.9)	191.5
<i>% of net sales</i>	<i>1.8</i>	<i>2.2</i>		<i>4.0</i>
Employees at period-end	18,394	18,532		18,345

(in millions of euro)	March 31 2005 IFRS (*)	January 1 2005 IFRS (*)	December 31 2004 IFRS
Net debt	1,500.1	1,470.3	1,312.5

(*) after application of IAS 32 and 39

Net sales and operating results

(in millions of euro)	Net sales		Operating income		Capital expenditure	
	1st quarter 2005	%change on 1st qu. 2004	1st quarter 2005	%change on 1st qu. 2004	1st quarter 2005	1st quarter 2004
Construction	990.2	(1.6)	90.1	(23.5)	195.1	60.1
Packaging and insulation	37.1	8.7	3.6	2.5	4.5	2.5
Financial sector	9.0	(15.1)	2.0	(42.9)	15.0	0.1
Banking sector	10.4	(8.1)	1.7	10.1	0.5	0.8
Property and services	0.5	(16.6)	0.1	12.2	0.1	0.7
Inter-sector eliminations	(6.0)	(10.4)	(3.8)	(19.1)	-	-
Total	1,041.2	(1.4)	93.7	(23.0)	215.2	64.2

n.s. not significant

The fall in **net sales** of 1.4% compared with the 1st quarter 2004, was due to:

- the business performance (−0.9%);
- changes in the consolidation area (+0.2%);
- the negative impact of exchange rate movements (−0.7%).

The construction sector fell slightly (-1.0% at constant exchange rates and size) with an overall negative performance in the European Union, solid growth in North America and a marked increase in Turkey, Morocco and Bulgaria.

The improvement in the food packaging and thermal insulation sector, up by 8.7%, was above all thanks to the contribution from the packaging sector; the contribution from the Petruzalek Group was positive (+19.2%)

In absolute terms the contribution from the other non-industrial sectors was marginal.

Sales performance by geographical area

(in millions of euro)	1st quarter	%	1st quarter	%	% change ^{At}	
	2005		2004		Historic	constant size
European Union	791.6	76.0	822.7	77.9	(3.8)	(4.0)
Other European countries	55.9	5.4	49.7	4.7	12.5	13.9
North America	92.0	8.8	84.0	8.0	9.5	14.8
Asia	60.0	5.8	61.7	5.8	(2.8)	(0.2)
Africa	50.7	4.9	46.8	4.4	8.3	9.0
Trading	40.3	3.9	32.1	3.0	25.5	26.4
Eliminations	(49.3)	(4.8)	(41.1)	(3.8)	19.7	19.7
Total	1,041.2	100.0	1,055.9	100.0	(1.4)	(0.9)

Gross **operating profit** and **operating income** in the 1st quarter 2005 fell respectively to 28.1 million euro (-14.0%) and 28 million euro (-23%), mainly due to the construction sector. This fall in profits was caused by a fall in sale volumes compared with the 1st quarter 2004 and by a significant worsening of operating costs, in particular raw material and fuel, only partly offset by an overall improvement in sale prices.

Within the European Union, the decline in results mainly affected Italy, France and Greece.

On the other hand, there was a positive performance in North America (a 7.4 million euro rise in operating income compared with the 1st quarter 2004), helped by the increase in business levels.

Operating income by geographical area

(in millions of euro)	1st quarter 2005	%	1st quarter 2004	%	% change
European Union	65.7	70.1	97.6	80.2	(32.7)
Other European countries	1.9	2.1	1.4	1.1	42.5
North America	0.9	0.9	(6.5)	(5.3)	n.s.
Asia	8.7	9.3	14.9	12.2	(41.3)
Africa	18.8	20.0	19.1	15.7	(1.6)
Trading	(2.3)	(2.4)	(5.3)	(4.3)	(56.5)
Eliminations	-	-	0.5	0.4	n.s.
Total	93.7	100.0	121.7	100.0	(23.0)

The impact from the change in exchange rates on operating income was limited.

Net financial charges rose by 2.1 million euro, from 14.5 to 16.6 million euro owing to the negative impact of approximately 7 million euro arising from the accounting treatment (hyperinflation) used for companies in Turkey. Consequently, other net financial charges, linked to debt, fell.

Pre-tax income fell from 112.2 to 82.4 million euro, mainly due to the fall in operating income. The fall in the tax burden (the tax rate fell from 32.4% to 30.9%) led to a drop in **tax changes for the period**.

Net income before minority interest of 56.9 million euro fell by 18.9 million euro compared with the same period in 2004, while **Group net income** fell by 5.1 million

euro, from 23.3 to 18.2 million euro. The limited fall in Group net income was due to the overall stability in the results of the companies that are wholly owned.

Investments in fixed assets

Investments in fixed assets in the quarter totaled 215.2 million euro (64.2 million euro in the 1st quarter 2004), of which 144.6 million euro related to financial assets (8.1 million euro in the 1st quarter 2004) mainly due for approximately 125 million euro to the increase in the equity investment in Suez Cement Company, 8.7 million to the Mittel share capital increase and 6.3 million to the Gim share capital increase.

Investments in tangible and intangible assets were 70.6 million euro (56.2 in the 1st quarter 2004) and mostly concerned the European Union and North America.

Net debt

The application as from January 1, 2005 of IAS 32 and 39 led to a 157.8 million euro increase in net debt, mainly due to the reintegration into the balance sheet of trade receivables and financial payables in relation to securitizations with recourse.

At March 31, 2005, net debt was 1,500.1 million euro. Compared with the situation at January 1, 2005 (1,470.3 million euro), the increase was limited to 29.8 million euro, despite the high level of overall investments (215.2 million euro).

The aforementioned debt figures also include the net total of FRSS (Floating rate subordinated securities) of 15.0 million euro at March 31, 2005 (22.5 million euro at January 1, 2005).

The ratio of net debt to shareholders' equity at March 31, 2005 was 32%, an improvement on 33% recorded at January 1, 2005.

CONSTRUCTION SECTOR

This is the industrial core business of Italmobiliare and includes the activities of the Italcementi group in the cement, ready mixed concrete and aggregates sectors.

(in millions of euro)	1st quarter 2005 IFRS	1st quarter 2004 IFRS	% change	2004 IFRS
Net sales	990.2	1,006.0	(1.6)	4,527.5
Gross operating profit	166.5	194.1	(14.2)	1,096.2
<i>% of net sales</i>	<i>16.8</i>	<i>19.3</i>		<i>24.2</i>
Amortization, depreciation and adjustments to fixed asset values	(76.4)	(76.3)	-	(307.7)
Gross operating income	90.1	117.7	(23.5)	788.5
<i>% of net sales</i>	<i>9.1</i>	<i>11.7</i>		<i>17.4</i>
Financial income/charges	(17.1)	(15.7)	8.7	(81.5)
Income from companies valued on equity basis	3.9	3.4	13.2	20.1
Pre-tax income	76.9	105.4	(27.1)	727.0
<i>% of net sales</i>	<i>7.8</i>	<i>10.5</i>		<i>16.1</i>
Tax for the period	(25.7)	(34.1)	(24.8)	(261.7)
Net income before minority interest	51.2	71.3	(28.2)	465.3
<i>% of net sales</i>	<i>5.2</i>	<i>7.1</i>		<i>10.3</i>
Minority interest	17.4	20.4	(14.8)	(114.5)
Group net income	33.8	50.8	(33.6)	350.9
Employees at period-end	17,390	17,548		17,377

(in millions of euro)	March 31 2005 IFRS (*)	January 1 2005 IFRS (*)	December 31 2004 IFRS
Net debt	1,770.8	1,737.9	1,569.2

(*) including application of IAS 32 and 39

Despite the fact that the construction markets once again proved positive in some of the most important countries where the group operates, in particular those of the euro zone, adverse weather conditions had a significant impact on business levels, such as to limit the import of the comparison with the figures for the first quarter of 2004 which enjoyed extremely favorable weather. Therefore, it is necessary to have figures for at least the whole first half in order to make a reliable assessment of the underlying dynamics of demand, which still seem positive overall.

(in millions of euro)	Cement and clinker (millions of metric tons)			Aggregates (millions of metric tons)			Ready mixed concrete (millions of m ³)		
	2005	% change on 2004		2005	% change on 2004		2005	% change on 2004	
		Historic	At constant size		Historic	At constant size		Historic	At constant size
European Union	5.7	(7.2)	(7.2)	11.7	(9.4)	(7.8)	3.8	(9.6)	(8.9)
North America	1.2	6.2	6.2	-	-	-	-	-	-
Asia	1.9	(6.2)	(6.2)	-	-	-	0.3	26.8	26.8
Other emerging countries	1.5	6.1	6.1	0.5	5.7	5.7	0.5	18.8	18.8
Trading	0.9	(11.9)	(11.9)	-	-	-	-	-	-
Eliminations	(0.7)	n.s.	n.s.	-	-	-	-	-	-
Total	10.5	(2.9)	(2.9)	12.2	(8.8)	7.3	4.6	(5.3)	(4.8)

The aforementioned situation had a negative impact on sale volumes, especially in the markets of the European Union; the overall improvement in sale prices enabled some offset of the rise in operating costs, which was especially driven by the rise in fuel prices. Consequently the Italcementi group recorded operating results that were down compared with the 1st quarter 2004 which had seen very strong business levels.

Net financial charges fell in relation to debt, but were affected by approximately 7 million euro for the accounting treatment (hyperinflation) used for the companies in Turkey.

The aforementioned trends led to a fall in overall results and group net income compared with the 1st quarter 2004.

Significant events in the period

In March 2005, the group, together with a consortium of local and international investors, reached agreement with the Egyptian Government to buy an overall stake of approximately 33.4% in **Suez Cement Company**, the leading operator in Egypt, as part of the privatization plan for the company that was launched in 2001. The Italcementi group, which already held 39.9% of the company's share capital, thus acquired a further stake of approximately 14%, with an outlay of approximately 125 million euro including accessory charges (representing a financial commitment of approximately 466 million euro since 2001), supported by the sub-holding for international activities, Ciments Français. At the termination of this transaction the group obtained control (54.2%) of Suez Cement Company.

In relation to the **case** brought on April 3, 2003 by the Italian Competition and Market Authority against eleven companies operating in Italy in the **ready mixed concrete**

sector, on March 23, 2005, the administrative tribunal of the Region of Lazio formalized its decision to partially accept the appeal made by Calcestruzzi S.p.A. and Cemencal S.p.A. and annulled the order of the Authority “*in the part where the sanctions it imposed are not proportional to the limited effects of the agreement*”. The tribunal also accepted the appeals of the companies concerning application of the repeat offense penalty. The Authority can challenge the decision before the State Council or accept it by issuing a new provision. In the latter case the companies will have the right to challenge the provision, once again before the tribunal of Lazio, should further elements of illegitimacy come to light.

On the basis of the agreements made by **Calcestruzzi S.p.A.** in January, on April 29, 2005 Terminal Riuniti S.r.l. (which took over from Calcestruzzi S.p.A. in finalizing the transaction) and Calcestruzzi S.p.A. acquired 100% of the share capital of Cemill S.p.A. and Calcestruzzi Lamon Beton S.p.A. respectively. The former company works in clinker grinding and cement production in the province of Ravenna, the latter owns 5 ready mixed concrete plants in Romagna. The overall investment is approximately 31 million euro.

As part of the plans for further international expansion, the Italcementi Group signed a framework agreement with **Arabian Cement Company**, the leading cement producer in Saudi Arabia with a 12% market share and net sales in 2004 of approximately 155 million dollars, for joint development of new projects.

The five-year agreement between Italcementi and Arabian Cement Company provides for technical co-operation and training agreements, and the completion by the end of October of a project for the construction of a new cement facility in Saudi Arabia to be equally owned by the two partners. The partnership also envisages possible further joint development programs in the Middle East.

In March 2005, Italcementi S.p.A., on the basis of the authorization given to the Board of Directors by the shareholders’ meeting of May 4, 2004, arranged to buy, for use in stock option plans, 145,646 **own ordinary shares**, approximately 0.08% of the ordinary share capital, for an overall amount of approximately 1.9 million euro. At the end of March 2005, own ordinary shares held numbered 3,261,745, approximately 1.84% of ordinary share capital.

Performance by geographical area

(in millions of euro)

	Net sales		Operating income		Invested capital	
	1st quarter 2005	% change on 1st quarter	1st quarter 2005	% change on 1st quarter	1st quarter 2005	1st quarter 2004
European Union	750.7	(3.7)	63.7	(32.7)	41.2	37.4
North America	92.0	9.5	0.9	<i>n.s.</i>	14.2	5.5
Asia	60.0	(2.8)	8.7	(41.3)	2.0	1.3
Other emerging countries	93.9	10.7	19.0	(4.2)	2.4	1.5
Trading	40.3	25.5	2.1	65.4	0.8	0.5
Other and elimination of infra-area trading	(46.7)	<i>n.s.</i>	(4.3)	<i>n.s.</i>	1.8	0.7
Total	990.2	(1.6)	90.1	(23.5)	62.4	46.9

European Union

In the European Union the unfavorable weather had a negative impact on volumes in all the countries in the area.

In **Italy** there was a sharp fall in operating income due not only to the fall in the market, but also to the increase in industrial costs (raw materials, transport and energy costs). The fall in prices continued the trend that began in September 2004.

The marked fall in volumes in **France** resulted in a significant drop in operating income, in part offset by the price increases recorded in the period.

The market tensions that had already been seen in **Belgium** continued in the 1st quarter 2005, owing to the high level of cement imports, thus causing a negative impact on prices which is the source of the fall in operating income.

In **Spain**, on the other hand, operating income was stable, since the reduction in volumes was offset by the price increases applied at the start of the year.

The fall in operating income in **Greece** was due, not only to factors that were shared throughout Europe, but also to the unfavorable comparison with the year before which had benefited from the work connected to the Olympic Games.

North America

In a market which continues to be positive, albeit with lower growth rates compared

with those in 2004, group cement sale volumes grew markedly thanks to the excellent performance in the first two months of the year, while there was a fall in March owing to the unfavorable weather.

The positive impact from volumes and sale prices, that outstripped the rise in costs, saw a significant improvement in operating income.

Asia

In a domestic market driven by infrastructure projects, the group in **Thailand** saw a sharp increase in cement sales, while exports were down owing to contingent factors that have now been overcome. Although the fall in prices that started in the 2nd half 2004 seems to have now been contained, the negative impact on prices and the marked increase in fuel costs saw a major fall in operating income.

In **India** operating income remained stable thanks to the marked increase in volumes, which partially offset the sharp rise in energy costs.

Cement sales at Shymkent Cement in **Kazakhstan** in the 1st quarter 2005 fell because of a particularly harsh winter and the increase in imports.

Other emerging countries

In **Bulgaria** the very sharp rise in fuel costs which was not offset either by the healthy growth in volumes or by the positive price effect, led to a fall in operating income in the period.

The economic situation in **Turkey** developed favorably in the 1st quarter with a marked containment of inflation. Against this background the group recorded stable operating income thanks to the good growth in domestic volumes and the positive price impact, which made up for the significant rise in production costs.

In **Morocco** too operating income was stable thanks to the favorable trend in volumes in the three business areas and in cement prices, which neutralized the rise in variable production costs.

In **Egypt** (consolidated on the equity basis), the economic situation seemed to improve slightly with a positive impact on the exchange rate. The sharp rise in operating income

was related to the good performance in terms of volumes and prices on the domestic market.

Trading

Despite a market situation distinguished by weak exports from Thailand, there was a marked rise in operating income thanks to a favorable price effect and the containment of fixed costs.

Outlook

The framework outlined in the directors' report for 2004 remains largely valid, albeit with an increasing gap between growth in the American and Asian economies, on the one hand, and that of European countries, on the other.

This still generally favorable background should allow a recovery in sale volumes during the year, which were particularly hit in the 1st quarter by adverse weather in the countries of the European Union.

Nonetheless, the problems experienced in some markets (Italy, Belgium and Thailand) in fully transferring to sale prices the further sharp increase in factor production costs make the objective of maintaining operating income in line with that for 2004, on a constant size basis and subject to unforeseen events, even harder.

PACKAGING SECTOR

The Group is present in the food packaging and thermal insulation sector through Sirap Gema S.p.A. and its subsidiary companies.

(in millions of euro)	1st quarter 2005 IFRS	1st quarter 2004 IFRS	% change	2004 IFRS
Net sales	37.1	34.1	8.7	153.9
Gross operating profit	5.4	5.5	(1.8)	22.2
<i>% of net sales</i>	<i>14.6</i>	<i>16.1</i>		<i>14.4</i>
Amortization, depreciation and adjustments to fixed asset values	(1.8)	(2.0)		(7.2)
Gross operating income	3.6	3.5	2.9	15.0
<i>% of net sales</i>	<i>9.7</i>	<i>10.3</i>		<i>9.7</i>
Financial income/charges	(0.4)	(0.1)	n.s.	(1.4)
Income from companies valued on equity basis	-	-		-
Pre-tax income	3.2	3.3	(3.0)	13.6
<i>% of net sales</i>	<i>8.6</i>	<i>9.7</i>		<i>8.8</i>
Tax for the period	(1.0)	(1.4)	28.6	(5.3)
Net income before minority interest	2.2	1.9	15.8	8.3
<i>% of net sales</i>	<i>5.9</i>	<i>5.6</i>		<i>5.4</i>
Employees at period-end	788	746		747

n.s. not significant

(in millions of euro)	March 31 2005 IFRS (*)	January 1 2005 IFRS (*)	December 31 2004 IFRS
Net debt	45.1	44.8	44.8

(*) including application of IAS 32 and 39

The 1st quarter 2005 saw the broad continuation of the trends which had been a feature of the previous year: domestic consumption, following the reduction in 2004, was stable but with no sign of a change in the trend in the short term; polymer prices remained very high compared with the same period in 2004 (+31%) albeit with some variations, which in the quarter on average led to a modest fall compared with the peak prices recorded previously.

In the quarter net sales improved by 8.7% thanks to partial recoveries on sale prices of the increase experienced by raw materials, and despite the negative performance of the

insulation sector (mainly due to unfavorable weather). Operating income, helped also by improvements in efficiency and the positive performance of Petruzalek, was largely unchanged.

Significant events

March 2, 2005 saw the closing of the contract, signed at the end of 2004, for the purchase of a company branch located in Hungary for the production of meat packaging trays with an overall investment of approximately 1.5 million euro. The acquisition will enable the group to serve the markets of East Europe, which are covered in commercial terms by the Petruzalek group, with greater speed and efficiency.

Performance by business sector and geographical area

(in millions of euro)

	Net sales		Operating income		Investments	
	1st quarter 2005	% change on 1st quarter	1st quarter 2005	% change on 1st quarter	1st quarter 2005	1st quarter 2004
Food packaging	29.5	12.6	3.1	14.8	2.3	2.3
- Italy	14.8	8.8	2.1	31.3	0.5	1.5
- France	6.3	(3.1)	0.6	-	0.3	0.7
- Other European Union countries	8.4	13.5	0.3	n.s.	1.5	0.1
- Other non-EU countries	2.8	55.6	0.1	n.s.	-	-
Eliminations	(2.8)		-			
Thermal insulation	8.7	(6.5)	0.4	n.s.	2.1	0.2
Eliminations	(1.1)		0.1			
Total	37.1	8.7	3.6	2.9	4.4	2.5

n.s. not significant

Food packaging

Despite the complicated market situation, in the food packaging sector the group saw an improvement in net sales (12.6%) and operating income (14.8%): the partial adjustment of sale prices to the increase in raw material costs, which was introduced without significantly affecting volumes, and the improved efficiency of the production structure, were behind the good results achieved. In addition, note should be made of the favorable performance of the recently acquired markets (mainly Ukraine and the Czech Republic), which saw very encouraging signs of growth.

Investments, besides the acquisition of the plant in Hungary, mainly concerned the technological improvements made to reduce costs.

Thermal insulation

In the period thermal insulation, compared with the same period in 2004, saw a marked reduction in volumes sold mainly due to the very unfavorable weather, which slowed down activity in the building sector.

Investment concerned the installation of a new production line for single layer sheets that will be fully operational in May.

Outlook

It is currently estimated that consolidated operating income for 2005 will stay at the level reached in 2004. Nonetheless, this estimate is strongly dependent on how domestic consumption develops, as well as on the high levels reached by the raw material prices.

FINANCIAL SECTOR

The financial sector includes the parent company Italmobiliare and its wholly owned financial subsidiaries. The main ones are:

- Italmobiliare International Finance Limited (Dublin)
- Société de Participation Financière Italmobiliare S.A. (Luxembourg)

(in millions of euro)	1st quarter 2005 IFRS	1st quarter 2004 IFRS	% change	2004 IFRS
Net sales	9.0	10.7	(15.4)	92.4
Operating income	2.0	3.5	(42.2)	71.3
Net income	5.9	6.0	(1.7)	85.2
Net debt	253.3	268.2		227.7
Employees at period end	40	38		37

Overall the sector recorded net sales of 9.0 million euro, down compared with 10.7 million euro in the same period in 2004. This fall was due to the lower financial income achieved by Italmobiliare International Finance Limited, as explained below, and to lower dividend flows in the period as far as Italmobiliare was concerned.

Operating income also fell from 3.5 to 2.0 million euro for the same reasons.

As for total net income for the period this was largely unchanged at 5.9 million euro thanks to more favorable tax arrangements.

Significant events

Among the significant events concerning the parent company Italmobiliare and the other financial subsidiaries were the following:

- in January Italmobiliare took part in the share capital increase in **Mittel** by investing 8.7 million euro and thus maintaining unchanged the percentage of its equity investment in this company (12.91%)
- in February Italmobiliare took part in the share capital increase in **GIM** by investing the sum of 6.3 million euro. Italmobiliare also committed itself to further underwriting up to a maximum of 4.2 million euro as part of a guarantee consortium. Italmobiliare subsequently transferred this commitment to its own subsidiary Société de Participation Financière Italmobiliare S.A.. Since the whole share capital increase was entirely underwritten no action was necessary

on the part of the guarantee consortium. Following this transaction Italmobiliare's equity investment in GIM remained practically unchanged at 4.2%.

Italmobiliare International Finance Limited (Dublin)

The company is the main financial company of Italmobiliare and operates in international capital markets and provides financial support to the Group's companies.

The 1st quarter 2005 ended with net income of 2.6 million euro, down compared with March 31, 2004 (4.2 million euro). The result was affected by the performance of the financial markets and in particular of interest rates and spreads, which had a negative effect on the corporate bond portfolio. The performance of the portfolios entrusted to external managers (both traditional and alternative) was particularly unsatisfactory. The introduction of the IAS led to a substantial alignment of the net financial position with the total assets of the company, which, at March 31, 2005, was up at 601.9 million euro from 599 million euro at January 1, 2005.

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

The company holds equity investments in listed and unlisted companies.

The 1st quarter 2005 saw net income of 1.2 million euro, an improvement on the 1st quarter 2004 (0.1 million euro). This result was largely due to the revaluation of the listed shares in the trading portfolio.

Also the shares in the "Available For Sale" portfolio were significantly revalued, but in accordance with international accounting standards this is recorded directly in shareholders' equity in the AFS reserve, which rose from 1.5 million euro at January 1, 2005 to 4.5 million euro at March 31, 2005.

The net financial position (which also includes shares in the trading portfolio) stood at 61.8 million euro, up compared with January 1, 2005 (60.8 million euro).

Net financial position of Italmobiliare and of the financial sector

The following table sets out the levels and elements of the net financial positions of the parent company Italmobiliare SpA and of the consolidated financial sector.

(in thousands of euro)	March 31 2005		January 1 2005		December 31 2004	
	Italmobiliare	Financial sector	Italmobiliare	Financial sector	Italmobiliare	Financial sector
Cash, cash equivalents and current financial assets	22,194	661,662	22,101	661,307	18,045	650,315
Short-term financing	(129,227)	(132,167)	(116,991)	(119,410)	(116,991)	(118,848)
Short-term net financial position	(107,033)	529,495	(94,890)	541,897	(98,946)	531,467
Medium/long-term assets	11,163	15,257	11,194	11,291	10,885	10,921
Medium/long-term liabilities	(291,430)	(291,430)	(285,010)	(285,010)	(285,010)	(285,010)
Medium/long-term net financial position	(280,267)	(276,173)	(273,816)	(273,719)	(274,125)	(274,089)
Net financial position	(387,300)	253,322	(368,706)	268,178	(373,071)	257,378

Compared with the end of 2004 the net debt of Italmobiliare fell from 373.1 million euro to 368.7 million euro at January 1, 2005 owing to the application of IAS 32 and 39 which led to the inclusion of trading shares and other positive items. However, at the end of March 2005 there was an increase in net debt to 387.3 million euro, mainly due to the investment made to take part in the share capital increases in Mittel and GIM.

At the consolidated level of the financial sector the net financial position at December 31, 2004 was 257.4 million euro. The application of IAS 32 and 39 increased this to 268.2 million euro, with a positive impact that was higher than that recorded in the parent company. At the end of March 2005 the net financial position was 253.3 million euro, with a more contained fall compared with the start of the year owing to the improvements in the positions of the main financial companies as indicated above.

Outlook

Results in the financial sector depend on the flow of dividends and the trend in the financial markets. While the flow of dividends is fairly predictable and therefore represents a practically certain basis for the result of the sector, the future trend in interest rates and stock market introduces an element of uncertainty which makes it difficult to release a reliable forecast of the overall results for the year.

BANKING SECTOR

The banking sector includes some wholly owned banks, i.e.: Finter Bank Zurich, Crédit Mobilier de Monaco and Finter Bank France. The most important in the sector is Finter Bank Zurich

(in millions of euro)	1st quarter 2005 IFRS	1st quarter 2004 IFRS	% change	2004 IFRS
Net sales	10.3	11.3	-8.1	42.6
Operating income	1.7	1.6	10.1	0.9
Net income	1.4	1.2	<i>23.1</i>	0.1

(in millions of euro)	March 31 2005 IFRS	January 1 2005
Net financial position	57.8	42.8
Employees	151	158

For a better appreciation of the results of the banking sector, in light of its particular nature, it is considered worthwhile recording in the table below the results in the format normally used for banks.

(in millions of euro)	1st quarter 2005 IFRS	1st quarter 2004 IFRS	% change	2004 IFRS
Net interest income	1.3	1.6	<i>(18.8)</i>	5.5
Commissions	9.3	10.0	<i>(7.0)</i>	38.2
Gross operating profit	1.6	2.0	<i>(20.0)</i>	3.3
Income from operations	1.3	1.5	<i>(13.3)</i>	1.5
Net income	1.4	1.2	<i>16.7</i>	0.1

(in millions of euro)	1st quarter 2005 IFRS	2004 IFRS	% change
Shareholders' equity	96.9	95.3	1.7
Assets under administration <i>(in billions of euro)</i>	3.2	3.3	<i>(3.0)</i>

Net sales in the sector fell from 11.3 million euro in the 1st quarter 2004 to 10.3 million euro at March 31, 2005, basically owing to the cessation of business at Finter Bank France.

Operating income and net income for the period rose compared with the previous period. The latter was influenced by the provision of charges relating to the cessation of business at Finter Bank France.

The net financial position was 57.8 million euro, clearly up compared with January 1, 2005 owing to the increase of cash and cash equivalents at Finter Bank Zurich.

Finter Bank Zurich

The business of the Finter Bank Zurich Group also in the 1st quarter of 2005 was affected and limited by the globally poor performance of the financial markets, unlike the situation in the same period in 2004, which had seen a positive trend with good returns in terms of business and profitability.

Nonetheless, consolidated net sales fell slightly (-1%) due mainly to the lower contribution from trading income, made up for in large part by the growth in fee income. Overall operating costs saw an increase that was concentrated in personnel costs, an increase which, at least in part, should be reabsorbed during the rest of the year.

In relation to this consolidated operating income fell from 3.4 to 2.8 million Swiss francs. The consolidated net income stood at 2.4 million Swiss francs compared with 2.5 million Swiss francs in the 1st quarter 2004. The latter was affected by value adjustments to the equity investment in Finter Bank France, that were absent from the 2005 results.

Consolidated shareholders' equity rose from 125.9 million Swiss francs at December 31, 2004 to 128.3 million Swiss francs at March 31, 2005, which does not take account of the dividend of 4.5 million Swiss francs approved and distributed following that date.

Assets under administration at the end of the 1st quarter 2005 totaled 5.1 billion Swiss francs, slightly up compared with the end of 2004 (5.0 billion Swiss francs).

Crédit Mobilier de Monaco

Crédit Mobilier de Monaco is a bank in Monaco which mainly operates in guarantee backed loans. The 1st quarter of 2005 saw a slight increase in guaranteed loans and broad stability for other types of financing.

Interest on the various lending operations was affected by the trend in rates, while wage costs fell by 8% following the reduction of employees. Operating income for the period was slightly lower than that for the same period in 2004.

Finter Bank France

In the 1st quarter 2005 the process of gradually closing down the banking activity continued, and as reported in previous reports, this will end with the voluntary giving up of the banking license as from June 30, 2005.

The quarter ended with a loss of 162 thousand euro, representing the difference between income and costs for the period. The foreseeable non-recurring costs related to the cessation of the bank activity have already been set aside previously.

Outlook

The uncertainty that is a feature of the financial markets also has an impact on the forecasts on the trend in this sector. The ending of all business at Finter Bank France and the positive trend in assets under administration at Finter Bank Zurich suggest a forecast of results above those for 2004.

PROPERTY AND SERVICES SECTOR

This sector includes some companies that own property and land and some service companies.

As for the property companies it includes both rented property and property and land for sale.

Service companies basically carry out their business within the Group.

Income and operating income from the sector were stable at 0.5 million euro and 0.1 million euro respectively.

The overall result for the period improved compared with the 1st quarter 2004, owing to lower financial charges, standing at 42 thousand euro, compared with a loss of 108 thousand euro in the same period in 2004.

The importance of the sector is marginal in relation to the overall results of the Group.

DEALINGS WITH RELATED PARTIES

Regarding the Italmobiliare Group's dealings with related parties during the quarter there were no atypical or unusual transactions.

For the purposes of the consolidated report dealings with related parties in the quarter regarded those with:

- subsidiary companies that are valued with the equity method or stated at cost;
- associated companies;
- other related parties.

Among the companies in the construction sector, dealings with related parties reflect the group's interest in leveraging the synergies in the sector to enhance production and commercial integration, employ competencies efficiently, and rationalize use of corporate functions and financial resources. All dealings are of a business and/or financial nature.

Italmobiliare provides an administration service to some associated companies which is regulated according to the costs attributable to providing the service.

Dealings with other related parties concern:

- administrative, financial, fiscal and corporate consultancy services, as well as support services for the organization of company restructuring operations for the Italcementi group provided by Finsise S.p.A., a company whose majority shareholder is Italo Lucchini, a director of Italmobiliare. The Italmobiliare Group also uses the services of Professional Auditing S.p.A., a trust company whose main shareholder is also Mr Lucchini;
- legal consultancy, judicial and extrajudicial assistance provided to Italmobiliare and to Group companies by the associate professional studio Dewey Ballantine LLP, of which the Italmobiliare director Luca Minoli is part;
- judicial and extrajudicial assistance provided to Group companies by Giorgio Bonomi, a director of Italmobiliare;
- consultancy services for the senior management of Italmobiliare in relation to the processes to rationalize and develop the Group's activities provided by Piergiorgio Barlassina, a director of Italmobiliare.

All the dealings set out above, including these for the exchange of goods and services and financial services, are conducted at normal market conditions.

In February the Fondazione Italcementi Cav. Lav. Carlo Pesenti supplemented its business purpose with the goal of undertaking humanitarian initiatives to help populations hit by natural disasters, or in emergency situations, by promoting the direct or indirect collection of funds in favor of projects to these ends. As part of this the Fondazione promoted a collection for the construction of a playschool, school or other structure for children in Sri Lanka, one of the countries worst hit by the tsunami last December.

Italmobiliare and Italcementi took part in the project by allocating the sum of 100 thousand dollars each.

In addition the Board of Directors of Italmobiliare resolved to provide 200 thousand euro to the Fondazione Italcementi Cav. Lav. Carlo Pesenti for the ordinary management of the Foundation's activity.

SIGNIFICANT EVENTS AFTER THE 1ST QUARTER

In May Italmobiliare on the basis of the authorization given to the Board of Directors by the Shareholders' meeting of May 18, 2004, arranged to buy 7,295 own ordinary shares, equivalent to approximately 0.03% of the ordinary share capital, for an overall amount of approximately 0.3 million euro. At May 13, 2005 own ordinary shares were 899,641, equivalent to approximately 4.06% of the ordinary share capital.

OUTLOOK

The conditions of the world economy and the forecasts relating to its development have not significantly changed compared with the end of March, when we expressed our forecasts on the performance in 2005. However, note should be made of an increasing difference between the growth in the American and Asian economies and that in European countries.

As for the sectors of the Italmobiliare Group, the forecasts, already made in the specific sections of the report, can be summarized as follows:

- in the construction sector the generally favorable situation should allow the recovery in volumes which were affected in the 1st quarter by the adverse weather in the European Union countries. The objective of maintaining

operating income in line with that for 2004, on a constant size basis, is valid but more difficult to achieve owing to the sharp increase in the cost of production factors. A positive contribution to the results will come from the line-by-line consolidation of the activities in Egypt, following the recent acquisition of control;

- in the packaging and insulation sector, the continuation of some negative market factors, offset by the development of the potential of the Petruzalek Group in East Europe, leads to the belief that operating income in line with that for 2004 can be achieved;
- in the financial sector the various components offer varying trends: the flow of dividends is expected to be largely stable compared with 2004, financial management may be affected by the unfavorable market conditions, while management of the equity investments, despite the unpredictable nature of the trend in the share markets, will not be able to record the significant revaluations and capital gains that were recorded in 2004. Consequently the overall result in the sector is expected to fall;
- in the banking sector the positive impact arising from the cessation of the business of Finter Bank France suggests a forecast of results above those for 2004.

Overall, therefore, subject to unforeseeable non-recurring elements, the consolidated result of the Italmobiliare Group in 2005, on constant consolidation area and accounting standards, will be lower than that recorded in 2004.

RECONCILIATION

RECONCILED STATEMENTS

IMPACT OF THE TRANSITION TO IFRS ON THE CONSOLIDATED ACCOUNTS OF THE 1ST QUARTER 2004

The table below compares the income statement at March 31, 2004 published last year with that prepared in accordance with the IFRS:

(in thousands of euro)

	1st quarter 2004 IFRS	1st quarter 2004 previous standards	Change
Net sales	1.055.874	1.037.669	18.205
Gross operating profit	200.497	197.157	3.340
Operating income	121.661	99.560	22.101
Pre-tax income	112.207	89.159	23.048
Tax for the period	(36.370)	(41.657)	5.287
Net income for the period	75.837	47.502	28.335

The following table shows the reconciliation between the net result in the 1st quarter 2004 prepared in accordance with the previous accounting standards and the net result of the 1st quarter 2004 prepared in accordance with the IFRS.

(in millions of euro)

	Change
According to previous accounting standards:	47,5
IAS 2 Change in assessment of inventories to average cost - LIFO for Italy	(2,8)
IAS36 Elimination of amortization on goodwill and consolidation differences	15,7
IAS16 Intangible assets	2,7
IAS29 Adoption of hyperinflationary accounting - Turkey	8,9
Other standards	3,8
According to the IFRS:	75,8
Change	28,3

IMPACT OF THE APPLICATION OF IAS 32 AND 39 ON SHAREHOLDERS' EQUITY AND ON NET DEBT AT JANUARY 1, 2005

The Group decided to apply IAS 32 and 39 as from January 1, 2005.

The following table illustrates the effects caused by the application of these two standards on shareholders' equity and net debt at January 1, 2005.

Shareholders' equity at December 31 2004	3,976.1	Net debt at December 31 2004 (*)	1,312.5
IAS 32 - 39 financial instruments	483.7	IAS 32 - 39 financial instruments	157.8
Shareholders' equity at January 1 2005	4,459.8	Net debt at January 1 2004 (*)	1,470.3

(*) including Floating Rate Subordinated Securities

The rise of 483.7 million euro in shareholders' equity was due to:

- the increase of 520.3 million euro owing to the fair value assessment of equity investments in non-consolidated companies and securities;
- the fall of 21.2 million euro for the allocation of Italmobiliare own shares to reduce shareholders' equity;
- the fall of 15.4 million euro for the recognition of derivatives for exchange and interest rate risk cover transactions, net of the related deferred tax.

The rise of 157.8 million euro in net debt was due to:

- 145.0 million for the reintegration into the balance sheet of trade receivable and financial payables in relation to securitization with recourse;
- 23.7 million euro for the recognition of derivatives for exchange and interest rate risk cover transactions;
- -10.8 million euro for the recording of equity investments for trading and other minor changes.

FINANCIAL STATEMENTS

ACCOUNTING SCHEDULES

CONSOLIDATED INCOME STATEMENT (in thousands of euro)	1st quarter 2005		1st quarter 2004 IFRS		Change		2004 IFRS	
		%		%		%		%
NET SALES	1,041,171	100.0	1,055,874	100.0	(14,703)	-1.4	4,772,954	100.0
Other operating income	12,122	1.2	9,902	0.9	2,220	22.4	46,000	1.0
Change in inventories, work in progress, semi-finished and finished goods	15,846	1.5	2,308	0.2	13,538	586.6	(878)	0.0
Increase in internal work capitalized under fixed assets	2,103	0.2	3,994	0.4	(1,891)	-47.3	13,544	0.3
Raw materials and supplies	(384,247)	-36.9	(353,182)	-33.4	(31,065)	8.8	(1,540,377)	-32.3
Services	(274,182)	-26.3	(283,022)	-26.8	8,840	-3.1	(1,172,669)	-24.6
Personnel expenses	(214,417)	-20.6	(202,919)	-19.2	(11,498)	5.7	(834,097)	-17.5
Other operating income and changes	(36,119)	-3.5	(34,444)	-3.3	(1,675)	4.9	(134,736)	-2.8
Other income and changes	10,161	1.0	1,986	0.2	8,175	411.6	4,605	0.1
Gross Operating Profit	172,438	16.6	200,497	19.0	(28,059)	-14.0	1,154,346	24.2
Amortization	(78,657)	-7.6	(78,567)	-7.4	(90)	0.1	(315,445)	-6.6
Adjustments to asset values	(126)		(269)	-0.1	143	-53.2	(2,042)	
Operating income	93,655	9.0	121,661	11.5	(28,006)	-23.0	836,859	17.5
Financial income and charges	(16,591)	-1.6	(14,528)	-1.4	(2,063)	14.2	(65,921)	-1.4
Income of companies valued on equity basis	5,361	0.5	5,074	0.5	287	5.7	22,321	0.5
Pre-tax income	82,425	7.9	112,207	10.6	(29,782)	-26.5	793,259	16.6
Tax for the period	(25,506)	-2.4	(36,370)	-3.4	10,864	-29.9	(266,824)	-5.6
Income before minority interest	56,919	5.5	75,837	7.2	(18,918)	-24.9	526,435	11.0
Attributable to:								
Group net income	18,213	1.8	23,324	2.2	(5,111)	-21.9	191,510	4.0
Minority interest	38,706	3.7	52,513	5.0	(13,807)	-26.3	334,925	7.0

Investments in fixed assets	215,184		64,229		150,955	235.0
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461,989	
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NET DEBT

Net debt In thousands of euro	March 31 2005	January 1 2005 IAS 32-39	Change	%	December 31 2004 IRFS
Liquid funds and current financial assets	(1,014,461)	(953,751)	(60,710)	6.4	(942,759)
Short-term financing	845,133	733,038	112,095	15.3	563,826
Medium/long-term financial assets	(31,778)	(27,903)	(3,875)	13.9	(27,533)
Medium/long-term financing	1,686,269	1,696,431	(10,162)	-0.6	1,696,431
Net debt	1,485,163	1,447,815	37,348	2.6	1,289,965
Floating rate subordinated securities, net	14,956	22,512	(7,556)	-33.6	22,512
Net debt + floating rate subordinated securities	1,500,119	1,470,327	29,792	2.0	1,312,477
Shareholders' equity	4,688,043	4,459,786	228,257	5.1	3,976,136

NOTES TO THE FINANCIAL STATEMENTS

FOREWORD

The consolidated quarterly report at March 31, 2005 has been drawn up in accordance with International Financial Reporting Standards (IFRS) and is presented on the basis of the criteria indicated in annex 3D of the regulation as set out in the CONSOB resolution no. 11971 of May 14, 1999.

BASIS OF PRESENTATION

The consolidated accounting schedules have been drawn up on the basis of the accounts at March 31, 2005 provided by the consolidated companies, adjusted where necessary to ensure alignment with the Group's classification criteria and accounting policies which conform to IFRS.

All the comparative figures for the 1st quarter 2004 have been recalculated according to IFRS principles.

The accounting schedules, the tables and the notes in this quarterly report are expressed in thousands of euro, except where otherwise stated.

CONSOLIDATION AREA

The consolidation area includes the following companies compared to the income statement situation in the same period in 2004:

Entered the consolidation area

- On a line-by-line basis:
 - Bravosolution UK Ltd (Italy) (*)
 - Greyrock WV Inc. (USA)
 - Ste d'Investissement & de Participations du Littoral (France)
 - Essroc International (France)
 - 168232 Canada Inc. (USA)
 - 168233 Canada Inc. (USA)
 - 168257 Canada Inc. (USA)

- On a proportional basis:
 - Italsigma at 50% (Italy)
 - Valoise at 60% (France)
 - Atlantica deGraneles y Moliendas S.A. at 50% (Spain)

Left the consolidation area

- On an equity basis:
 - Cimate Finance B.V. (France)

Merged companies

In Ciments Calcia S.A. (France)

Ciments de l'Adour (France)

In GSM S.A. (France)

Carrières Olivier S.A.R.L. (France)

In Unibéton S.A. (France)

Béton sud Atlantique. (France)

In Anadolu Cimentolari Tas (Turkey)

Marmara Cimento Sanayi Tas (Turkey)

(*) Change compared to December 31, 2004

The above changes in the consolidation area did not have a significant impact on the consolidated financial statements as a whole.

EXCHANGE RATES USED TO TRANSLATE THE ACCOUNTS OF FOREIGN COMPANIES

The results of operations of foreign subsidiaries consolidated with the line-by-line or proportional methods and those of foreign companies valued with the equity method have been translated into the accounting currency using the exchange rate ruling at March 31, 2005 for balance sheet items and the average rate for the first three months of 2005 for income statement items.

For the Group companies in Turkey which operate in a country experiencing hyperinflation IAS 29 on “Financial reporting in hyperinflationary economies” has been applied; therefore the balance sheet and income statement entries, expressed in the local currency at March 31, 2005 have been converted at the closing exchange rate of March 31, 2005.

The following exchange rates were used:

Currency	(local currency to euro)					
	Average rate			Period-end rate		
	1st quarter 2005	Full year 2004	1st quarter 2004	March 31 2005	December 31 2004	March 31 2004
US dollar	1.33130	1.24390	1.24973	1.29640	1.36210	1.22240
Pound sterling	0.69362	0.67867	0.67987	0.68850	0.70505	0.66590
Swiss franc	1.54877	1.54382	1.56859	1.54860	1.54290	1.55940
Thai baht	50.59893	50.05374	48.99432	50.74680	53.17770	48.14290
Moroccan dirham	11.09965	11.01703	11.02705	11.10570	11.35380	10.96220
Canadian dollar	1.60362	1.61673	1.64809	1.57370	1.64160	1.59790
Albanian lek	126.19497	127.30632	132.05277	125.98200	126.85900	129.70800
Egyptian lira	7.66333	7.69184	7.68262	7.50625	8.49279	7.55452
New Turkish lira (*)	1.73338	1,768,813.10	1,660,285.23	1.77570	1,826,800.00	1,599,769.00
Mauritanian ougulyia	340.56847	319.81459	319.98252	343.80500	346.45600	314.42400
Indian rupee	57.29020	56.34129	56.51373	56.73300	59.74040	53.45180
Sri Lankan rupee	130.72606	125.42460	122.58713	129.64000	142.85500	118.75700
Cypriot pound	0.58267	0.58185	0.58615	0.58460	0.58000	0.58620
Bosnian mark	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
Bulgarian lev	1.95583	19.95583	1.95583	1.95583	19.95583	1.95583
Czech corona	30.01170	31.89148	32.85973	29.95500	30.46400	32.83300
Slovak corona	38.29410	40.02180	40.55580	38.67200	38.74500	40.11500
Serbian dinar	79.94350	72.27850	70.22770	81.53990	81.55800	69.96050
Hungarian florin	245.01400	251.65600	260.00500	247.20000	245.97000	249.25000
Ukrainian hrivna	6.95182	6.61962	6.66428	6.84615	7.23479	6.51905
Croatian kuna	7.50040	7.49045	7.59592	7.43707	7.69424	7.47291
Romanian leu	37,069.40	40,509.70	40,549.60000	36,737.00	39,390.00	40,963.00000
Slovenian tallero	239.73600	239.08700	237.64800	239.73000	239.76000	238.38000
Kazakh tange	170.68976	168.93193	174.58502	171.64300	176.97900	169.67200

(*) as from January 2005 the New Turkish lira has been introduced as the new local currency, using the following conversion rate: 1 YTL (New Turkish lira) = 1,000,000 TL (Turkish lira).

- NET SALES

Net sales totaled 1,041,171 thousand euro (1,055,874 thousand euro in the 1st quarter 2004), as follows:

	1st quarter 2005	1st quarter 2004	Change	
			Value	%
Industrial net sales	1.026.057	1.039.183	(13.126)	-1,3%
Banking net sales	10.292	11.200	(908)	-8,1%
Financial net sales	4.536	5.118	(582)	-11,4%
Property and services net sales	286	373	(87)	-23,3%
Total	1.041.171	1.055.874	(14.703)	-1,4%

The breakdown by business and geographical area is included in the Comments on Performance.

- RAW MATERIALS AND SUPPLIES

Costs for raw materials and supplies totaled 384,247 thousand euro (353,182 thousand euro in the 1st quarter 2004), as follows:

	1st quarter 2005	1st quarter 2004	Change	
			Value	%
Raw materials and semi-finished goods	(130.202)	(131.687)	1.485	-1,1%
Fuels	(75.450)	(54.131)	(21.319)	39,4%
Packager, materials and machineries	(70.470)	(64.932)	(5.538)	8,5%
Finished goods	(52.409)	(35.268)	(17.141)	48,6%
Electricity, water and gas	(74.347)	(71.075)	(3.272)	4,6%
Change in inventories of raw materials, consumable materials and supplies	18.631	3.911	14.720	376,4%
Total	(384.247)	(353.182)	(31.065)	8,8%

- SERVICES

The cost of services amounted to 274,182 thousand euro (283,022 thousand euro in the 1st quarter 2004), as follows:

	1st quarter 2005	1st quarter 2004	Change	
			Value	%
External services for maintenance	(103.490)	(106.162)	2.672	-2,5%
Transport	(99.821)	(105.374)	5.553	-5,3%
Legal fees and consultancy	(13.244)	(12.245)	(999)	8,2%
Rents	(18.744)	(19.388)	644	-3,3%
Insurance	(9.979)	(9.843)	(136)	1,4%
Subscriptions	(2.659)	(2.561)	(98)	3,8%
Other	(26.245)	(27.449)	1.204	-4,4%
Total	(274.182)	(283.022)	8.840	-3,1%

- PERSONNEL EXPENSES

Overall personnel expenses totaled 214,417 thousand euro (202,919 thousand euro in the 1st quarter 2004), as follows:

	1st quarter 2005	1st quarter 2004	Change	
			Value	%
Wages and salaries	(140.599)	(134.235)	(6.364)	4,7%
Social security charges	(49.145)	(47.274)	(1.871)	4,0%
Provisions and social security reserves contributions	(7.905)	(6.174)	(1.731)	28,0%
Other	(16.768)	(15.236)	(1.532)	10,1%
Total	(214.417)	(202.919)	(11.498)	5,7%

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

(heads)

	1st quarter 2005	1st quarter 2004	2004
Employees at end of period	18.394	18.532	18.345
Average number of employees	18.368	18.544	18.542

- OTHER OPERATING INCOME AND CHARGES

Other operating income and charges totaled 36,119 thousand euro (34,444 thousand euro in the 1st quarter 2004), as follows:

	1st quarter 2005	1st quarter 2004	Change	
			Value	%
Other tax	(16.443)	(16.835)	392	-2,3%
Provision to bad debt reserve	(4.191)	(2.904)	(1.287)	44,3%
Provision to environmental restoration reserves -quarries	(3.980)	(2.065)	(1.915)	92,7%
Financial company charges	(2.633)	(2.216)	(417)	18,8%
Banking company charges	(1.026)	(1.233)	207	-16,8%
Other costs	(7.712)	(9.213)	1.501	-16,3%
Other income and charges	(134)	22	(156)	-709,1%
Total	(36.119)	(34.444)	(1.675)	4,9%

- OTHER INCOME AND CHARGES

The total of 10,161 thousand euro (1,986 thousand euro in the 1st quarter 2004) was mainly due to net capital gains on the disposal of tangible assets.

- AMORTIZATION

The total sum of 78,657 thousand euro (78,567 thousand euro in the 1st quarter 2004) refers to amortization of intangible assets for 4,354 thousand euro (5,426 thousand euro in the 1st quarter 2004) and depreciation of tangible assets for 74,303 thousand euro (73,141 thousand euro in the 1st quarter 2004).

- FINANCIAL INCOME AND CHARGES

The negative balance of 16,591 thousand euro (14,528 thousand euro in the 1st quarter 2004) was made up as follows:

	1st quarter 2005	1st quarter 2004	Change	
			Value	%
Income and capital gains from equity investments		64	(64)	-100,0%
Interest income and financial income	14.773	13.907	866	6,2%
Interest expenses and other financial charges	(33.047)	(36.799)	3.752	-10,2%
Net translation differences	1.683	8.300	(6.617)	-79,7%
Total	(16.591)	(14.528)	(2.063)	14,2%

Net translation differences include the positive effect arising from the application of accounting treatment for hyperinflationary countries (Turkey) for 500 thousand euro at March 31, 2005 (4,710 thousand euro in the 1st quarter 2004).

- NET INCOME FROM COMPANIES VALUED ON AN EQUITY BASIS

The net income at March 31, 2005 of 5,361 thousand euro (5,074 thousand euro in the 1st quarter 2004) is composed of income from companies valued on an equity basis for 7,274 thousand euro (6,676 thousand euro in the 1st quarter 2004), including the Suez Cement Group for 4.8 million

euro, Mittel for 1.5 million euro and Vassiliko for 0.7 million euro, net of losses for 1,913 thousand euro, including Ciment Quebec for 1.0 million euro and Innocon Inc for 0.8 million euro.

- TAX FOR THE PERIOD

The tax charge on the income statement was 25,506 thousand euro (36,370 thousand euro in the 1st quarter 2004), as follows:

	1st quarter 2005	1st quarter 2004	Change	
			Value	%
Current tax	(23.914)	(37.235)	13.321	-35,8%
Deferred tax	(2.844)	(4.369)	1.525	-34,9%
Tax on previous years	1.252	5.234	(3.982)	-76,1%
Total	(25.506)	(36.370)	10.864	-29,9%

- INVESTMENTS IN FIXED ASSETS

Investments in fixed assets to March 31, 2005 totaled 215,184 thousand euro (64,229 thousand euro in the 1st quarter 2004), as follows:

	1st quarter 2005	1st quarter 2004	Change	
			Value	%
Intangible assets	3.258	5.988	(2.730)	-45,6%
Tangible assets	67.324	50.165	17.159	34,2%
Financial assets	144.602	8.076	136.526	1690,5%
Total	215.184	64.229	150.955	235,0%

Investments in intangible assets were mainly concentrated in the European Union for 45.6 million euro and in North America for 14.2 million euro.

Investments in financial assets mainly refer to the further acquisition of approximately 14% of the Suez Cement Company share capital for 124.9 million euro, to the underwriting of the share capital increase in Mittel for 8.7 million euro and in GIM for 6.3 million euro and to the purchase of own shares by Italcementi S.p.A. for 1.9 million euro.

- NET DEBT

Following the application of IAS 32 and 39 the note on the change in net debt, composed of net debt + Floating rate subordinated securities, refers to the change at January 1, 2005.

Net debt at March 31, 2005, of 1,500,119 thousand euro (1,470,327 thousand euro at 1st January 2005) consisted of gross financial payables for 2,531,402 thousand euro and medium/long-term financial assets and cash and cash equivalents and current financial assets for 1,046,239 thousand euro.

“Gross financial payables” of 2,531,402 thousand euro (2,429,469 thousand euro at January 1, 2005) comprised short-term financing of 845,133 thousand euro (733,038 thousand euro at January 1, 2005) and medium/long-term financing of 1,686,269 thousand euro (1,696,431 thousand euro at January 1, 2005).

Also included are “Floating rate subordinated securities” (FRSS) for a net amount of 14,956 thousand euro (22,512 thousand euro at January 1, 2005).

The increase in net debt + FRSS, compared to January 1, 2005, was 29,792 thousand euro, split as follows:

	(in thousands of euro)
	Change on January 1, 2005
Cash, cash equivalents and current financial assets	(60.710)
Short-term financing	112.095
Change in short-term net debt	51.385
Medium/long-term assets	(3.875)
Medium/long-term financing	(10.162)
Change in medium/long-term net debt	(14.037)
Change in total net debt	37.348
Change in floating rate subordinated securities	(7.556)
Net debt + FRSS	29.792

**TRANSITION TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS
(IFRS)**

TRANSITION TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In 2002, the European Union adopted regulation no. 1606 based on which companies whose securities are traded on the regulated markets of one EU Member State are required as of 2005 to report consolidated financial statements in accordance with the international financial reporting standards (IFRS). As a result, Italmobiliare S.p.A. consolidated financial statement in 2005 will be drawn up in accordance with IFRS which entail, among other things, redaction of comparative 2004 financial statements, reported using these same standards.

On the basis of resolution no. 14990 of April 14, 2005 by which the CONSOB made the modifications and integrations to regulation no. 11971 of May 14, 1999, the Group has taken advantage of the option to publish its consolidated interim reports, starting from January 1, 2005, in compliance with IFRS. Therefore, the first quarter 2005 report includes a reconciliation statement (as required under IFRS 1) of the starting and ending shareholders' equity in the 2004 financial year, as well as the economic results of this period and the relevant adjustments made to the cash flow statement, in comparison to the figures expressed using the previous standards.

The information contained in this note was approved by the Board of Directors during its meeting on May 19, 2005 and is subject to verification by the independent auditors who are currently performing a full audit on the data resulting from the transition process.

We should note that to the extent to which the financial statements for the year ended December 31, 2005 have to be prepared based on IFRS standards and interpretations in force at that date, it is quite possible that the financial information and impact of the financial year 2004, compared to the 2005 financial statements, may be different from those given in this document, prepared in accordance with the standards and interpretations existing to date.

Standards used for First Time Adoption (FTA) of IFRS as of January 1, 2004

The standards applied for FTA are those contained in the EC regulations no. 1725/2003 of September 29, 2003, no. 707/2004 of April 6, 2004, no. 2236/2004, no. 2237/2004 (except for IAS 32) and no. 2238/2004 of December 29, 2004.

In the transition period to the new standards, the Group has decided to adopt in advance standard IFRS 2 (Share-based payments), endorsed by the European Commission on February 7, 2005.

The Group has also decided to prepare the 2004 comparative financial statements without applying standard IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement). The Group will adopt these standards, as endorsed by the European Union, starting as of January 1, 2005.

Options adopted by the Group in applying IFRS

As regards the optional application contained in certain IFRS, the main decisions made by the Group are represented briefly below.

IAS 1 Presentation of Financial Statements:

- for the balance sheet, current and non-current assets and current and non-current liabilities are stated separately;
- for the income statement, the expenses analysis is made based on the nature of the expenses;
- for the cash-flow statement, the Group retained the indirect method whereby profit or loss of the period is adjusted by (a) the effects of any non-cash transactions, (b) any deferral or accrual of past or future operating cash receipts or payments, and (c) items of income or expense associated with investing or financing cash flows.

IAS 2 Inventories: the cost of inventories is calculated using the weighted averaged formula.

IAS 14 Segment Reporting: as before, the primary basis for segment reporting is the geographical area, based on location of the assets, while the secondary basis is represented by the business.

IAS 16 Property, Plant and Equipment and IAS 40 Investment Property: the valuation subsequent to the initial recognition is made based on the cost method.

IAS 19 Employee Benefits: the "corridor" method was used by the Group. This method allows to recognize and amortize only actuarial gains and losses in excess of 10% limit of greater of the defined benefit obligation or the fair value of the plan asset.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance:

government grants related to depreciable assets are represented as deferred revenues and recognized as income on the basis of the useful life of the asset to which they refer.

IAS 23 Borrowing Costs: borrowing costs, when related to the purchase, construction or production of an asset, are booked as an expense in the period in which they are incurred.

IAS 31 Financial Reporting of interests in joint ventures: the accounting criteria and presentation is the proportionate method.

Options relating to FTA

Based on the matters provided by IFRS 1 (First Time Adoption), the Group has retained the options described below.

Employee Benefits: actuarial gains and losses accumulated from the start of the plans until the transition date to IFRS are fully recognized to shareholders' equity.

Differences from exchange rate conversion: cumulative exchange rate differences for all foreign operations were presumed to be equal to zero at FTA date. The previous accumulated conversion differences were (-40.5 million euro) written off to earnings.

Business Combinations: IFRS 3 was not applied retrospectively for business combinations occurred before January 1, 2004.

Property, Plant, Equipment and Investment Property: option of measuring assets at fair value was not used.

Reclassification of balance sheet (January 1, 2004 and December 31, 2004) and income statement (financial year 2004)

Concerning consolidated financial statements, the primary differences between the Italcementi Group balance sheet and income statement drawn up in observance of Leg. Decree no. 127/91, and the scheme adopted for the application of the new IFRSs are given in the notes at the end of the reconciliation statements presented in the following pages:

- (i) Balance sheet at the date of First Time Adoption, namely at January 1, 2004
- (ii) Income Statement of the financial year ended as of December 31, 2004
- (III) Balance Sheet as of December 31, 2004

The application of the IFRS created a marked variation in the consolidation area, in particular:

- the balance sheet at 1/1/2004 and 12/31/2004 and the 2004 income statement fully include the companies belonging to the banking sector which had previously been consolidated on the equity basis, since their business was different from the Group's main activity;
- the balance sheet also includes the line-by-line integration of the companies in the Petruzalek Group, (food packaging) that were consolidated in the local GAAP financial statements at 12/31/2003 on an equity basis, since they were acquired at the end of 2003.

The different consolidation methodology led to a change in most of the balance sheet items compared to those in the consolidated financial statements drawn up using the previous accounting standards.

Primary differences between previous accounting standards and IFRS

- ***Inventories Cost Formulas***: in compliance with IAS 2, the LIFO method, where applied, was discontinued in favor of the weighted average cost method.
- ***Property, Plant and Equipment***: the Group has adopted IAS 16 which requires that each part of PP&E with a significant cost in relation to the total cost of the item shall be depreciated separately.
- ***Business Combinations and Impairment of Assets***: in application of IFRS 3, goodwill is no longer subject to amortization but is subject, at least annually, to a test of impairment. Tests were made in compliance with IAS 36, Impairment of Assets, whose methods differ from those previously applied by the Group.
- ***Employee Benefits***: the valuation and accounting methods of some of these benefits, based on IAS 19, differ from those previously applied by the Group.
- ***Financial Reporting in Hyperinflationary Economies (Turkey)***: the accounts of the Turkish subsidiaries had been previously reported in Euro, based on the historical exchange rate method. According to IAS 29, the values must now be reported in local currency, adjusted for the effects of inflation and subsequently

consolidated according to exchange rate at period-end.

- **Deferred Tax:** unlike the standards previously used by the Group, deferred taxes are presently recognized for companies operating in hyperinflationary economies (Turkey).

Evidence of main impacts in the financial statements related to the transition to IFRS is given in the notes.

The reconciliation schedules since they have been provided only for the purposes of the transition for the presentation of the 2005 consolidated financial statements in accordance with the IFRS adopted by the European Commission, do not contain comparative figures and the necessary explanatory notes that would have been needed to give a fair and true view of the consolidated balance sheet situation and the income statement for the Italmobiliare Group in conformity with the IFRS.

Impact of the Transition to IFRS on the consolidated accounts

(in millions of euro)	Notes	Shareholders' equity January 1, 2004	Net income (loss) 2004	Shareholders' equity 31 December 2004
According to previous accounting standards:		3.638,7	451,8	3.898,3
IAS 2 Assessment of weighted cost formula vs LIFO	1	28,7	2,7	31,2
IAS 38 Write-off of intangible assets and related lower amortization	2	(5,6)	1,6	(2,5)
IAS 36 - IFRS 3 Write-down of goodwill	3	(4,3)	64,0	56,0
IAS 19 Employee benefits: change in employee leaving entitlements and other benefits	4	(29,8)	1,8	(25,1)
IAS 17 Recognition of financial leasing	5	1,1	0,2	1,1
IAS 27 - IAS 28 Variation in consolidation area	6	16,7	0,2	18,2
IAS 12 Deferred tax assets on amortization of investment property Deferred tax recognition in Turkey	7	4,1 (16,5)	(4,0) (3,6)	(1,8) (21,8)
IAS 16 Write-off of capitalized maintenance and capitalized borrowing costs, componenets approach and review of useful lives	8	(4,2)	12,0	8,2
IAS 20 Public grants	9	(1,1)	0,2	(0,7)
IAS 37 Write-down of potential liability reserves discounting of long-term reserves	10	4,9	(0,4)	4,3
IAS 29 Financial reporting in hyperinflationary economies (Turkey)	11	(1,3)	0,4	10,9
IFRS 2 Stock options	12	0,0	(1,3)	0,0
Others		(0,6)	0,8	(0,2)
According to IFRS:		3.630,8	526,4	3.976,1
Change		(7,9)	74,6	77,8

IFRS impact on Group's 2004 Main economical, financial and equity figures

(in millions of euro)	Notes	2004 previous standards (*)	Total impact of IFRS	2004 IFRS
Net sales	(a)	4,682.1	90.9	4,773.0
Gross operating profit		1,111.0	43.3	1,154.3
Operating profit	(b)	717.3	119.6	836.9
Net income before minority interest	(c)	451.8	74.6	526.4
Group net income	(c)	166.1	25.4	191.5
As of December 31, 2004				
Total shareholders' equity	(d)	3,898.3	77.8	3,976.1
Group shareholders' equity	(d)	1,754.1	44.0	1,798.1
Net debt	(e)	1,352.6	(40.1)	1,312.5

(*) Official figures as published in 2004 Annual Report

(a) The difference is due in part to the change in the consolidation area (line-by-line inclusion of the banking sector), and in part by the accounting treatment of the companies operating in Turkey - based on IAS 29 - and finally to the reclassification, on the basis of IAS 18, in the heading of financial income (dividends, commissions, interest, etc.) from the financial sector.

Previously financial income was recorded under “financial charges and income”

(b) The main effects on the operating profit are due to:

- ending of goodwill amortization and to lesser depreciation of tangible assets
- reclassification of non-recurring income/expenses in the relevant expense and revenue items
- reduction of the operating profit of the Turkish companies in application of IAS 29
- reclassification of the financial income from the financial sector.

(c) Main changes to net income, in addition to those described above, are due to a heavier impact of deferred taxes.

(d) The increase of shareholders' equity, total and Group's share, is due to the increase in the 2004 result according to IFRS, net of exchange rate conversion differences.

(e) The change mainly refers to net F.R.S.S. (floating rate subordinated securities) equal to 22.5 million euro and recognition of financial lease contracts. as well as the inclusion of the net financial position of the banks that are previously consolidated on an equity basis.

Reconciliation statements 2004

Changes in each item of balance sheet and income statement refer to the application of many IFRSs, some of which only had a marginal effect. **The notes describe the standards which impacted the most on group's financial statements.**

(i) Reconciliation of opening balance sheet as of January 1, 2004

Balance sheet (in millions of euro)	Notes	Previous standards according to IFRS format (*)	Changes	IFRS
Non-current assets				
Property, plant and equipment	5 and 8	2.881,2	37,9	2.919,1
Investment property	8	39,7	(2,0)	37,7
Goodwill	3	1.193,0	(1,9)	1.191,1
Intangible assets	2	54,6	(6,8)	47,8
Equity investments valued on equity basis	6	260,0	37,6	297,6
Equity investments in other companies	6	627,3	(109,7)	517,6
Receivables and other non-current assets	4	377,5	15,1	392,6
Deferred tax assets	7	23,6	6,7	30,3
Total non-current assets		5.456,9	(23,1)	5.433,8
Current assets				
Inventories	1	461,4	55,7	517,1
Trade receivables	13	1.022,9	11,7	1.034,6
Other current assets	13	270,3	99,9	370,2
Tax receivables		44,0	0,2	44,2
Equity investments, debentures and financial receivables	14	688,7	125,6	814,3
Cash and cash equivalents	14	221,1	138,0	359,1
Total current assets		2.708,4	431,1	3.139,5
Total assets		8.165,3	408,0	8.573,3
Shareholders' equity				
Share capital		100,2	0,0	100,2
Reserves		177,2	31,7	208,9
Retained earnings		1.368,8	(15,8)	1.353,0
Total		1.646,2	15,9	1.662,1
Minority interest		1.992,5	(23,8)	1.968,7
Total shareholders' equity		3.638,7	(7,9)	3.630,8
Non-current liabilities				
Non-current financial receivables	5	1.732,9	8,1	1.741,0
Employee benefits	4	169,6	29,6	199,2
Non-current provisions	4 e 10	244,1	(6,6)	237,5
Other payables and non-current liabilities		0,1	0,0	0,1
Deferred tax liabilities	7	288,6	15,3	303,9
Total non-current liabilities		2.435,3	46,4	2.481,7
Current liabilities				
Payable due to banks and short-term financing	14	779,0	22,1	801,1
Current financial payables	5	250,2	8,8	259,0
Trade payables	15	640,9	10,3	651,2
Provisions		1,7	0,0	1,7
Tax payables		38,9	0,0	38,9
Other liabilities	14	380,6	328,3	708,9
Total current liabilities		2.091,3	369,5	2.460,8
Total liabilities		4.526,6	415,9	4.942,5
Total shareholders' equity and liabilities		8.165,3	408,0	8.573,3

(*) The values indicated refer to the financial statements drawn up in accordance with the previous accounting standards (local GAAP) reclassified in accordance with the format indicated by the IFRS.

(ii) Reconciliation of 2004 income statement

Income statement (in millions of euro)	Notes	Previous standards according to IFRS format (*)	Change	IFRS
NET SALES	16	4,732.6	40.4	4,773.0
Other operating income	6-11	46.4	(0.4)	46.0
Changes in inventories	1-11	(2.1)	1.2	(0.9)
Internal work capitalized		13.5	0.0	13.5
Raw, ancillary and consumable materials and s	1-8-11-16	(1,545.3)	4.9	(1,540.4)
Services	5-11-6-16	(1,159.7)	(13.0)	(1,172.7)
Personnel expenses	4-12-16	(813.0)	(21.1)	(834.1)
Other operating income and charges	10-11-16	(130.8)	(3.9)	(134.7)
Other income and charges	3-11	16.1	(11.5)	4.6
GROSS OPERATING PROFIT		1,157.7	(3.4)	1,154.3
Amortization, depreciation and write-downs	2-5-8-16	(330.8)	15.4	(315.4)
Adjustments to asset values		(62.8)	60.7	(2.1)
OPERATING INCOME		764.1	72.7	836.8
Financial income and charges	10-11	(77.5)	11.6	(65.9)
Income of companies valued on equity basis	3	21.4	0.9	22.3
PRE-TAX INCOME		708.0	85.2	793.2
Tax for the period		(256.2)	(10.6)	(266.8)
INCOME BEFORE MINORITY INTEREST		451.8	74.6	526.4
Of which:				
Group net income		166.1	25.4	191.5
Minority interest		285.7	49.2	334.9

(*) The figures indicated refer to the financial statements drawn up in accordance with the previous accounting standards (local GAAP) reclassified according to the IFRS format.

Main reclassifications to 2004 income statement "Previous standards according to IFRS format"

Non-recurring income and expenses, whose existence is no longer allowed in the IFRS format, were reclassified both by nature (personnel expenses, income taxes, financial income and charges), and in the heading other income and charges.

(iii) Reconciliation of balance sheet as of December 31, 2004

Balance sheet	Notes	Previous standards according to IFRS format	Changes	IFRS
Non-current assets				
Property, plant and equipment	5-8	2.872,1	61,0	2.933,1
Investment property	8	37,0	(2,0)	35,0
Goodwill	3	1.125,7	55,2	1.180,9
Intangible assets	2	47,4	(4,4)	43,0
Equity investments valued on equity basis	6	289,7	43,2	332,9
Equity investments in other companies	6	675,9	(74,7)	601,2
Receivables and other non-current assets	4	405,9	0,9	406,8
Deferred tax assets	7	30,8	3,3	34,1
Total non-current assets		5.484,5	82,5	5.567,0
Current assets				
Inventories	1	487,7	58,2	545,9
Trade receivables	13	1.061,4	1,3	1.062,7
Other current assets	13	287,8	80,3	368,1
Tax receivables		19,8	4,3	24,1
Equity investments, debentures and current financial receivables	14	644,5	26,5	671,0
Cash and cash equivalents	14	276,6	96,7	373,3
Total current assets		2.777,8	267,3	3.045,1
Total assets		8.262,3	349,8	8.612,1
Shareholders' equity				
Share capital		100,2	0,0	100,2
Reserves		177,2	31,8	209,0
Retained earnings		1.476,7	12,2	1.488,9
Total		1.754,1	44,0	1.798,1
Minority interest		2.144,2	33,8	2.178,0
Total shareholders' equity		3.898,3	77,8	3.976,1
Non-current liabilities				
Non-current financial receivables	5	2.011,4	9,4	2.020,8
Employee benefits	4	182,1	18,9	201,0
Non-current provisions	4-10	250,2	(0,1)	250,1
Other receivables and non-current liabilities		0,1	0,1	0,2
Deferred tax liabilities	7	295,2	33,9	329,1
Total non-current liabilities		2.739,0	62,2	2.801,2
Current liabilities				
Payables due to banks and short-term financial liabilities	14	436,0	8,5	444,5
Current financial payables	5	119,9	5,0	124,9
Trade receivables	15	677,8	2,2	680,0
Current provisions		1,8	0,0	1,8
Tax payables		35,3	4,4	39,7
Other liabilities	14	354,2	189,7	543,9
Total current liabilities		1.625,0	209,8	1.834,8
Total liabilities		4.364,0	272,0	4.636,0
Total shareholders' equity and liabilities		8.262,3	349,8	8.612,1

(*) The figures indicated refer to the financial statements drawn up in accordance with the previous accounting standards (local GAAP) reclassified according to the IFRS format.

Value adjustments made to the cash flow statement for 2004 financial statements

Italmobiliare S.p.A. already used, on the basis of previous accounting standards, the indirect method to represent its consolidated cash flow statement.

The major impact arises from the change in defining cash and cash equivalents, which has led to inclusion in the line “Cash and cash equivalents” of investments readily convertible into cash, subject to an irrelevant risk of value change and with maturity date not later than three months after the date of purchase.

Based on the new IFRS definition, “Cash and cash equivalents” increased by 138.0 million euro (from 221.1 million euro to 359.1 million euro) at FTA date and by 96.7 million euro (from 276.6 million euro to 373.3 million euro) at December 31, 2004.

Note

1) IAS 2 Inventories

The change refers primarily to Italcementi S.p.A., which previously had valued most of its inventory categories using the LIFO method (no longer allowed under IFRS) and now uses the weighted average cost method. The change in the valuation method has raised the value of the inventories by 44.0 million euro at January 1, 2004 with a positive impact of 28.7 million euro on opening shareholders' equity, net of 15.3 million euro in deferred taxation. The 2004 impact was positive and amounted to 2.7 million euro on the result and 31.2 million euro on ending shareholders' equity.

The change at 1/1/2004 also reflects the positive impact of 11.7 million euro from the change in the consolidation area for the Petruzalek Group (food packaging sector), consolidated on an equity basis in the local GAAP financial statements of 12/31/2003.

(2) IAS 38 Intangible assets

Some assets (multi-annual charges), classified as intangible assets but not meeting the recognition criteria established under IAS 38, have been written-off. The write-offs totaled 7.3 million euro as of January 1, 2004, with a negative impact on shareholders' equity of 5.6 million euro after an effect on deferred tax assets of 1.6 million euro. The

positive impact on 2004 result, due to lesser amortizations, totaled 1.6 million euro. The contribution from the new consolidated companies was marginal.

(3) IAS 36 Impairment of Assets – IFRS 3 Business Combinations

On the basis of IFRS 3, goodwill is no longer subject to amortization but is tested for impairment at least annually.

As of January 1, 2004 and as of December 31, 2004 following IAS 36, the Group carried out appropriate impairment tests on all its cash generating units (CGU) to which goodwill was allocated.

These tests were made by discounting the estimated cash flows expected from each individual CGU or, where available, using the market value relating to recent transactions of comparable businesses. Under the estimated future cash flows approach, the discount rate was determined for each country where the Group operates, according to the WACC (weighted average cost of capital) method.

The tests described above have not given rise to any impairment of opening shareholders' equity as of January 1, 2004 nor on 2004 financial results. Nevertheless, the Group wrote-off the value of a plurality of residual goodwills with a negative impact of 4.3 million euro and added 3.6 million euro following the line-by-line integration of the Petruzalek Group that was previously consolidated on an equity basis in the local GAAP financial statements at 12/31/2003.

This change in method had a positive impact of 64.0 million euro on income for 2004.

(4) IAS 19 Employee benefits

The valuation of defined benefit plans and other employee benefits has been carried out with the support of an international firm specialized in actuarial calculations.

IFRS impact on the balance sheet for FTA as of January 1, 2004 can be summarized as follows:

	(in millions of euro)
Non-current deferred tax assets	0.4
Receivables and other non-current assets	(26.6)
Other current assets	(0.3)
TOTAL ASSETS	(26.6)
Employee benefits	29.6
Non-current provisions	(6.3)
Deferred tax liabilities	(18.9)
Other current liabilities	(1.0)
TOTAL LIABILITIES	3.3
SHAREHOLDERS' EQUITY	(29.8)

The change in shareholders' equity is due to the negative impact of foreign companies' plans combined with a slightly positive impact of Italian companies' plans.

The change in the entry "Receivables and other non-current assets" as of January 1, 2004 (15.1 million euro) refers primarily to booking actuarial differences not amortized at January 1, 2004 (-25.8 million euro) and to changes linked to the entry of the new banking companies consolidated on a line-by-line basis.

The increase in the entry "Employee benefits" (29.6 million euro), related to the decrease in non-current reserves (6.3 million euro) and other current assets (0.3 million euro) due to (a) changes to the calculation method of several plans valued in compliance with IAS 19 according to the "projected unit credit method", (b) a review of some actuarial assumptions and (c) the way of allocating deferred elements, with an overall negative effect of 23.6 million euro.

Deferred tax liabilities referring to the aforementioned entries had an overall positive effect of 19.4 million euro.

The impact on shareholders' equity at December 31, 2004 was a fall of 25.1 million euro.

(5) IAS 17 Leasing

Adoption of IAS 17 for FTA has led to the recognition of financial lease contracts previously booked as operating leases. The impact as of January 1, 2004 translated into an increase of 14.0 million euro in "Property, plant and equipment and Investment

Property", an increase in current and non-current "Interest-bearing loans, borrowings and others" of 9.4 million euro, and an increase in shareholders' equity of 1.1 million euro.

(6) IAS 27 and 28 Equity investments

The change in equity investments in associated companies largely reflects the reclassifications of the Ses and Mittel, both in the situation at 1/1 and at 12/31/2004. The reclassifications (37 million euro at 1/1/2004 and 42 million euro at 12/31/2004) had an impact on the shareholders' equity and net income.

The line-by-line consolidation of the banking companies (Finter Bank Zurich S.A., Finter Bank France S.A. and Credit Mobilier de Monaco S.A.), the financial companies Fincomind A.G., Soparfinter S.A. and Kayward S.A., the foreign subsidiaries of the Petruzalek Group and Aliserio S.r.l. and Mantovana Inerti S.r.l. (Gesvim S.r.l., Gist S.r.l. consolidated on a proportionate basis in the IFRS), all previously consolidated on an equity basis, as well as Ecoinerti S.r.l. and Cantiere Navale di Punta Ala S.p.A. in liquidation, previously consolidated at cost, saw a reduction in the book value of the equity investments of approximately 70 million euro at January 1, 2004, compared to the value recorded in the financial statements drawn up with the previous accounting standards.

In relation to this reduction all the assets and liabilities of these subsidiaries were recorded in the consolidated financial statements on the IFRS format with a positive impact on shareholders' equity at January 1, 2004, of 16.7 million euro.

The effect was mainly due to the recording in shareholders' equity of the reserve for generic banking risks of Finter Bank Zurich S.A.; this sum had previously been considered as a risk reserve.

(7) IAS 12 Income tax

(7a) At January 1, 2004 deferred tax assets of 4.1 million euro relating to taxed amortization and depreciation reserves on investment property for Italcementi S.p.A. were activated. The activation of these taxes in the financial statements drawn up according to the previous standards had a negative impact on the IFRS net income for 2004 and offset the impact on IFRS shareholders' equity at December 31, 2004.

The IFRS shareholders' equity at December 31, 2004 reflected also the negative impact of deferred tax liabilities in relation to the Sirap Gema Group of 1.8 million euro for various amortization and depreciation charges following the revision of the useful lives.

(7b) On the same date deferred tax liabilities of 16.5 million euro were recorded in relation to the Group companies operating in Turkey. At December 31, 2004 the recognition of these deferred taxes had a negative impact of 21.8 million euro on shareholders' equity.

(8) IAS 16 Property, plant and equipment

The Group, in agreement with the rules established by IAS 16 and in accordance with its historical data, has defined criteria and methods for determining the expected useful lives of its items of property, plant and equipment. These criteria are based on new a structure of the assets "by components".

The application of the component approach led to the write-off of the value related to maintenance costs, previously capitalized. The negative impact as of January 1, 2004 on shareholders' equity was equal to 4.1 million euro.

As already anticipated, the Group chose to recognize borrowing costs related to the acquisition/construction of items of property, plant and equipment as charges during the period in which they incurred. As of January 1, 2004, the resulting write-off of the value of borrowing costs, previously capitalized, led to a negative impact on shareholders' equity of 2.7 million euro, net of deferred tax.

The recalculation of the amortization and depreciation reserve, carried out on the Group's property assets, following the division between land and buildings, had a positive impact on shareholders' equity at January 1, 2004 of 2.6 million euro.

The component approach, the review of the useful lives and the effects of the operations mentioned in the previous paragraphs led to a positive impact of 12.0 million euro on net income for 2004 and 8.2 on closing shareholders' equity.

The change in property, plant and machinery also shows an impact arising from the change in the consolidation area for approximately 13 million euro, as well as modest reclassifications from the heading investment property.

(9) IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

Based on IAS 20, government grants must be represented by reporting the grant as a deferred revenue (option chosen by the Group) or as a deduction from the asset's carrying amount. The impact, recorded on FTA (decrease in shareholders' equity of 1.1 million euro), relates to the accounting treatment of grants credited directly to shareholders' equity.

(10) IAS 37 Provisions, Contingent Liabilities and Contingent Assets

In compliance with IAS 37, provisions for long-term risks for which it is possible to reasonably estimate the future cost and the respective date of disbursement were measured at discounted present value in order to attribute a current value to these future liabilities. These provisions refer mainly to provisions for quarries restorations.

The effects arising from changes in the discount rate are accounted in the income statement as "Finance costs".

As of January 1, 2004, the discount of the provisions, together with the reversal of potential liabilities, has led to an increase in shareholders' equity of 4.9 million euro, net of deferred taxes of 2.8 million euro.

The impact on 2004 profit was negative by 0.4 million euro.

(11) IAS 29 Financial reporting in hyperinflationary economies

Based on the standards previously applied, the financial statements of Group's companies operating in Turkey were converted into Euro using the historical rate method. The basic principle in IAS 29 is that the financial statements must be reported in Turkish lira (TRL), adjusted by the effects of inflation and converted using the year-end closing rate.

The primary impacts arising from application of IAS 29 are summarized below:

	(in millions of euro)
Shareholders' equity as of January 1, 2004	(1.3)
Net income for the year 2004	0.4
Translation differences recognized as consolidated reserves	11.8
Shareholders' equity as of December 31, 2004	10.9

In 2004, the restatement of the reserves in accordance with IAS 29 has led to a reduction of 5.9 million euro in the contribution to operating profit and to an improvement in the financial income of 6.3 million euro.

(12) IFRS 2 – Stock options

The Group has decided to apply IFRS 2 starting from January 1, 2004.

The options related to share-based payments plans granted after November 7, 2002 and whose rights have not been vested are valued at fair value on the date of the grant and depreciated over the vesting period. Options granted are valued using the binomial method adjusted for dividends.

Adoption of IFRS 2 has not generated any impact on opening shareholders' equity as of January 1, 2004 or on ending balance as of December 31, 2004. Costs charged to 2004 financial year and accounted for in personnel expenses were 1.3 million euro and refer to Italmobiliare S.p.A., Italcementi S.p.A. and Ciments Français S.A.

(13) Trade receivables and other assets

Trade receivables and other assets increased markedly both at January 1, 2004 and December 31, 2004.

This change was due to trade receivables largely linked to the line-by-line consolidation of the Petruzalek Group at 1/1/2004, while for other current assets the change was largely related to the integration of other assets of the companies in the banking sector.

(14) Equity investments, debentures and current financial receivables – Cash and cash equivalents – Payables due to banks

Equity investments, debentures and current financial receivables, and also cash and cash equivalents increased by approximately 263 million euro at January 1, 2004 largely due to the positive balances provided by the banking sector companies net of intercompany transactions within the Group.

Similarly also the entries for payables due to banks for short-term borrowing and other liabilities saw respective increases of approximately 22 and 328 million euro at 1/1/2004, attributable mainly to contributions from the Group's banks.

These headings fell at December 31, 2004 also due to the reduction in business at the subsidiary Finter Bank France S.A.

(15) Trade payables

Trade payables at 1/1/2005 were up by approximately 10 million euro mainly due to the contribution from Petruzalek.

(16) Operating income and expenses

The change in net sales is mainly due to financial income from the Group's banks, especially banking fees, interest received and income from trading.

Similarly the IFRS income statement reflects an increase in costs for services, personnel, operating charges and income, amortization and depreciation and financial charges.

**INDEPENDENT AUDITOR'S REPORT
ON THE STATEMENTS OF RECONCILIATION
TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
("IFRS")**

(Translation from the original Italian text)

To the Shareholders
of Italmobiliare S.p.A.

1. We have audited the accompanying statements of reconciliation to International Financial Reporting Standards ("IFRS") of the Italmobiliare Group, comprising the consolidated balance sheets as of January 1, 2004 and December 31, 2004 and the consolidated statement of income for the year ended December 31, 2004, the reconciliations of the consolidated shareholders' equity as of January 1, 2004 and December 31, 2004 and of the consolidated net income for the year ended December 31, 2004 and the related explanatory notes (hereinafter, the "IFRS Reconciliation Statements"), as presented in the document "Transition of International Financial Reporting Standards (IFRS)" attached to the Quarterly Report for the quarter ended March 31, 2005. These IFRS Reconciliation Statements are based on the consolidated financial statements of the Italmobiliare Group as of December 31, 2004, prepared in accordance with the Italian regulations governing the criteria for their preparation, which we have previously audited and on which we issued our auditor's report dated April 20, 2005. The IFRS Reconciliation Statements have been prepared as part of the Group's conversion to International Financial Reporting Standards (IFRS) as adopted by the European Commission. These IFRS Reconciliation Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these IFRS Reconciliation Statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in Italy. In accordance with such standards we planned and performed the audit to obtain the information necessary in order to determine whether the IFRS reconciliations are materially misstated. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS Reconciliation Statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The audit of the data of certain subsidiaries and affiliates included in the IFRS Reconciliation Statements, which represent 13% of consolidated total assets at December 31, 2004 and 13% of consolidated revenues for the year ended December 31, 2004, is the responsibility of other auditors.

3. In our opinion, the IFRS reconciliation statements identified in paragraph 1. above, taken as a whole, have been prepared in all material respects in accordance with the criteria and principles set out in article 82 of CONSOB **(the Italian Stock Exchange Regulatory Agency)**⁽¹⁾ Regulation no. 11971/1999 adopted by Resolution no. 14990 of April 14, 2005.
4. We draw your attention to the fact that, as described in the introductory paragraph of the explanatory notes, the IFRS Reconciliation Statements may require adjustments before their inclusion as comparative information in the first complete set of consolidated financial statements, as a result of new standards, changes or interpretations of IFRS.

Milan, June 13, 2005

Reconta Ernst & Young S.p.A.
Signed by: Alberto Caglia
(Partner)

⁽¹⁾ **Words added in translation from original Italian text**

