

# ITALMOBILIARE

**Consolidated  
quarterly  
report as of  
March 31, 2006**

## DIRECTORS, OFFICERS AND AUDITORS

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### Board of Directors

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

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|                             |         |                                    |
|-----------------------------|---------|------------------------------------|
| 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            |
| Livio Strazzera             |         |                                    |
| Graziano Molinari           | 6       | Secretary                          |

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### Board of Statutory Auditors

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

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#### Acting Auditors

|                  |          |
|------------------|----------|
| Luigi Guatri     | Chairman |
| Claudio De Re    |          |
| Eugenio Mercurio |          |

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#### Substitute Auditors

|                  |   |
|------------------|---|
| Dino Fumagalli   | 5 |
| Pietro Curcio    |   |
| Enrico Locatelli |   |

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### Independent Auditors

RECONTA Ernst & Young S.p.A.

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

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### CONSOLIDATED QUARTERLY REPORT

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## **DIRECTORS' REPORT ON OPERATIONS**

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## **FOREWORD**

In accordance with article 82 of the regulation for Issuers defined by CONSOB resolution no. 14990 of April 14, 2005, this consolidated quarterly report at March 31, 2006 is compliant with the recording criteria of the International Financial Reporting Standards (IFRS) and is presented pursuant to the criteria set out in attachment 3D of the regulation approved by CONSOB resolution no. 11971 of May 14, 1999 and subsequent amendments.

Italmobiliare S.p.A. had elected adoption of the measurement and recognition criteria of the International Financial Reporting Standards (IFRS) as from its consolidated report for the quarter to March 31, 2005.

As noted in previous interim reports, for a correct interpretation of the figures for the first quarter it is necessary to recall that they are only partially representative of the trend for the whole year, owing on the one hand to the seasonal nature which is characteristic of the main business (construction materials sector), and on the other to the method of accounting for dividends of the companies not consolidated on a line-by-line basis, which refers to the quarter in which the dividend distribution is approved.

## COMMENTS ON PERFORMANCE

The world economy continues to be in a growth phase, which started to be felt in Europe too, in particular in the euro zone, where some signs of recovery were visible. The prices of industrial raw materials and energy continued to rise and remained a major concern; however, this has not so far led to a significant increase in inflationary pressures, and the rise in interest rates in the main industrialized areas has been relatively contained.

Stock markets reacted positively to the trend in interest rates and the results reported by listed companies. However, the trade and current account deficits of certain regions and countries, most notably in the USA, remained a potential threat to the stability of the financial and currency markets.

Against this background, in the first quarter of 2006 the Italmobiliare Group recorded overall **net income before minority interest** of 113.0 million euro and **Group net income** of 43.8 million euro, compared with 56.9 million euro and 18.2 million euro respectively in the first quarter of 2005, thus corresponding to a change of 98.5% and 140.6%.

The other main income statement items in the quarter to March 31, 2006 were:

- **Net sales:** 1,357.7 million euro compared with 1,041.2 million euro at March 31, 2005 (+30.4%);
- **Current gross operating profit:** 284.2 million euro compared with 161.3 million euro at March 31, 2005 (+76.2%);
- **Gross operating profit:** 287.7 million euro compared with 172.4 million euro at March 31, 2005 (+66.8%);
- **Operating income:** 184.2 million euro compared with 93.7 million euro at March 31, 2005 (+96.7%);
- **Financiale income and charges:** net charges for 20.3 million euro compared with 16.6 million euro at March 31, 2005 (+22.3%);
- **Pre-tax income:** 164.8 million euro compared with 82.4 million euro at March 31, 2005 (+99.9%).

At the end of March 2006 **total shareholders' equity** was 6,083.4 million euro, compared with 5,916.7 million euro at December 31, 2005.

**Net debt** at March 31, 2006 was 1,807.5 million euro, while at the end of December 2005 it was 1,896.1 million euro.

Following the changes in shareholders' equity and debt, gearing improved from 32.05% at the end of December 2005 to 29.71% at the end of March 2006.

The performance of the individual sectors which make up the Italmobiliare Group can be summarized as follows:

- the **construction materials sector**, consisting of the Italcementi group (Italmobiliare's main industrial equity investment), benefited in the first months of 2006 from the consolidation of the businesses in Egypt and the markedly better weather conditions compared with the previous year in North America and the European Union. Net sales, at 1,290.2 million euro, saw a rise of 30.3% compared with the same period in 2005. Current gross operating profit and operating income stood at 265.7 and 167.6 million euro respectively, compared to 155.6 and 90.1 million euro in the first quarter of 2005. The positive operating performance is reflected in the net income for the period of 87.9 million euro compared with 51.2 million euro at March 31, 2005 (+71.7%);
- the **packaging and insulation sector**, consisting of the Sirap Gema group, recorded an increase in net sales of 8.1%, thanks to the rise in sales volumes in both the thermal insulation and food packaging segments, with the exception of the French market which was affected by the health scare caused by avian flu. Current gross operating profit was in line with the prior period, while operating income rose from 3.6 to 4.0 million euro at March 31, 2006. Net income for the period of 1.9 million euro was down compared with March 31, 2005 (2.2 million euro), affected by the increase of the tax charges;
- the **financial sector**, which includes the parent company Italmobiliare and the wholly owned financial subsidiaries, recorded net income of 24.1 million euro, sharply up compared with 5.9 million euro in the first quarter of 2005. The increase of 18.2 million euro was due to the realization of a significant capital gain on the sale of Gemina shares, the outstanding results from cash management and the higher level of dividends recorded in the quarter.
- the **banking sector** brings together the business of Finter Bank Zürich and of Crédit Mobilier de Monaco. The sector recorded net income of 2.2 million euro,

markedly better than 1.6 million euro in the same period in 2005. The improved results were largely due to the good performance of Finter Bank Zürich.

- the **property, services and other business sector** is not very important in the global context of the Group and therefore the results, which were largely in line with the previous year, are not particularly significant.

## GROUP FINANCIAL HIGHLIGHTS

The results of the Italmobiliare Group in the first quarter of 2006 are summarized in the following table:

| (in millions of euro)                        | 1st quarter<br>2006 | 1st quarter<br>2005 | % change     | 2005           |
|--|---------------------|---------------------|--------------|----------------|
| <b>Net sales</b>                             | <b>1,357.7</b>      | <b>1,041.2</b>      | <b>30.4</b>  | <b>5,265.7</b> |
| <b>Current gross operating profit</b>        | <b>284.2</b>        | <b>161.3</b>        | <b>76.2</b>  | <b>1,218.3</b> |
| <i>% of net sales</i>                        | <i>20.9</i>         | <i>15.5</i>         |              | <i>23.1</i>    |
| Other income and charges                     | 3.5                 | 11.1                | (68.8)       | (14.4)         |
| <b>Gross operating profit</b>                | <b>287.7</b>        | <b>172.4</b>        | <b>66.8</b>  | <b>1,203.9</b> |
| <i>% of net sales</i>                        | <i>21.2</i>         | <i>16.6</i>         |              | <i>22.9</i>    |
| Amortization and depreciation                | (103.4)             | (78.6)              | 31.5         | (379.2)        |
| Impairment variation                         | (0.1)               | (0.1)               | -            | (2.6)          |
| <b>Operating income</b>                      | <b>184.2</b>        | <b>93.7</b>         | <b>96.7</b>  | <b>822.1</b>   |
| <i>% of net sales</i>                        | <i>13.6</i>         | <i>9.0</i>          |              | <i>15.6</i>    |
| Financial income and charges                 | (20.3)              | (16.6)              | 22.3         | (35.7)         |
| Income from companies valued on equity basis | 0.9                 | 5.3                 | (82.9)       | 20.7           |
| <b>Pre-tax income</b>                        | <b>164.8</b>        | <b>82.4</b>         | <b>99.9</b>  | <b>807.1</b>   |
| <i>% of net sales</i>                        | <i>12.1</i>         | <i>7.9</i>          |              | <i>15.3</i>    |
| Tax for the period                           | (51.8)              | (25.5)              | 103.2        | (201.0)        |
| <b>Net income</b>                            | <b>113.0</b>        | <b>56.9</b>         | <b>98.5</b>  | <b>606.1</b>   |
| <i>% of net sales</i>                        | <i>8.3</i>          | <i>5.5</i>          |              | <i>11.5</i>    |
| <b>Group net income</b>                      | <b>43.8</b>         | <b>18.2</b>         | <b>140.6</b> | <b>211.3</b>   |
| <i>% of net sales</i>                        | <i>3.2</i>          | <i>1.8</i>          |              | <i>4.0</i>     |
| Minority interest                            | 69.2                | 38.7                | 78.6         | 394.8          |
| <b>Employees (heads)</b>                     | <b>22,912</b>       | <b>18,394</b>       |              | <b>22,857</b>  |

| (in millions of euro) | March 31, 2006 | December 31, 2005 |
|-----------------------|----------------|-------------------|
| <b>Net debt</b>       | <b>1,807.5</b> | <b>1,896.1</b>    |

The overall situation of changes in the scope of consolidation is shown in the notes. The most important change concerns the businesses in Egypt: the companies which make up the Suez Cement Company Group and Asec Cement Company were consolidated on a line-by-line basis respectively from April 1 and August 1 2005.

## Net sales and operating income by sector and by geographical area

| (in millions of euro)        | Net sales      |             | Current GOP  |             | GOP          |             | Operating income |             |
|------------------------------|----------------|-------------|--------------|-------------|--------------|-------------|------------------|-------------|
|                              | 1st qu. 2006   | % change    | 1st qu. 2006 | % change    | 1st qu. 2006 | % change    | 1st qu. 2006     | % change    |
| <b>Business sector</b>       |                |             |              |             |              |             |                  |             |
| Construction materials       | 1,290.2        | 30.3        | 265.7        | 70.8        | 268.7        | 61.4        | 167.6            | 86.1        |
| Packaging and insulation     | 40.0           | 8.1         | 5.4          | (0.2)       | 5.7          | 6.3         | 4.0              | 12.4        |
| Financial                    | 20.1           | 123.3       | 12.6         | n.s.        | 12.7         | n.s.        | 12.7             | n.s.        |
| Banking                      | 12.1           | 16.8        | 3.6          | 90.7        | 3.7          | 64.8        | 3.1              | 80.2        |
| Property, services and other | 0.6            | 14.3        | -            | (48.1)      | -            | (71.7)      | -                | (128.9)     |
| Inter-sector eliminations    | (5.3)          | (11.3)      | (3.1)        | (17.0)      | (3.1)        | (17.0)      | (3.2)            | (16.9)      |
| <b>Total</b>                 | <b>1,357.7</b> | <b>30.4</b> | <b>284.2</b> | <b>76.2</b> | <b>287.7</b> | <b>66.8</b> | <b>184.2</b>     | <b>96.7</b> |
| <b>Geographical area</b>     |                |             |              |             |              |             |                  |             |
| European Union               | 896.1          | 13.2        | 144.7        | 35.8        | 148.2        | 26.1        | 94.5             | 44.1        |
| Other European countries     | 68.9           | 23.1        | 13.3         | 67.3        | 13.5         | 64.6        | 7.1              | n.s.        |
| North America                | 136.1          | 48.0        | 22.7         | 116.1       | 22.4         | 113.8       | 10.5             | n.s.        |
| Asia                         | 76.0           | 26.8        | 20.1         | 34.7        | 20.0         | 33.3        | 13.0             | 48.3        |
| Africa                       | 170.1          | n.s.        | 80.6         | n.s.        | 80.9         | n.s.        | 57.5             | n.s.        |
| Trading and other            | 67.8           | 68.2        | 2.8          | n.s.        | 2.7          | n.s.        | 1.6              | (173.8)     |
| Inter-sector eliminations    | (57.3)         | 16.3        | -            | -           | -            | n.s.        | -                | (88.9)      |
| <b>Total</b>                 | <b>1,357.7</b> | <b>30.4</b> | <b>284.2</b> | <b>76.2</b> | <b>287.7</b> | <b>66.8</b> | <b>184.2</b>     | <b>96.7</b> |

*n.s. not significant*

The increase in net sales of 30.4%, compared with the first quarter of 2005, was due to:

- the business performance for 18.3%;
- the aforementioned changes in the scope of consolidation for 10.1%;
- the positive impact of changes in exchange rates for 2.0%, following the fall in value of the euro against the dollar and other currencies.

The growth in business came from all the sectors with significant rises in percentage terms: the construction materials sector (+17.6%) thanks to the rise in volumes and prices in most of the countries where it operates; the packaging and insulation sector (+8.1%), mainly owing to the increase in turnover in the insulation segment and at the Petruzalek group, which operates in East Europe; the banking sector (+16.8%) for the performance of Finter Bank Zürich. For its part the financial sector saw a sharp rise in revenues of 11.1 million euro, following the improvement in results of all the main companies which are part of it.

**Current gross operating profit** and **gross operating profit** grew respectively by 122.9 million euro (+76.2%) and by 115.2 million euro (+66.8%) compared to the first quarter

of 2005, and benefited partly from the consolidation of the businesses in Egypt (the Suez Cement Company group from April 1, 2005 and Asec Cement Company from August 1, 2005). In any case, even without taking into consideration the contribution of the newly consolidated businesses, margins grew strongly, respectively by 39.8% and 32.7%, thanks to the contribution of all the main sectors and in particular the construction materials and the financial ones, the latter of which also benefited from the 7.9 million euro capital gain linked to the sale of Gemina shares.

**Operating income**, after amortization and depreciation charges higher than those for the first quarter of 2005, largely due to the expansion of the scope of consolidation (103.4 million euro compared with 78.7 million euro), recorded a considerable increase of 96.7%, compared with the first quarter of 2005, rising from 93.7 million euro to 184.2 million euro.

**Net Financial charges** rose slightly by 3.7 million euro, going from 16.6 million euro to 20.3 million euro owing to the greater financing charges incurred by the industrial sectors, mainly because of the acquisitions made in 2005, which were, however, largely offset by significant finance income recorded in the financial sector.

**The income from companies valued on equity basis** naturally fell (0.9 million euro compared with 5.4 million euro) since this item no longer contains the results of the Suez Cement Company group, which is now consolidated on a line-by-line basis.

As a result of the above figures **pre-tax income** grew strongly (+99.9%), standing at 164.8 million euro compared to 82.4 million euro at March 31, 2005.

**Tax for the period** of 51.8 million euro rose compared with the figure for 2005 (25.5 million euro) owing to the higher level in pre-tax income. The tax rate in fact recorded only a slight rise from 30.9% to 31.5%.

**Group net income**, after minority interest of 69.1 million euro (38.7 million euro at March 31, 2005), stood at 43.8 million euro, up by 140.6% compared with 2005 (18.2 million euro). The higher level of increase in net income attributable to the Group, compared with that attributable to minority interest, was due to the very positive contribution from sectors, especially the financial one, which are wholly owned.

It should be recalled that the significant results achieved in the first quarter are also the consequence of the occurrence of a series of favorable events and conditions which, while they highlight an underlying positive trend, do not permit to use the first quarter for projecting the results of the year as a whole.

## **Investments**

Investments in fixed assets in the quarter totaled 125.1 million euro (236.2 million euro in the first quarter of 2005), of which 24.3 million euro related to financial assets, down compared to 141.8 million euro in the first quarter of 2005 which included the investment in the Suez Cement Company group. Financial investments in the construction materials sector concerned the purchase of small minority equity investments in Turkish cement companies operating also in the ready mixed concrete business.

Investments in tangible and intangible assets of 100.8 million euro (94.4 million euro in the first quarter of 2005) mainly concerned the European Union and North America.

## **Net debt**

At March 31, 2005, net debt was 1,807.5 million euro. Compared with December 31, 2005 (1,896.1 million euro), the fall was of 88.5 million euro, largely explained by the lower investments in fixed assets.

The ratio of net debt to shareholders' equity at March 31, 2006 was 29.7%, markedly better than the 32.0% recorded at December 31, 2005.

## CONSTRUCTION MATERIALS SECTOR

This represents the main industrial 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<br>2006 | 1st quarter<br>2005 | % change    | 2005           |
|--|---------------------|---------------------|-------------|----------------|
| <b>Net sales</b>                             | <b>1,290.2</b>      | <b>990.2</b>        | <b>30.3</b> | <b>4,999.6</b> |
| <b>Current gross operating profit</b>        | <b>265.7</b>        | <b>155.6</b>        | <b>70.8</b> | <b>1,152.7</b> |
| <i>% of net sales</i>                        | <i>20.6</i>         | <i>15.7</i>         |             | <i>23.1</i>    |
| Other income and charges                     | 3.1                 | 10.9                | (71.9)      | 16.1           |
| <b>Gross operating profit</b>                | <b>268.7</b>        | <b>166.5</b>        | <b>61.4</b> | <b>1,136.6</b> |
| <i>% of net sales</i>                        | <i>20.8</i>         | <i>16.8</i>         |             | <i>22.7</i>    |
| Amortization and depreciation                | (101.1)             | (76.3)              | 32.5        | (368.5)        |
| Impairment variation                         | -                   | 0.1                 | <i>n.s.</i> | (2.3)          |
| <b>Operating income</b>                      | <b>167.6</b>        | <b>90.1</b>         | <b>86.1</b> | <b>765.8</b>   |
| <i>% of net sales</i>                        | <i>13.0</i>         | <i>9.1</i>          |             | <i>15.3</i>    |
| Financial income and charges                 | (27.5)              | (17.1)              | 60.6        | (48.9)         |
| Income from companies valued on equity basis | (1.6)               | 3.9                 | <i>n.s.</i> | 18.6           |
| <b>Pre-tax income</b>                        | <b>138.6</b>        | <b>76.9</b>         | <b>80.3</b> | <b>735.5</b>   |
| <i>% of net sales</i>                        | <i>10.7</i>         | <i>7.8</i>          |             | <i>14.7</i>    |
| Tax for the period                           | (50.7)              | (25.7)              | 97.4        | (195.0)        |
| <b>Net income</b>                            | <b>87.9</b>         | <b>51.2</b>         | <b>71.7</b> | <b>540.6</b>   |
| <i>% of net sales</i>                        | <i>6.8</i>          | <i>5.2</i>          |             | <i>10.8</i>    |
| <b>Group net income</b>                      | <b>50.3</b>         | <b>33.8</b>         | <b>49.1</b> | <b>391.2</b>   |
| <i>% of net sales</i>                        | <i>3.9</i>          | <i>3.4</i>          |             | <i>7.8</i>     |
| Minority interest                            | 37.6                | 17.4                | 115.5       | 149.4          |
| <b>Employees (heads)</b>                     | <b>21,912</b>       | <b>17,390</b>       | <b>26.0</b> | <b>21,854</b>  |

| (in millions of euro) | March 31, 2006 | December 31, 2005 |
|-----------------------|----------------|-------------------|
| <b>Net debt</b>       | <b>2,162.3</b> | <b>2,215.0</b>    |

The construction sector is still one of the main beneficiaries of the continuing climate of moderate interest rates. Against this background, the main driver of the sustained growth in the industrial countries in which the group operates has been the residential building. While signs are emerging that this segment could slacken in some markets, demand is strengthening in the non-residential building and all the public works segment continues to be generally robust.

Group net sales and operating income in the first months of 2006 benefited from the consolidation of operations in Egypt, and from much better meteorological conditions compared with the year-earlier period, especially in North America and the European Union. This area could also have more working days than in the first quarter of 2005. The general business expansion was accompanied by favorable sales price trends in most countries.

### Performance of the sector

| <i>Sales volumes</i>   | 1st quarter | % change on 1st qu. 2005 |                  |
|--|-------------|--------------------------|------------------|
|  | 2006        | historic                 | at constant size |
| <b>Cement and clinker</b> ( <i>millions of metric tons</i> )     | 14.2        | 35.6                     | 9.7              |
| <b>Aggregates *</b> ( <i>millions of metric tons</i> )           | 13.0        | 6.5                      | 5.5              |
| <b>Ready mixed concrete</b> ( <i>millions of m<sup>3</sup></i> ) | 4.8         | 5.3                      | 5.2              |

\* excluding outgoes on work-in-progress account

In the first quarter of 2006, group sales volumes made strong progress in all businesses, most notably in cement.

In **cement and clinker** the most important improvements came from the European Union countries, North America, emerging countries, such as Egypt, Turkey and Bulgaria, and the good performance of the Asian region, primarily due to the increase in exports, and from Trading activity.

The progress reported in the **ready mixed concrete and aggregates** businesses reflected bright performance in the European Union countries.

Global net sales saw an increase of 30.3% compared with the first quarter of 2005. This increase was due for 17.6% to the positive business performance, driven, as already indicated, by a general improvement in sales volumes and prices, for 10.6% to the enlargement of the scope of consolidation, while the change in exchange rates had a positive effect for 2.1%, caused by the appreciation of the dollar and other currencies against the euro.

The sharp increase in operating results, compared with the first quarter of 2005, received a significant contribution from the consolidation of the Egyptian companies contributing with high margins. Without this effect, the growth in **current gross operating profit** would have been 33.1% (70.8% including Egypt), for **gross operating**

**profit** 26.0% (61.4%) and, finally, for **operating income** 42% (86.1%). Even excluding the Egyptian contribution, operating results made very healthy progress, thanks to higher sales volumes and sales price trends that more than offset the rise in operating expense, notably electricity, raw materials, personnel and provisions for charges relating to the difference between assigned rights and actual CO<sub>2</sub> emissions.

**Net income before minority interest** at March 31, 2006, was 87.9 million euro (+71.7% compared with the first quarter of 2005) and reflected the rise in operating income, as well as the negative impact of other income components: net financial charges increased by 60.6% largely due to the rise in debt following the integration of the Suez Cement group; the share of results of associates was negative, since it no longer includes the Suez Cement group which is now consolidated line-by-line; and the increase in income tax expenses compared to the first quarter of 2005, mainly because of the increase in profit before tax.

**Group net income**, after a larger proportion attributable to minority shareholders, was 50.3 million euro, up by 49.1% compared with the first quarter of 2005.

Financial and industrial **investments** totaled 120.9 million euro, down by approximately 95.2 million euro compared with total for the first quarter of 2005 which included the investment in Suez Cement Company, and for 96.9 million euro concerned tangible and intangible assets (89.2 million euro in the first quarter of 2005) and, for 24.0 million euro financial investments largely consisting of minority equity investments in Turkish cement companies.

**Net debt** at March 31, 2006, at 2,162.3 million euro fell by 52.8 million euro compared with December 31, 2005 (2,215.0 million euro). The period benefited from significant cash flows from operations, albeit there was a marked use of working capital.

## Significant events in the period

As from January 1, 2006, the international technical bodies no longer class Turkey as a highly inflationary economy. Consequently IAS 29 (Financial reporting in hyperinflationary economies) is no longer applied to the group's Turkish companies.

In the first quarter of 2006, following exercise of 447,715 options by Stock Option Plan beneficiaries, Italcementi S.p.A. sold an equal number of ordinary treasury shares at an average unit price of 9.2606 euro, determined on the basis of the grant prices in the various periods. Consequently at March 31, 2006, Italcementi S.p.A. held 3,497,387 ordinary treasury shares, representing 1.97% of its ordinary share capital.

## Performance by geographical area

| (in millions of euro)                           | Net sales      |             | Current GOP  |             | GOP          |             | Operating income |             |
|---|----------------|-------------|--------------|-------------|--------------|-------------|------------------|-------------|
|   | 1st qu. 2006   | % change    | 1st qu. 2006 | % change    | 1st qu. 2006 | % change    | 1st qu. 2006     | % change    |
| <b>Geographical area</b>                        |                |             |              |             |              |             |                  |             |
| European Union                                  | 841.2          | 14.2        | 129.9        | 26.3        | 133.0        | 17.0        | 81.1             | 27.4        |
| North America                                   | 136.1          | 48.0        | 22.7         | 116.1       | 22.4         | 113.8       | 10.5             | n.s.        |
| Mediterranean - Emerging countries <sup>1</sup> | 223.2          | 137.7       | 90.2         | n.s.        | 90.6         | n.s.        | 61.4             | n.s.        |
| Asia  | 76.0           | 26.8        | 20.1         | 34.7        | 20.0         | 33.3        | 13.0             | 48.4        |
| Trading   | 67.8           | 68.2        | 3.8          | 85.4        | 3.7          | 58.1        | 3.3              | 55.7        |
| Other and inter-area eliminations               | (54.1)         | n.s.        | (1.0)        | n.s.        | (1.0)        | n.s.        | (1.7)            | n.s.        |
| <b>Total</b>                                    | <b>1,290.2</b> | <b>30.3</b> | <b>265.7</b> | <b>70.8</b> | <b>268.7</b> | <b>61.4</b> | <b>167.6</b>     | <b>86.1</b> |

<sup>1</sup> in the first quarter of 2006 includes the businesses in Egypt  
n.s. not significant

## European Union

In the European Union net sales in the first quarter of 2006 saw a marked increase (+14.2%), as a result of growth in all the countries which make up the area thanks to a general rise in volumes which was also helped by the favorable weather conditions and a recovery in sales prices.

Operating income grew even more (+27.4%) since the rise in net sales more than offset the sharp increase in some cost factors, above all energy, and the charges relating to emissions of CO<sub>2</sub>.

### ***North America***

In the first quarter of 2006 the construction sector in the United States saw some progress compared with 2005, despite the slowdown in growth in the private non-residential building.

Group net sales grew by 48% compared with the same period in 2005, since the rise in volumes was accompanied by a rise in sales prices. Consequently gross operating profit and operating income also improved markedly, despite the rise in the cost of energy and the increased imports of clinker and cement in order to meet growing demand.

### ***Mediterranean – Emerging countries***

This area saw the biggest growth rate in net sales and operating income in the group, also thanks to the impact on the scope of consolidation of the inclusion of the Egyptian businesses. In Egypt the economic recovery helped the marked progress in national sales and the increase in sales prices allowed the rise in some cost factors to be offset.

In the other countries in the area, Bulgaria and Turkey saw rises in net sales and in operating results, while in Morocco operating income fell owing to the fall in export volumes and the rise in operating costs.

### ***Asia***

In Asian countries where the group operates net sales in the quarter improved significantly owing to a general increase in prices and volumes, the latter in relation to the domestic market in India and Kazakhstan, and to exports in Thailand.

The good performance in terms of revenues, despite the worsening of some operating costs, was reflected in a marked improvement in operating income in all the countries in the area, especially in India.

### ***Trading***

In the first quarter of 2006, cement and clinker volumes sold to group companies and others recorded further considerable growth (+48.4%). The growth in the business translated into a significant rise in net sales and operating results.

## **Outlook**

There is a general agreement that 2006 will be a fourth consecutive year of world economic growth, although concern is growing over the sustainability of the current situation.

Among the mature countries in which the group operates, the climate in the construction business still appears to be lively. Nevertheless, a degree of weakening is likely during the year, which could become significant in the event of a sharper rise in interest rates.

In the emerging countries, the sector should continue to perform well, at least in the short term and in absence of unforeseeable events.

The uncertain and volatile conditions in energy continue to be significant causes of concern for the group and could build up further pressure on the prices of energy products and logistic services in the coming months, with the consequent risk to erode operating margins.

It has already been noted that the strong growth in the first-quarter results compared with 2005 was due, to a significant extent, to positive effects with limited time benefits, such as the enlargement of the scope of consolidation and good weather conditions.

In view of the results posted to date and the general situation of its core markets, the sector confirms its expectation of an improvement in group operating income compared with 2005, subject to currently unforeseeable events.

## PACKAGING AND INSULATION SECTOR

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

| (in millions of euro)                        | 1st quarter<br>2006 | 1st quarter<br>2005 | % change      | 2005         |
|--|---------------------|---------------------|---------------|--------------|
| <b>Net sales</b>                             | <b>40.0</b>         | <b>37.1</b>         | <b>8.1</b>    | <b>166.0</b> |
| <b>Current gross operating profit</b>        | <b>5.4</b>          | <b>5.5</b>          | <b>(0.2)</b>  | <b>24.5</b>  |
| <i>% of net sales</i>                        | <i>13.6</i>         | <i>14.7</i>         |               | <i>14.8</i>  |
| Other income and charges                     | 0.3                 | (0.1)               | <i>n.s.</i>   | -            |
| <b>Gross operating profit</b>                | <b>5.7</b>          | <b>5.4</b>          | <b>6.3</b>    | <b>24.5</b>  |
| <i>% of net sales</i>                        | <i>14.3</i>         | <i>14.6</i>         |               | <i>14.8</i>  |
| Amortization and depreciation                | (1.7)               | (1.8)               | 5.4           | (7.1)        |
| Impairment variation                         | -                   | -                   |               | (0.3)        |
| <b>Operating income</b>                      | <b>4.0</b>          | <b>3.6</b>          | <b>12.4</b>   | <b>17.1</b>  |
| <i>% of net sales</i>                        | <i>10.0</i>         | <i>9.7</i>          |               | <i>10.3</i>  |
| Financial income and charges                 | (0.4)               | (0.4)               | (6.7)         | (1.7)        |
| Income from companies valued on equity basis | -                   | -                   | -             |              |
| <b>Pre-tax income</b>                        | <b>3.6</b>          | <b>3.2</b>          | <b>12.6</b>   | <b>15.4</b>  |
| <i>% of net sales</i>                        | <i>9.0</i>          | <i>8.6</i>          |               | <i>9.3</i>   |
| Tax for the period                           | (1.7)               | (1.0)               | (80.6)        | (7.5)        |
| <b>Net income</b>                            | <b>1.9</b>          | <b>2.2</b>          | <b>(16.6)</b> | <b>7.9</b>   |
| <i>% of net sales</i>                        | <i>4.7</i>          | <i>5.9</i>          |               | <i>4.8</i>   |
| <b>Employees (heads)</b>                     | <b>796</b>          | <b>788</b>          |               | <b>799</b>   |

*n.s. not significant*

| (in millions of euro) | March 31, 2006 | December 31, 2005 |
|-----------------------|----------------|-------------------|
| <b>Net debt</b>       | <b>47.4</b>    | <b>49.8</b>       |

The first quarter of 2006, compared with the same period in 2005, saw operating results which were largely stable thanks to the strategy of geographical diversification. In fact the problems which were seen in particular on the French market for food packaging, were offset by the progress made in other locations. This stability was also helped by a market for raw polymers which, although confirming its now traditional volatility, kept its price movements within a limited range.

Current gross operating profit thus stood at 5.4 million euro, while operating income grew by 12.4% thanks to other income mainly from capital gains and lower amortization and depreciation charges.

The sharp increase in tax for the period led to a fall in net income in the quarter compared with the first quarter of 2005, from 2.2 million euro to 1.9 million euro.

### Significant events in the period

As already noted in the report on operations for 2005, in February 2006, after long and complex negotiations, a negotiating agreement was signed for the acquisition of a group of companies which operate in the segment of rigid containers for gastronomy and confectionary. With this transaction Sirap aims to enter a new segment of the food packaging market, enhancing its control in East European countries and further diversifying its international presence in Poland and Russia.

The completion of this agreement is currently subordinate to the outcome of due diligence checks which are still being completed and authorization by competition authorities in some countries.

### Performance by sector and geographical area

| (in millions of euro)      | Net sales    |             | Current GOP  |              | GOP          |              | Operating income |             |
|----------------------------|--------------|-------------|--------------|--------------|--------------|--------------|------------------|-------------|
|                            | 1st qu. 2006 | % change    | 1st qu. 2006 | % change     | 1st qu. 2006 | % change     | 1st qu. 2006     | % change    |
| <b>Food packaging</b>      |              |             |              |              |              |              |                  |             |
| - Italy                    | 15.5         | 4.8         | 3.3          | (0.5)        | 3.7          | 13.0         | 2.6              | 24.1        |
| - France                   | 5.7          | (10.0)      | 0.6          | (39.5)       | 0.3          | (48.0)       | 0.3              | (48.0)      |
| - Other EU countries       | 8.7          | 5.9         | 0.4          | (12.9)       | 0.5          | 14.4         | 0.4              | 20.7        |
| - Other European countries | 4.0          | 41.9        | 0.2          | 41.8         | 0.4          | 106.5        | 0.3              | 141.0       |
| Eliminations               | (3.3)        |             | n.s.         |              | n.s.         |              | n.s.             |             |
| <b>Total</b>               | <b>30.6</b>  | <b>3.7</b>  | <b>4.5</b>   | <b>(0.5)</b> | <b>4.9</b>   | <b>7.8</b>   | <b>3.6</b>       | <b>13.1</b> |
| <b>Thermal insulation</b>  | <b>11.0</b>  | <b>26.1</b> | <b>0.9</b>   | <b>1.3</b>   | <b>0.8</b>   | <b>(1.2)</b> | <b>0.4</b>       | <b>6.7</b>  |
| Eliminations               | (1.6)        |             | -            |              | -            |              | -                |             |
| <b>Total</b>               | <b>40.0</b>  | <b>8.1</b>  | <b>5.4</b>   | <b>(0.2)</b> | <b>5.7</b>   | <b>6.3</b>   | <b>4.0</b>       | <b>12.4</b> |

*n.s. not significant*

### ***Food packaging***

The demand for products in the food packaging segment on the markets where Sirap is traditionally active has been conditioned by the reporting of some cases of avian flu, which led to a fall in the consumption of poultry.

On the Italian market, following the fall which occurred at the end of 2005, information campaigns and the sporadic nature of cases which have been limited to wild animals have allowed a recovery of the initial fall and an increase in volumes; on the French market the reporting of some cases on farms caused major alarm with a consequent fall in volumes, which showed very weak signs of recovery only at the end of the quarter.

Thus France suffered a major reduction in its operating income (-48%) which was, however, more than offset by the solid performance in some other markets and in particular in the East European countries where Petruzalek is present.

### ***Thermal insulation***

In the period the segment recorded net sales of 11 million euro with a significant improvement compared with the figure for 2005, owing to the increase in volumes sold, over the whole range and in particular in extruded polystyrene sheets.

This increase and the higher productive efficiency more than offset the fall in prices, thus leading to a slight rise (+6.7%) in operating profit, which was 0.4 million euro.

### **Outlook**

As a whole a positive business performance is forecast for 2006 with net sales slightly up compared with 2005, thanks to the better sales mix in both segments.

As for food packaging, the increase in sales in East Europe should make up for the fall predicted in France, while in all the markets there is a move towards products with higher added value.

In the thermal insulation sector rising net sales are forecast compared with 2005 thanks to the increase in quantities sold (also in exports), albeit with sales prices which are tending to fall.

On the basis of the above indications, it is expected that the consolidated result from operations, on a constant size basis and subject to any unforeseeable events, will remain at the same level as in 2005.

## FINANCIAL SECTOR

The financial sector includes the parent company Italmobiliare and its wholly owned financial subsidiaries. The main ones are: Franco Tosi Srl, Italmobiliare International Finance Limited (Ireland), Société de Participation Financière Italmobiliare S.A. (Luxembourg) and Fincomind A.G. (Switzerland).

| (in millions of euro) | 1st quarter 2006 | 1st quarter 2005 | Change      | 2005        |
|-----------------------|------------------|------------------|-------------|-------------|
| Net sales             | 20.1             | 9.0              | 11.1        | 101.7       |
| Operating income      | 12.7             | 2.0              | 10.7        | 73.8        |
| <b>Net income</b>     | <b>24.1</b>      | <b>5.9</b>       | <b>18.2</b> | <b>91.9</b> |

| (in millions of euro)  | March 31, 2006 | December 31, 2005 |
|------------------------|----------------|-------------------|
| Net financial position | 331.0          | 303.4             |
| Shareholders' equity   | 1,910.8        | 1,822.4           |
| Employees (heads)      | 42             | 41                |

### Results according to the financial scheme

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

| (in millions of euro)                     | 1st quarter 2006 | 1st quarter 2005 | Change      | December 31, 2005 |
|---|------------------|------------------|-------------|-------------------|
| Net income from equity investments        | 16.6             | 6.3              | 10.3        | 82.3              |
| Net income from cash investments          | 12.8             | 4.4              | 8.4         | 28.6              |
| Net debt charges                          | (3.0)            | (2.5)            | (0.5)       | (10.5)            |
| <b>Total financial income and charges</b> | <b>26.4</b>      | <b>8.2</b>       | <b>18.2</b> | <b>100.4</b>      |
| Miscellaneous income and costs            | (3.3)            | (3.7)            | 0.4         | (11.5)            |
| Income tax for the period                 | 1.0              | 1.4              | (0.4)       | 3.0               |
| <b>Net income</b>                         | <b>24.1</b>      | <b>5.9</b>       | <b>18.2</b> | <b>91.9</b>       |

Income from equity investments improved markedly in the quarter (+ 10.3 million euro), compared with the same period in 2005, thanks to the capital gain on the sale of Gemina shares (7.9 million euro), to higher dividends received in the period and to the improved results of the companies consolidated on an equity basis.

Also income from cash investments in the first quarter of 2006 saw a marked increase (+8.4 million euro), despite the fact the conditions on the bond markets were not particularly favorable owing to the trend in interest rates. Against this background, in which the portfolios entrusted to third party managers did not provide a contribution higher than yields from the money market, the extremely positive result was due to the performance of alternative investments, revaluations of trading shares and yields on the bond portfolio managed directly by the individual companies.

Debt charges were slightly higher (+0.5 million euro) than those in 2005 owing to higher interest rates and the higher average debt level.

Other charges, which fell in the quarter, also improved slightly owing to the increase in income and the fall in operating costs.

The tax element rose only marginally despite the sharp rise in profit before tax, thanks to the positive contribution in Italy of the national tax consolidation and the reduction in the effective tax rate in the foreign financial subsidiaries.

Net income in the period, therefore, stood at a markedly higher level (+18.2 million euro) compared to the same period in 2005. However, it should be borne in mind that, given the unpredictability of financial markets and the presence of some one-off events, the significant level of net profit in this sector in the first quarter cannot be used to extrapolate the result for the whole year.

The companies which make up the financial sector hold major equity investments, most of which are classified as "Available for sale". The changes in the "fair value" of these equity investments, with the exclusion of the consolidated companies, which are kept at cost, are recorded in shareholders' equity under "Fair value reserve". At the end of March 2006 the consolidated amount of this reserve in the financial sector was 681.5 million euro, with an increase compared with the December 31, 2005 of 71.3 million euro.

### **Significant events**

In January Italmobiliare, following the exchange with MCC, received 3,484,349 **Capitalia** shares, which together with the shares owned (2,971,994 shares), represent 0.25% of the Capitalia share capital. All the shares were contributed to the shareholders' pact.

In January 2006 Italmobiliare S.p.A. sold to some members of shareholders' pact its **Gemina** shares (2.324%) at a price of 2 euro per share. The total income was 16.9 million euro with the realization of a capital gain of 7.9 million euro.

At the end of March Société de Participation Financière Italmobiliare S.A. sold to Italmobiliare S.p.A. its own equity investment in **Consortium** (2.764%) at the price of 28.9 million euro. The price was determined on the basis of the Consortium shareholders' equity at the end of February adjusted on the basis of evaluations at market prices on the listed shares held in the portfolio. It should be noted that at the end of February, following the sales made in the previous months, Consortium no longer held any unbound Mediobanca shares, but only Mediobanca shares which were bound to the shareholders' pact as well as Generali shares. The sale transaction by Société de Participation Financière Italmobiliare S.A. was undertaken with the objective of shortening the chain and bringing back to Italmobiliare S.p.A. all the shares which are bound directly or indirectly to a shareholders' pact and held by financial subsidiaries which are wholly owned.

## 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, 2006   |                               | December 31, 2005 |                               |
|---|------------------|-------------------------------|-------------------|-------------------------------|
|   | Italmobiliare    | Financial sector <sup>1</sup> | Italmobiliare     | Financial sector <sup>1</sup> |
| Cash, cash equivalents and current financial assets | 35,747           | 779,150                       | 65,365            | 761,735                       |
| Short-term financing                                | (138,801)        | (142,734)                     | (154,479)         | (159,393)                     |
| <b>Short-term net financial position</b>            | <b>(103,054)</b> | <b>636,416</b>                | <b>(89,114)</b>   | <b>602,342</b>                |
| Medium/long-term financial assets                   | 6,454            | 13,097                        | 6,565             | 17,062                        |
| Medium/long-term financial liability                | (318,538)        | (318,538)                     | (316,018)         | (316,018)                     |
| <b>Medium/long-term financial position</b>          | <b>(312,084)</b> | <b>(305,441)</b>              | <b>(309,453)</b>  | <b>(298,956)</b>              |
| <b>Net financial position</b>                       | <b>(415,138)</b> | <b>330,975</b>                | <b>(398,567)</b>  | <b>303,386</b>                |

<sup>1</sup> Includes: Italmobiliare S.p.A. - Italmobiliare Finance Ltd – Italmobiliare International B.V. – Société de Participation Financière S.A. – Fincomind A.G. – Soparfinter S.A. - Franco Tosi S.r.l.

The net debt of Italmobiliare at the end of March 2006 was 415.1 million euro (398.6 million euro at December 31, 2005), up by 16.5 million euro largely owing to the purchase of the equity investment in Consortium, partly offset by the sale of the Gemina shares.

The consolidated financial position of the financial sector was, on the other hand, positive at 331.0 million euro (303.4 million euro at December 31, 2005), an increase of 27.6 million euro, arising from the aforementioned operations and results.

## Significant events after the end of the quarter

In April Italmobiliare S.p.A. bought 860,743 **Banca Leonardo** shares and underwrote 3,399,257 shares as part of the share capital increase of the same bank. The overall investment was just under 14 million euro. Following these transactions Italmobiliare S.p.A. has a 3% equity investment in the Banca Leonardo Group.

## **Outlook**

As already noted in previous reports, the results for the financial sector depend on the flow of dividends and the trend in the financial markets. The flow of dividends is reasonable predictable and the figures available so far allow a fairly accurate forecast of an increase in these flows during 2006 compared with 2005. On the other hand, however, the development of the share market and of the other financial markets and the opportunities to buy and sell equity investments introduce elements of uncertainty, which makes it difficult to provide a reliable forecast about the overall results for this sector over the year as a whole.

## BANKING SECTOR

The banking sector includes two wholly owned banks, i.e. Finter Bank Zurich and Crédit Mobilier de Monaco. It should be recalled that Finter Bank France, now Terfin, in June 2005 ended its banking activity, and therefore, it no longer belongs in this consolidation sector; the figures at for March 31, 2005 have been restated for the sake of comparison.

| (in millions of euro) | 1st quarter<br>2006 | 1st quarter<br>2005 | Change     | 2005       |
|-----------------------|---------------------|---------------------|------------|------------|
| Net sales             | 12.1                | 10.3                | 1.8        | 45.5       |
| Operating income      | 3.1                 | 1.9                 | 1.2        | 8.4        |
| <b>Net income</b>     | <b>2.2</b>          | <b>1.6</b>          | <b>0.6</b> | <b>6.4</b> |

| (in millions of euro) | March 31, 2006 | December 31, 2005 |
|-----------------------|----------------|-------------------|
| Shareholders' equity  | 88.7           | 91.2              |
| Employees (heads)     | 143            | 143               |

\* including application of IAS 32 and 39

### Results according with the banking scheme

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 2006 | 1st quarter 2005 | Change     | 2005       |
|------------------------|------------------|------------------|------------|------------|
| Net interest income    | 1.4              | 1.2              | 0.2        | 5.2        |
| Commissions            | 10.9             | 9.3              | 1.6        | 42.5       |
| Gross operating profit | 3.7              | 2.4              | 1.3        | 11.5       |
| Income from operations | 2.6              | 1.8              | 0.8        | 7.5        |
| <b>Net income</b>      | <b>2.2</b>       | <b>1.6</b>       | <b>0.6</b> | <b>6.4</b> |

The results in the sector, which grew steadily, are almost all from the results of Finter Bank Zürich.

### ***Finter Bank Zürich***

In the first quarter of 2006 the Finter Bank Zürich Group managed to profit from the continuation of some positive circumstances on the financial markets and recorded consolidated revenues of 18.3 million Swiss francs (+19.1% compared with the first quarter of 2005). This result was achieved thanks to the increased volumes of customer transactions and the rise in revenues resulting from portfolio management.

The increase in revenues together with careful containment of the rise in operating costs enabled the recording of an operating income of 4.7 million Swiss francs, sharply up compared with 2.8 million Swiss francs in the first quarter of 2005 (+67.4%).

The consolidated net income, after finance charges and tax, was 3.3 million Swiss francs compared to 2.4 million Swiss francs in the first quarter of 2005.

Consolidated shareholders' equity moved from 133 million Swiss francs at December 31, 2005 to 131.1 million Swiss francs at March 31, 2006, after distribution of dividends for 5 million Swiss francs.

Assets under management at the end of the first quarter of 2006 totaled 5.2 billion Swiss francs.

### ***Crédit Mobilier de Monaco***

Crédit Mobilier de Monaco is a bank in Monaco which mainly operates in guarantee backed loans. Net income in the first quarter rose compared with March 31, 2005 from 51 thousand euro to 72 thousand euro.

### **Outlook**

Despite the uncertainty which is a feature of the financial markets, the results achieved in the first quarter and the plans in place confirm the forecast that the result for 2006 may be better than that achieved in 2005, subject to any unforeseen events.

## **PROPERTY, SERVICES AND OTHER BUSINESS SECTOR**

This sector includes some companies that own property and land and some service companies. As for the real estate companies both leased property and property and land for sale are included.

Service companies basically carry out their business within the Group.

At March 31, 2006 the net sales in this sector stood at 0.6 million euro, while net operating income was practically at breakeven point; both are in line with the figures for the first quarter of 2005.

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 in the quarter, there were no atypical or unusual transactions.

For the purposes of the consolidated financial statements, dealings with related parties in the quarter regarded those with:

- subsidiary companies which are not consolidated on a line by line basis;
- associated companies;
- other related parties.

Among the companies in the construction materials sector, dealings with related parties reflect the 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, contractual and fiscal 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, Deputy Chairman 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;
- 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 with related parties, both these for the exchange of goods and services, and these related to financial services, are conducted at normal market conditions.

## **OUTLOOK**

Faced with a world economic situation which is still quite positive, and with interesting growth rates, note should be taken of the increasing presence of worrying elements in terms of the sustainability of the current economic performance, such as the trend in raw material and energy prices which are also linked to factors of international instability, the imbalances between various economic areas, the movements of interest rates and the trend in exchange rates for the main currencies.

Against that background, the Italmobiliare Group in the first quarter of 2006 managed to record good results in terms of growth and profitability, thanks to improvements in operating activities, but also to some events whose positive impact is time limited.

The performance in the first quarter, while seeking to interpret correctly the results achieved so far, is, however, a valid basis, together with the forecasts already given for the individual sectors and which overall are positive, to confirm the expectation that the Group's consolidated operating income for all of 2006 may rise compared with the previous year, subject to any unforeseen events.

## CONSOLIDATED QUARTERLY REPORT

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## ACCOUNTING SCHEDULES

| CONSOLIDATED<br>(Amounts in thousands of euro) | 1st quarter<br>2006 | %             | 1st quarter<br>2005 | %             | Changes        | %            | 2005             | %            |
|--|---------------------|---------------|---------------------|---------------|----------------|--------------|------------------|--------------|
| <b>NET SALES</b>                               | <b>1,357,690</b>    | <b>100.0%</b> | <b>1,041,171</b>    | <b>100.0%</b> | <b>316,519</b> | <b>30.4%</b> | <b>5,265,696</b> | <b>100%</b>  |
| Other revenues                                 | 18,812              | 1.4%          | 12,122              | 1.2%          | 6,690          | 55.2%        | 58,869           | 1.1%         |
| Change in inventories                          | 6,828               | 0.5%          | 15,846              | 1.5%          | (9,018)        | -56.9%       | 22,427           | 0.4%         |
| Internal work capitalized                      | 7,393               | 0.5%          | 2,103               | 0.2%          | 5,290          | 251.5%       | 27,021           | 0.5%         |
| Goods and utilities expense                    | (497,499)           | -36.6%        | (384,247)           | -36.9%        | (113,252)      | 29.5%        | (1,819,620)      | -34.6%       |
| Services expense                               | (324,340)           | -23.9%        | (272,668)           | -26.2%        | (51,672)       | 19.0%        | (1,261,064)      | -23.9%       |
| Employee benefits expense                      | (236,979)           | -17.5%        | (215,932)           | -20.7%        | (21,047)       | 9.7%         | (910,501)        | -17.3%       |
| Other operating income and charges             | (47,725)            | -3.5%         | (37,081)            | -3.6%         | (10,644)       | 28.7%        | (164,572)        | -3.1%        |
| <b>Current gross operating profit</b>          | <b>284,180</b>      | <b>20.9%</b>  | <b>161,314</b>      | <b>15.5%</b>  | <b>122,866</b> | <b>76.2%</b> | <b>1,218,256</b> | <b>23.1%</b> |
| Other income and charges                       | 3,476               | 0.3%          | 11,124              | 1.1%          | (7,648)        | -68.8%       | (14,386)         | -0.3%        |
| <b>Gross operating profit</b>                  | <b>287,656</b>      | <b>21.2%</b>  | <b>172,438</b>      | <b>16.6%</b>  | <b>115,218</b> | <b>66.8%</b> | <b>1,203,870</b> | <b>22.9%</b> |
| Amortization and depreciation                  | (103,436)           | -7.6%         | (78,657)            | -7.6%         | (24,779)       | 31.5%        | (379,226)        | -7.2%        |
| Impairment variation                           | (40)                |               | (126)               |               | 86             | -68.3%       | (2,579)          | 0.0%         |
| <b>Operating income</b>                        | <b>184,180</b>      | <b>13.6%</b>  | <b>93,655</b>       | <b>9.0%</b>   | <b>90,525</b>  | <b>96.7%</b> | <b>822,065</b>   | <b>15.6%</b> |
| Finance costs, net                             | (20,292)            | -1.5%         | (16,591)            | -1.6%         | (3,701)        | 22.3%        | (35,666)         | -0.7%        |
| Income from companies valued on equity basis   | 919                 | 0.1%          | 5,361               | 0.5%          | (4,442)        | -82.9%       | 20,678           | 0.4%         |
| <b>Pre-tax income</b>                          | <b>164,807</b>      | <b>12.2%</b>  | <b>82,425</b>       | <b>7.9%</b>   | <b>82,382</b>  | <b>99.9%</b> | <b>807,077</b>   | <b>15.3%</b> |
| Tax for the period                             | (51,839)            | -3.8%         | (25,506)            | -2.4%         | (26,333)       | 103.2%       | (201,015)        | -3.8%        |
| <b>Net income for the period</b>               | <b>112,968</b>      | <b>8.3%</b>   | <b>56,919</b>       | <b>5.5%</b>   | <b>56,049</b>  | <b>98.5%</b> | <b>606,062</b>   | <b>11.5%</b> |
| Attributable to:                               |                     |               |                     |               |                |              |                  |              |
| <b>Group</b>                                   | 43,823              | 3.2%          | 18,213              | 1.7%          | 25,610         | 140.6%       | 211,290          | 4.0%         |
| <b>Minority interest</b>                       | 69,145              | 5.1%          | 38,706              | 3.7%          | 30,439         | 78.6%        | 394,772          | 7.5%         |

|                              |                |  |                |  |                  |               |
|------------------------------|----------------|--|----------------|--|------------------|---------------|
| <b>Flows for investments</b> | <b>125,141</b> |  | <b>236,206</b> |  | <b>(111,065)</b> | <b>-47.0%</b> |
|------------------------------|----------------|--|----------------|--|------------------|---------------|

|                  |  |
|------------------|--|
| <b>1,253,726</b> |  |
|------------------|--|

## FINANCIAL POSITION AND SHAREHOLDERS' EQUITY

| <b>Debt (liquidity)</b><br>In thousands of euro     | <b>March 31<br/>2006</b> | <b>December 31<br/>2005</b> | <b>Changes</b>  | <b>%</b>     |
|---|--------------------------|-----------------------------|-----------------|--------------|
| Cash, cash equivalents and current financial assets | (1,277,136)              | (1,261,905)                 | (15,231)        | 1.2          |
| Short-term financing                                | 963,579                  | 1,142,124                   | (178,545)       | -15.6        |
| Medium/long-term financial assets                   | (388,671)                | (375,355)                   | (13,316)        | 3.5          |
| Medium/long-term financing                          | 2,509,772                | 2,391,202                   | 118,570         | 5.0          |
| <b>Net debt</b>                                     | <b>1,807,544</b>         | <b>1,896,066</b>            | <b>(88,522)</b> | <b>-4.7%</b> |
| <b>Total shareholders' equity</b>                   | <b>6,083,428</b>         | <b>5,916,748</b>            | <b>166,680</b>  | <b>2.8%</b>  |

## **Reconciliation schedules**

### **Note on changes in the consolidated income statement at March 31, 2005 published in the report for the first quarter of 2005.**

As a result of changes in the content of some items in the consolidated accounting schedules, a number of reclassifications have been made in the consolidated income statement for the first quarter to March 31, 2005 provided as a comparative to the income statement for the first quarter to March 31, 2006. A sub-total "Current gross operating profit" has been inserted in the schedule before the heading "Other income and charges". "Other income and charges" consists mainly of provisions relating to re-organization and restructuring programs, non-recurring gains/losses arising on the sale of intangible assets and property, plant and equipment, and fines and penalties (and any reversals) of an extraordinary nature.

The changes are illustrated in the table below. They have not had an impact on Gross operating profit, Operating income and Net income:

| <b>Italmobiliare Group</b>                   |                         | in thousands of euro |                                   |               |               |
|--|-------------------------|----------------------|-----------------------------------|---------------|---------------|
| <b>INCOME STATEMENT</b>                      | <b>1st quarter 2005</b> | <b>%</b>             | <b>1st quarter 2005 Published</b> | <b>%</b>      | <b>Change</b> |
| <b>Net sales</b>                             | <b>1,041,171</b>        | <b>100.0%</b>        | <b>1,041,171</b>                  | <b>100.0%</b> | <b>0</b>      |
| Other revenues                               | 12,122                  |                      | 12,122                            |               | 0             |
| Change in inventories                        | 15,846                  |                      | 15,846                            |               | 0             |
| Internal work capitalized                    | 2,103                   |                      | 2,103                             |               | 0             |
| Goods and utilities expense                  | (384,247)               |                      | (384,247)                         |               | 0             |
| Services expense                             | (272,668)               |                      | (274,183)                         |               | 1,515         |
| Employee benefits expense                    | (215,932)               |                      | (214,417)                         |               | (1,515)       |
| Other operating income and charges           | (37,081)                |                      | (36,118)                          |               | (963)         |
| <b>Current gross operating profit</b>        | <b>161,314</b>          | <b>15.5%</b>         | <b>162,277</b>                    | <b>15.6%</b>  | <b>(963)</b>  |
| Other income and charges                     | 11,124                  |                      | 10,161                            |               | 963           |
| <b>Gross operating profit - GOP</b>          | <b>172,438</b>          | <b>16.6%</b>         | <b>172,438</b>                    | <b>16.6%</b>  | <b>0</b>      |
| Amortization and depreciation                | (78,657)                |                      | (78,657)                          |               | 0             |
| Impairment variation                         | (126)                   |                      | (126)                             |               | 0             |
| <b>Operating income</b>                      | <b>93,655</b>           | <b>9.0%</b>          | <b>93,655</b>                     | <b>9.0%</b>   | <b>0</b>      |
| Financial income and charges                 | (16,591)                |                      | (16,591)                          |               | 0             |
| Income from companies valued on equity basis | 5,361                   |                      | 5,361                             |               | 0             |
| <b>Pre-tax income</b>                        | <b>82,425</b>           | <b>7.9%</b>          | <b>82,425</b>                     | <b>7.9%</b>   | <b>0</b>      |
| Tax for the period                           | (25,506)                |                      | (25,506)                          |               | 0             |
| <b>Net income</b>                            | <b>56,919</b>           | <b>5.5%</b>          | <b>56,919</b>                     | <b>5.5%</b>   | <b>0</b>      |
| Attributable to:                             |                         |                      |                                   |               |               |
| <b>Group</b>                                 | 18,213                  | 1.7%                 | 18,213                            | 1.7%          | 0             |
| <b>Minority interest</b>                     | 38,706                  | 3.7%                 | 38,706                            | 3.7%          | 0             |

- **Other income and charges, Other operating income and charges:** the net improvement of 963 thousand euro in “Other income and charges”, from 10,161 to 11,124 thousand euro, arises from the reclassification of recurring expense under “Other operating income and charges”;

- **Services expense and Employee benefits expense:** the reclassification of 1,515 thousand euro from “Services expense” to “Employee benefits expense” refers to the cost of supply personnel and directors’ emoluments, previously classified under services expense and now recognized under payroll costs.

## **NOTES TO FINANCIAL STATEMENTS**

### **FOREWORD**

The consolidated quarterly report at March 31, 2006 has been prepared in compliance with the International Financial Reporting Standards (IFRS) and is presented in accordance with the criteria set out in attachment 3D of the regulation approved by CONSOB resolution no. 11971 of May 14, 1999 and subsequent amendments.

### **BASIS OF PRESENTATION**

The consolidated accounting schedules are based on the accounts at March 31, 2006 of the consolidated companies, adjusted where necessary to ensure alignment with the IFRS-compliant classification criteria and accounting policies adopted by the Group.

The measurement criteria and consolidation principles are the same as those adopted in the 2005 consolidated financial statements.

## SCOPE OF CONSOLIDATION

The changes in the scope of consolidation compared with 31 March 2005 are as follows:

### Entered the consolidation

- On a line-by-line basis:
  - Italsinex S.p.A. (Italy)
  - Irc-Factor S.p.A (Italy)
  - Menaf (France)
  - Suez Cement Company (Egypt) (\*)
  - Tourah Portland Cement (Egypt) (\*)
  - Suez Bag Company (Egypt)
  - Asec Cement Company (Egypt) (\*\*)
  - Ciments Français Participations S.n.c. (France)
  - Granulats Ouest (France)
  - Cementi e Calci di S. Marinella S.r.l. (Italy)
  - Cementificio di Montalto S.p.A. (Italy)
  - Trabel Affretement (France)
  - Axim Building Technologies (Spain)
  
- On a proportionate basis:
  - Medcem S.r. (at 50%) (Italy)
  - Sitapuram Power (at 50%) (India)

### Sale of business:

Kayward S.A. (Ireland)

### Merged companies

By *S.r.l Nuove Costruzioni Edilizie Sance*: Duca d'Este S.r.l.

By *Punta Ala Promozione e Sviluppo Immobiliare S.r.l.*: Cantiere Navale di Punta Ala S.p.A.

By *Intermobiliare S.r.l. (now renamed Franco Tosi S.r.l.)*: Franco Tosi S.r.l.

(\*) on a line-by-line basis as from April 2005

(\*\*) on a line-by-line basis as from August 2005

## EXCHANGE RATES USED TO TRANSLATE THE FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

The accounts of foreign operations consolidated line-by-line or on a proportionate basis and those of foreign associates valued on an equity basis that report in currencies other than the euro have been translated into the presentation currency by adopting the exchange rate at March 31, 2006 for balance-sheet items and the average exchange rate for the first three months of 2006 for income-statement items.

Since January 1, 2006 Turkey is no longer classed as a hyperinflationary economy. Consequently, the Group's Turkish operations have no longer applied IAS 29 "Financial reporting in hyperinflationary economies"; their accounts, assets, liabilities, income and expense denominated in local currency have been translated into the presentation currency using the method illustrated above.

Exchange rates for 1 euro:

| Currencies           | Average      |           |              | Period-end    |              |               |
|----------------------|--------------|-----------|--------------|---------------|--------------|---------------|
|                      | 1st qu. 2006 | 2005      | 1st qu. 2005 | March 31 2006 | Dec. 31 2005 | March 31 2005 |
| US dollar            | 1.20230      | 1.24409   | 1.33130      | 1.21040       | 1.17970      | 1.29640       |
| Pound sterling       | 0.68625      | 0.68380   | 0.69362      | 0.69640       | 0.68530      | 0.68850       |
| Swiss franc          | 1.55903      | 1.54828   | 1.54877      | 1.58010       | 1.55510      | 1.54860       |
| Thai baht            | 47.27295     | 50.06249  | 50.59893     | 47.00800      | 48.43700     | 50.74680      |
| Moroccan dirham      | 10.93650     | 11.01431  | 11.09965     | 10.95380      | 10.86370     | 11.10570      |
| Canadian dollar      | 1.38944      | 1.50873   | 1.60362      | 1.40840       | 1.37250      | 1.57370       |
| Albanian lek         | 122.97820    | 124.02465 | 126.19497    | 122.64800     | 122.36200    | 125.98200     |
| Egyptian lira        | 6.90016      | 7.20893   | 7.66333      | 6.95566       | 6.77443      | 7.50625       |
| New Turkish lira     | 1.59435      | 1.66956   | 1.73         | 1.62110       | 1.59040      | 1.78          |
| Mauritanian ougulyia | 322.93818    | 329.04844 | 340.56847    | 325.11300     | 316.86700    | 343.80500     |
| Indian rupee         | 53.37076     | 54.82885  | 57.29020     | 54.01900      | 53.16790     | 56.73300      |
| Sri Lankan rupee     | 123.00618    | 125.05847 | 130.72606    | 124.33700     | 120.44900    | 129.64000     |
| Cypriot pound        | 0.57449077   | 0.57683   | 0.58267      | 0.57600       | 0.57350      | 0.58460       |
| Bosnian marc         | 1.95583      | 1.95583   | 1.95583      | 1.95583       | 1.95583      | 1.95583       |
| Bulgarian lev        | 1.95583      | 1.95583   | 1.95583      | 1.95583       | 1.95583      | 1.95583       |
| Czech crown          | 28.59938     | 29.78201  | 30.01170     | 28.59500      | 29.00000     | 29.95500      |
| Slovak crown         | 37.45560     | 38.59890  | 38.29410     | 37.63000      | 37.88000     | 38.67200      |
| Serbian dinar        | 87.30670     | 83.09320  | 79.94350     | 86.92450      | 85.26160     | 81.53990      |
| Hungarian florin     | 254.59200    | 248.05400 | 245.01400    | 265.74000     | 252.87000    | 247.20000     |
| Ukranian hrivna      | 6.08802      | 6.35588   | 6.95182      | 6.12657       | 5.95749      | 6.84615       |
| Croatian kuna        | 7.34263      | 7.39894   | 7.50040      | 7.34200       | 7.37150      | 7.43707       |
| New Romanian leu (*) | 3.56376      | 3.62090   | 37,069.40000 | 3.51980       | 3.68020      | 36,737.00000  |
| Slovenian tallero    | 239.50900    | 239.56800 | 239.73600    | 239.56000     | 239.50000    | 239.73000     |
| Kazakh tange         | 157.44843    | 165.23860 | 170.68976    | 155.36300     | 157.79800    | 171.64300     |

(\*) As from July 2005 the New Romanian leu was introduced as the new currency, at the following conversion rate: 1 RON (New Romanian leu) = 10,000 ROL (Romanian leu)

## - NET SALES

Revenues from sales and services totaled 1,357,690 thousand euro (1,041,171 thousand euro in the 1<sup>st</sup> quarter of 2005), as follows:

in thousands of euro

|   | 1st quarter 2006        | 1st quarter 2005        | Change                |                      |
|---|-------------------------|-------------------------|-----------------------|----------------------|
|   |                         |                         | Value                 | %                    |
| <b><i>Industrial revenues</i></b>                 |                         |                         |                       |                      |
| Product sales                                     | 1,282,257               | 990,352                 | 291,905               | 29.5%                |
| Revenues from services                            | 42,546                  | 32,995                  | 9,551                 | 28.9%                |
| Other revenues                                    | 4,245                   | 2,710                   | 1,535                 | 56.6%                |
| <b><i>Total</i></b>                               | <b><i>1,329,048</i></b> | <b><i>1,026,057</i></b> | <b><i>302,991</i></b> | <b><i>29.5%</i></b>  |
| <b><i>Financial revenues</i></b>                  |                         |                         | 0                     |                      |
| Interest  | 3,857                   | 3,312                   | 545                   | 16.5%                |
| Dividends   | 2,621                   | 402                     | 2,219                 | 552.0%               |
| Capital gains                                     | 9,710                   | 851                     | 8,859                 | 1041.0%              |
| Other revenues                                    | 135                     | (29)                    | 164                   | -565.5%              |
| <b><i>Total</i></b>                               | <b><i>16,323</i></b>    | <b><i>4,536</i></b>     | <b><i>11,787</i></b>  | <b><i>259.9%</i></b> |
| <b><i>Banking revenues</i></b>                    |                         |                         |                       |                      |
| Interest  | 1,659                   | 1,499                   | 160                   | 10.7%                |
| Commission  | 8,811                   | 7,720                   | 1,091                 | 14.1%                |
| Other revenues                                    | 1,515                   | 1,073                   | 442                   | 41.2%                |
| <b><i>Total</i></b>                               | <b><i>11,985</i></b>    | <b><i>10,292</i></b>    | <b><i>1,693</i></b>   | <b><i>16.4%</i></b>  |
| <b><i>Revenues from property and services</i></b> | <b><i>334</i></b>       | <b><i>286</i></b>       | <b><i>48</i></b>      | <b><i>16.8%</i></b>  |
| <b>Total</b>                                      | <b>1,357,690</b>        | <b>1,041,171</b>        | <b>316,519</b>        | <b>30.4%</b>         |

## - GOODS AND UTILITIES EXPENSE

Goods and utilities expense stood at 497,499 thousand euro (384,247 thousand euro in the 1<sup>st</sup> quarter of 2005), as follows:

|   | 1st quarter<br>2006 | 1st quarter<br>2005 | in thousands of euro<br>Change |              |
|---|---------------------|---------------------|--------------------------------|--------------|
|   |                     |                     | Value                          | %            |
| Raw materials and semi-finished products                      | (164,673)           | (130,202)           | (34,471)                       | 26.5%        |
| Fuel  | (87,390)            | (75,450)            | (11,940)                       | 15.8%        |
| Packaging, materials and machinery                            | (89,482)            | (70,470)            | (19,012)                       | 27.0%        |
| Finished goods  | (57,818)            | (52,409)            | (5,409)                        | 10.3%        |
| Electricity, water, gas                                       | (109,055)           | (74,347)            | (34,708)                       | 46.7%        |
| Change in inventories of raw materials, consumables and other | 10,919              | 18,631              | (7,712)                        | -41.4%       |
| <b>Total</b>  | <b>(497,499)</b>    | <b>(384,247)</b>    | <b>(113,252)</b>               | <b>29.5%</b> |

## - SERVICES EXPENSE

Services expense totaled 324,340 thousand euro (272,688 thousand euro in the 1<sup>st</sup> quarter of 2005), as follows:

|                                   | 1st quarter 2006 | 1st quarter 2005 | Change          |              |
|-----------------------------------|------------------|------------------|-----------------|--------------|
|                                   |                  |                  | Value           | %            |
| External services and maintenance | (123,110)        | (103,490)        | (19,620)        | 19.0%        |
| Transport                         | (118,898)        | (99,821)         | (19,077)        | 19.1%        |
| Legal fees and consultancy        | (14,197)         | (11,693)         | (2,504)         | 21.4%        |
| Rents                             | (21,369)         | (18,744)         | (2,625)         | 14.0%        |
| Insurance                         | (11,398)         | (9,979)          | (1,419)         | 14.2%        |
| Subscriptions                     | (2,796)          | (2,659)          | (137)           | 5.2%         |
| Other                             | (32,572)         | (26,282)         | (6,290)         | 23.9%        |
| <b>Total</b>                      | <b>(324,340)</b> | <b>(272,668)</b> | <b>(51,672)</b> | <b>19.0%</b> |

## - EMPLOYEE BENEFITS EXPENSE

Total employee benefits expense amounted to 236,979 thousand euro (215,932 thousand euro in the 1st quarter of 2005), as follows:

|                               | in thousands of euro |                  |                 |             |
|-------------------------------|----------------------|------------------|-----------------|-------------|
|                               | 1st quarter 2006     | 1st quarter 2005 | Change          |             |
|                               |                      |                  | Value           | %           |
| Wages and salaries            | (153,659)            | (140,537)        | (13,122)        | 9.3%        |
| Social security contributions | (51,581)             | (49,145)         | (2,436)         | 5.0%        |
| Provisions and pension funds  | (7,315)              | (7,905)          | 590             | -7.5%       |
| Cost of stock option plans    | (743)                | (375)            | (368)           | 98.1%       |
| Other expense                 | (23,681)             | (17,970)         | (5,711)         | 31.8%       |
| <b>Total</b>                  | <b>(236,979)</b>     | <b>(215,932)</b> | <b>(21,047)</b> | <b>9.7%</b> |

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

|                                   | (heads)          |                  |        |
|-----------------------------------|------------------|------------------|--------|
|                                   | 1st quarter 2006 | 1st quarter 2005 | 2005   |
| Number of employees at period end | 22,912           | 18,394           | 22,857 |
| Average number of employees       | 22,895           | 18,368           | 21,304 |

## - OTHER OPERATING INCOME AND CHARGES

Other operating expense net of income amounted to 47,725 thousand euro (37,081 thousand euro in the 1<sup>st</sup> quarter of 2005), as follows:

|  | 1st quarter 2006 | 1° trimestre 2005 | in thousands of euro |              |
|--|------------------|-------------------|----------------------|--------------|
|  |                  |                   | Value                | %            |
| Other taxes  | (16,768)         | (16,443)          | (325)                | 2.0%         |
| Provision for bad debts                            | (2,616)          | (4,191)           | 1,575                | -37.6%       |
| Provision for environmental restoration - quarries | (7,138)          | (4,942)           | (2,196)              | 44.4%        |
| Financial companies expense                        | (3,456)          | (2,633)           | (823)                | 31.3%        |
| Banking companies expense                          | (1,162)          | (1,026)           | (136)                | 13.3%        |
| Other expense                                      | (16,793)         | (7,712)           | (9,081)              | 117.8%       |
| Other income/(expense)                             | 208              | (134)             | 342                  | -255.2%      |
| <b>Total</b>                                       | <b>(47,725)</b>  | <b>(37,081)</b>   | <b>(10,644)</b>      | <b>28.7%</b> |

The increase in “Other expense” refers mainly to provisions totaling 7.9 million euro for CO<sub>2</sub> emissions in excess of rights assigned. The amount reflects a provision of 4.0 million euro for the 2006 first-quarter pro-quota deficit (chiefly Italcementi S.p.A.) and a 3.9 million euro adjustment to the provision at the end of 2005 to reflect market value at March 31, 2006. The per-right market value rose from € 21.19 at December 30, 2005 to € 26.64 at March 31, 2006.

## - OTHER INCOME AND CHARGES

Other income net of other expense amounted to 3,476 thousand euro (11,124 thousand euro in the 1st quarter of 2005) and mainly referred to net gains on the sale of tangible assets.

## - AMORTIZATION AND DEPRECIATION

The total amount of 103,436 thousand euro (78,657 thousand euro in the 1st quarter of 2005) refers to depreciation of property, plant and equipment for 100,467 thousand euro.

## - FINANCIAL INCOME AND CHARGES

The net amount of 20,292 thousand euro (16,591 thousand euro in the 1<sup>st</sup> quarter of 2005), was as follows:

|   | in thousands of euro |                  |                |              |
|---|----------------------|------------------|----------------|--------------|
|   | 1st quarter 2006     | 1st quarter 2005 | Change         |              |
|   |                      |                  | Value          | %            |
| Interest income                             | 5,442                | 9,166            | (3,724)        | -40.6%       |
| Interest expense                            | (28,383)             | (25,569)         | (2,814)        | 11.0%        |
| <b>Net interest in relation to net debt</b> | <b>(22,941)</b>      | <b>(16,403)</b>  | <b>(6,538)</b> | <b>39.9%</b> |
| Translation differences                     | (223)                | 1,466            | (1,689)        | -115.2%      |
| Other net income/(expense)                  | 2,872                | (1,654)          | 4,526          | -273.6%      |
| <b>Total</b>                                | <b>(20,292)</b>      | <b>(16,591)</b>  | <b>(3,701)</b> | <b>22.3%</b> |

Net financial charges rose by 3.7 million euro, approximately 22.3% compared to the previous year.

Net interest on net debt rose by 6.5 million euro; the change was due to the increase in average debt due mainly to the effect arising from the consolidation of the Suez group as well as a volume effect set off only in part by a reduction in the average interest rate.

## - INCOME FROM COMPANIES VALUED ON EQUITY BASIS

The net amount at March 31, 2006 was as follows:

in thousands of euro

|                              | 1st quarter 2006 | 1st quarter 2005 | Change         |               |
|------------------------------|------------------|------------------|----------------|---------------|
|                              |                  |                  | Value          | %             |
| Suez Group (Egypt)           |                  | 4,798            | (4,798)        | -100.0%       |
| Vassiliko (Cyprus)           | 974              | 709              | 265            | 37.4%         |
| Ciment Quebec (Canada)       | (1,257)          | (1,001)          | (256)          | 25.6%         |
| Innocon (Canada)             | (993)            | (800)            | (193)          | 24.1%         |
| Mittel (Italy)               | 2,464            | 1,458            | 1,006          | 69.0%         |
| Universal imballaggi (Italy) | 10               | 24               | (14)           | -58.3%        |
| Immobiliare Golf (Italy)     | (5)              | (13)             | 8              | -61.5%        |
| Others                       | (274)            | 186              | (460)          | -247.3%       |
| <b>Total</b>                 | <b>919</b>       | <b>5,361</b>     | <b>(4,442)</b> | <b>-82.9%</b> |

## - TAX FOR THE PERIOD

The tax charge shown on the income statement was 51,839 thousand euro (25,506 thousand euro in the 1<sup>st</sup> quarter of 2005), as follows:

in thousands of euro

|                | 1st quarter 2006 | 1st quarter 2005 | Change          |               |
|----------------|------------------|------------------|-----------------|---------------|
|                |                  |                  | Value           | %             |
| Current tax    | (55,208)         | (23,914)         | (31,294)        | 130.9%        |
| Deferred tax   | 3,213            | (2,844)          | 6,057           | -213.0%       |
| Prior-year tax | 156              | 1,252            | (1,096)         | -87.5%        |
| <b>Total</b>   | <b>(51,839)</b>  | <b>(25,506)</b>  | <b>(26,333)</b> | <b>103.2%</b> |

## - FLOWS FOR INVESTMENTS

To 31 March 2006, flows for investments were as follows:

|  | in thousands of euro |                  |                  |               |
|--|----------------------|------------------|------------------|---------------|
|  | 1st quarter 2006     | 1st quarter 2005 | Change           |               |
|  |                      |                  | Value            | %             |
| Intangible assets  | 1,313                | 3,258            | (1,945)          | -59.7%        |
| Property, plant and equipment                            | 73,259               | 67,324           | 5,935            | 8.8%          |
| Financial assets   | 24,363               | 142,711          | (118,348)        | -82.9%        |
| Change in payables/receivables for fixed asset purchases | 26,206               | 22,913           | 3,293            | 14.4%         |
| <b>Total</b>   | <b>125,141</b>       | <b>236,206</b>   | <b>(111,065)</b> | <b>-47.0%</b> |

Investments in property, plant and equipment totaled 73.3 million euro, up by approximately 8.8% compared to the 1st quarter of 2005 and were largely concentrated in European Union countries (Italy, France and Spain) for 49.7 million euro and in North America for 11.2 million euro.

Investments in financial assets totaled 24.4 million euro, consisting largely of purchases of minority interests in cement Turkish companies active also in ready mixed concrete business.

## - NET DEBT

Net debt at March 31, 2006, was 1,807,544 thousand euro (1,896,066 thousand euro at December 31, 2005), and consisted of gross financing totaling 3,473,351 thousand euro and gross financial assets of 1,665,807 thousand euro.

“Gross financing” of 3,473,351 thousand euro (3,533,326 thousand euro at December 31, 2005) was composed of short-term financing of 963,579 thousand euro (1,142,124 thousand euro at December 31, 2005) and medium/long-term financing of 2,509,772 thousand euro (2,391,202 thousand euro at December 31, 2005).

The fall in net debt compared to December 31, 2005, of 88,522 thousand euro was made up as follows:

|   | in thousands of euro           |
|---|--------------------------------|
|   | Change vs December<br>31, 2005 |
| Cash, cash equivalents and current financial assets | (15,231)                       |
| Short-term financing                                | (178,545)                      |
| <b>Change in short-term net debt</b>                | <b>(193,776)</b>               |
| Medium/long-term financial assets                   | (13,316)                       |
| Medium/long-term financing                          | 118,570                        |
| <b>Change in medium/long-term net debt</b>          | <b>105,254</b>                 |
| <b>Change in net debt</b>                           | <b>(88,522)</b>                |

The change was the result of net cash inflows arising from:

- operations, before movements in working capital, for 258.3 million euro;
- movements in working capital for - 88 million euro;
- investments for - 125.1 million euro;
- disposals for 24.2 million euro;
- other net movements for 19.1 million euro.