

BOARD OF DIRECTORS EXAMINES RESULTS FOR FINANCIAL YEAR 2005

ITALMOBILIARE GROUP:

- **TOTAL NET INCOME: 606.1 MILLION EURO (+15.1%)**
- **GROUP NET INCOME: 211.3 MILLION EURO (+10.3%)**
- **INVESTMENTS: 1,253.7 MILLION EURO (439.3 MILLION EURO IN 2004)**
- **NET DEBT: 1,896.1 MILLION EURO (1,470.3 MILLION EURO AT JANUARY 1, 2005)**
- **SHAREHOLDERS EQUITY RISES TO 5,916.7 MILLION EURO (FROM 4,459.8 MILLION EURO AT THE BEGINNING OF THE YEAR). GEARING MAKES SLIGHT IMPROVEMENT TO 32%**

ITALMOBILIARE S.p.A.:

- **NET INCOME: 71.3 MILLION EURO (76.4 MILLION EURO IN 2004 WITH EXTRAORDINARY INCOME OF APPROXIMATELY 16 MILLION EURO RELATING TO REVERSAL OF PRIOR-YEAR FISCALLY DRIVEN ITEMS)**
- **DIVIDEND: UP TO 1.27 EURO FOR ORDINARY SHARES (+15.5%) AND 1.348 EURO FOR SAVINGS SHARES (+14.4%). COUPON TEAR-OFF MAY 22, PAYMENT MAY 25, 2006**
- **UNREALIZED GAINS: MORE THAN 1,547 MILLION EURO ON PARENT COMPANY LISTED EQUITY INVESTMENTS AT DECEMBER 31, 2005**

Milan, March 22, 2006 – *The Board of Directors of Italmobiliare S.p.A. yesterday examined and approved the report and the parent company and consolidated financial statements for financial year 2005. In compliance with the IAS/IFRS standards, the Group posted **total net income** of 606.1 million euro, an improvement of 15.1% from 2004.*

*At the Shareholders' Meeting convened for April 27 and 28 (first and second call respectively), the Board of Directors will propose a **dividend** of 1.27 euro to ordinary shares (1.10 euro on 2004 income) and 1.348 euro to savings shares (1.178 euro). Coupon tear-off will be May 22, with payment as from May 25.*

*Financial 2005 saw a sharp rise in **investments** (1,253.7 million euro against 439.3 million euro in 2004), with increases in both capital expenditure (466.2 million euro) and financial investments largely in relation to the enlargement of the consolidation in the construction materials business in Egypt (Suez Cement consolidated line-by-line as from April 1 and Asec Cement as from August 1, 2005). A portion of the year's financial investments also focused on strengthening the Group's equities portfolio. As a result of this important program, **net debt** rose to 1,896.1 million euro (with a limited increase of 425.7 million euro). End-of-year **gearing**, however, improved slightly from 33% to 32% thanks in*

part to the substantial rise in **shareholders' equity** to 5,916.7 million euro (an increase of 1,456.9 million euro since the beginning of the year).

Among the Italmobiliare Group's **core businesses**, performance in 2005 in construction materials reflected growth in sales and margins in the countries covered by Italcementi (with the exception of Greece, Italy and Thailand), driven by the contribution of the emerging countries and the enlargement of the consolidation to operations in Egypt; the food packaging and thermal insulation business of Sirap Gema also made a positive contribution. Similarly, profit performance improvements were reported in the banking and financial sectors compared with 2004.

The **parent company Italmobiliare S.p.A.** – using Italian GAAP – reported net income for the year of 71.3 million euro (76.4 million euro in 2004 which included extraordinary upward adjustments of 15.9 million euro on the reversal of prior-year fiscally driven items). **Unrealized gains** on listed securities at the end of the year totaled 1,547.6 million euro (1,145.5 million euro at the end of 2004).

For the current year, the Group's core businesses should benefit from higher growth rates for operations in the emerging countries and from some improvements on more mature markets. Despite the lively performance of equities in the last few months, the outlook for the financial market as a whole is uncertain, due in part to higher interest rates.

Consequently, **projections for 2006** indicate that, subject to currently unforeseeable events, the Group may post higher consolidated operating income than in 2005. On the basis of the information available at present and subject to unforeseeable events, the parent company Italmobiliare S.p.A., which will adopt the IAS/IFRS standards as from financial year 2006, expects to post an improvement in its separate income, after reclassification of the 2005 result for consistency with the new accounting standards.

The Board of Directors approved an amendment in **Corporate Governance** in line with "Market abuse" regulations and the "Law on savings". The Board also decided to ask the Shareholders to renew the authorization to purchase and dispose of treasury shares, to renew powers to increase share capital to service the stock option plan for managers and to amend art. 10 of the By-laws (Participation and representation at Shareholder's Meeting).

FOURTH QUARTER 2005 – Global performance in the fourth quarter of 2005 was positive compared with fourth-quarter 2004. Net sales (1,345.1 million euro) and current operating profit (310.5 million euro) rose by 15.3% and 23.6%, thanks to the contribution of the Egyptian companies in the construction materials business (Suez Cement and Asec Cement, which entered the line-by-line consolidation during 2005), the improvement in the banking sector and stability in the Group's other businesses.

Fourth-quarter net income before minority interest was 182.6 million euro, an improvement of 47.3% from the year-earlier fourth quarter arising in part from a reduction in net financial charges and a lower tax charge.

THE GROUP – In full-year 2005, Italmobiliare Group consolidated **net sales** gained 10.3% to reach 5,265.7 million euro (reflecting a 4.5% improvement in sales, changes in the consolidation area for 5% and a positive exchange-rate effect for 0.8%).

Current gross operating profit and **gross operating profit** increased respectively to 1,218.3 million euro (+6.7%) and 1,203.9 million euro (+4.3%), benefiting significantly from the consolidation of the Egyptian construction materials operations; gross operating profit was affected by non-recurring charges totaling 37.5 million euro for re-organization plans in construction materials. Operating results were also affected by continual rises in operating costs, notably for energy and raw materials.

Operating income, after higher amortization and depreciation charges than in 2004 as a result mainly of the enlarged consolidation area (379.2 million euro against 315.4 million euro), dropped 1.8% to 822.1 million euro. Significant progress was reported in Turkey and satisfactory if more moderate growth was achieved in North America and Bulgaria. There was a slowdown in Italy, Thailand, Greece and France, caused, however, by non-recurring restructuring charges.

Financial charges, net of financial income, totaled 35.7 million euro and were significantly lower (-30.3 million euro) mainly as a result of positive exchange-rate effects, higher dividend flows, gains on the sale of equity investments and the dilution of the Group interest in Suez Cement (after the share capital increase at the end of December).

Pre-tax income was 807.1 million euro, up 1.7% from 2004. The tax charge (201 million euro compared with 266.8 million euro in 2004) included extraordinary income of 42.8 million euro due to treatment of FRSS in France in accordance with the “Loi de finances 2006”. Tax charges also benefited from the positive outcome of disputes in Greece and Spain.

Total net income for the year was 606.1 million euro (+15.1%) while **net income attributable to the Group**, after minority interest of 394.8 million euro, was 211.3 million euro, an improvement of 10.3% from 2004.

Net debt at December 31, 2005 was 1,896.1 million euro, an increase of 425.7 million euro from January 1, 2005 (after application of IAS 32 and 39). The increase arose from the year’s high **total investments**, for 1,253.7 million euro (439.3 million in 2004), for the most part in the construction materials business.

Total shareholders’ equity at December 31, 2005, was 5,916.7 million euro, up by 1,456.9 million euro from January 1, 2005 (IAS 32 and 39).

Gearing (net debt/shareholders’ equity) at year end was 32.05% from 33% at the end of 2004.

Performance of the core businesses – In the **construction materials** business, covered by the *Italcementi* group, net sales (as announced by the company on March 9) rose by 10.4% to approximately 5 billion euro, thanks to growth in almost all the mature countries (except Italy and Greece), a strong improvement in the emerging countries and the consolidation during the year of Suez Cement and Asec Cement Company in Egypt. Current gross operating profit and gross operating profit grew by 5.7% and 3.7% respectively. Operating income was down by 2.9% from 2004 as a result of higher amortization and depreciation. The improvement in financial and tax items helped produce net income attributable to the Group of 391.2 million euro, a rise of 11.5% from 2004.

In the **food packaging and thermal insulation** business, the *Sirap Gema* group reported an improvement in its business indicators in 2005. Specifically, net sales gained 7.8% to 166 million euro, reflecting the positive effect of packaging prices and insulation sales volumes; operating income was 17.1 million euro (+13.7%) thanks to the significant contribution of the packaging sector and despite average levels remaining high on the raw materials market. Net income was 7.9 million euro (8.3 million euro in 2004) after higher financial charges and, above all, increased fiscal incidence. In 2004 the *Sirap Gema* group had extraordinary prior-year tax gains.

The **financial** sector, which includes the parent company *Italmobiliare S.p.A.* and the wholly owned financial companies, reported a 6.4% increase in financial income (net of debt servicing charges) to 100.4 million euro. Net income improved by 4.3% to 91.9 million euro. The financial sector had a positive net financial position at December 31, of 303.4 million euro (268.2 million euro at January 1, 2005).

The **banking** sector (*Finter Bank Zurich* and *Crédit Mobilier de Monaco*) reported substantial progress on the earning margin from 36.4 million euro to 42.5 million euro, in part due to higher asset management fees; net income rose to 6.4 million euro from 5.7 million euro in 2004.

THE PARENT COMPANY – The parent company **Italmobiliare S.p.A.**, whose 2005 financial statements are drawn up in compliance with Italian GAAP, had net income for the year of 71.3 million euro, compared with 76.4 million euro in 2004. However, the 2004 result included upward adjustments totaling 15,9 million euro, for the reversal of prior-year fiscally driven items. Without these adjustments, 2004 net income would have been 60.5 million euro; on a like-for-like basis, therefore, net income improved 17.8% in 2005.

Based on average share prices on the Milan stock exchange in the six months before closure for non-current equity investments and in December for investments held as current assets, at the end of the year the parent company had **unrealized gains on listed securities** totaling 1,547.6 million euro (1,145.5 million euro at December 31, 2004).

At the Shareholders' Meeting convened for April 27 and 28 (first and second call respectively), the Board of Directors will propose a **dividend** of 1.27 euro to ordinary shares (1.10 euro on 2004) and 1.348 euro to savings shares (1.178 euro). Coupon tear-off will be May 22, with payment as from May 25.

OUTLOOK – In 2006, the Group's core businesses should benefit from higher growth rates for operations in the emerging countries, and from some improvements on more mature markets. Despite the lively performance of equities in the last few months, the outlook for the financial market as a whole is uncertain, due in part to higher interest rates. Consequently, taking account of the different trends forecast in the Group's core businesses and their relative weight, consolidated operating income should be higher than in 2005, subject to currently unforeseeable events. On the basis of information available at present and subject to unforeseeable events, the parent company Italmobiliare S.p.A., which will adopt the IAS/IFRS standards as from financial year 2006, expects to post an improvement in its separate income, after reclassification of the 2005 result for consistency with the new accounting standards.

BOND ISSUES AND BOND MATURITIES – In the period under review and in the 18 months after December 31, 2005, there are no new bond issues or bond maturities, apart from those disclosed by the subsidiary Italcementi S.p.A. in its press release of March 8 last.

ITALMOBILIARE ON THE INTERNET: http://www.italmobiliare.it

Attachments: pre-audit condensed income statements and balance sheets

Italmobiliare Group					
Income Statement <small>(thousands of euro)</small>	2005	%	2004 IFRS	%	% change
Net sales	5,265,696	100.0	4,772,954	100.0	10.3
Other revenues	58,869		48,080		
Change in inventories	22,427		(878)		
Internal work capitalized	27,021		13,544		
Goods and utilities expense	(1,819,620)		(1,540,377)		
Services expense	(1,261,064)		(1,166,267)		
Employee benefits expense	(950,501)		(840,499)		
Other operating income/(expense)	(164,572)		(144,485)		
Current Gross Operating Profit	1,218,256	23.1	1,142,072	23.9	6.7
Other income/(expense)	(14,386)		12,276		
Gross Operating Profit (*)	1,203,870	22.9	1,154,348	24.2	4.3
Amortization and depreciation	(379,226)		(315,446)		
Adjustments in fixed asset values	(2,579)		(2,042)		
Operating Income	822,065	15.6	836,860	17.5	-1.8
Financial income and charges	(35,666)		(65,922)		
Income of companies valued at equity	20,678		22,321		
Pre-tax income	807,077	15.3	793,259	16.6	1.7
Tax for the period	(201,015)		(266,824)		
Net income for the period	606,062	11.5	526,435	11.0	15.1
Attributable to:					
Group profit	211,290	4.0	191,510	4.0	10.3
Minority interest	394,772	7.5	334,925	7.0	17.9
Earnings per share					
- Basic					
savings shares	5,664		5,137		
ordinary shares	5,586		5,059		
- Diluted					
savings shares	5,656		5,137		
ordinary shares	5,578		5,057		

(*) Compared with current gross operating profit, includes non-recurring income and charges

Italmobiliare Group			
Condensed Balance Sheet <small>(thousands of euro)</small>	12/31/2005	01/01/2005 IAS 32-39	12/31/2004 IFRS
Non-current assets			
PPE and investment property	4,011,743	2,968,128	2,968,128
Intangible assets	1,891,876	1,223,947	1,223,947
Other non-current assets	2,067,393	1,875,548	1,374,961
Total Non-Current Assets	7,971,012	6,067,623	5,567,036
Current assets			
Inventories	720,280	545,888	545,888
Trade receivables	1,333,421	1,241,993	1,062,664
Other current assets	1,210,582	1,043,828	1,063,236
Cash and cash equivalents	518,170	373,293	373,280
Total Current Assets	3,782,453	3,205,002	3,045,068
Total Assets	11,753,465	9,272,625	8,612,104
Shareholders' Equity			
Attributable to group	2,696,289	2,204,657	1,798,073
Minority interest	3,220,459	2,255,132	2,178,063
Total Shareholders' Equity	5,916,748	4,459,789	3,976,136
Non-current liabilities			
Interest-bearing loans and long-term borrowings	2,375,059	2,094,396	2,020,256
Other non-current liabilities	901,838	792,670	780,432
Total Non-Current Liabilities	3,276,897	2,887,066	2,800,688
Current liabilities			
Bank overdrafts and short-term borrowings	1,140,495	633,742	563,826
Trade payables	745,365	680,455	680,455
Other current liabilities	673,960	611,573	590,999
Total Current Liabilities	2,559,820	1,925,770	1,835,280
Total Liabilities	5,836,717	4,812,836	4,635,968
Total Shareholders' Equity and Liabilities	11,753,465	9,272,625	8,612,104

Italmobiliare Group		
Condensed cash flows <small>(thousands of euro)</small>	2005	2004
Net debt at 01.01.2004		(1,600,047)
Net debt at 12.31.2004	(1,312,477)	
Application IAS 32 and IAS 39	(157,851)	
Net debt at 01.01.2005	(1,470,328)	
Cash flow from operating activities	792,140	736,469
Investments:		
PPE, investment property, intangible assets	(479,965)	(333,778)
Financial fixed assets	(773,761)	(105,504)
Investments		
Divestments	110,800	54,765
Dividends paid	(153,469)	(129,761)
Share capital increases subscribed by minorities	230,500	---
Treasury share buy-backs	(11,211)	---
Net debt of acquisitions	(174,300)	(5,300)
Other	33,528	70,679
Change in net debt	(425,738)	287,570
Closing net debt	(1,896,066)	(1,312,477)

Italmobiliare S.p.A.			
Composition Income Statement <small>(thousands of euro)</small>	2005	2004	% change
Income from equity investments, of which:	68,530	74,550	(8.08)
dividends	67,882	74,023	(8.30)
trading gains	648	527	22.96
Other financial income	7,967	2,162	n.s.
Interest and other financial charges	(10,557)	(9,368)	(12.69)
Total financial income and charges	65,940	67,344	(2.08)
Adjustments to financial asset values	11,429	(119)	n.s.
Balance other operating income/ costs	(10,141)	(10,035)	(1.06)
Profit on ordinary activities	67,228	57,190	17.55
Balance extraordinary income/charges	(279)	16,480	n.s.
Income before tax	66,949	73,670	(9.12)
Income tax	4,371	2,710	61.29
Net income for the period	71,320	76,380	6.62
Reversal fiscally driven items	---	(15,861)	
Net income for the period less fiscally driven items	71,320	60,519	

Italmobiliare S.p.A.			
Balance Sheet <small>(thousands of euro)</small>	12/31/2005	12/31/2004	% change
Fixed assets			
Tangible and intangible assets	3,572	3,664	(2.5)
Equity investments	1,396,794	1,327,811	5.2
Receivables ⁽¹⁾	17,971	30,025	(40.1)
Treasury shares	22,176	21,192	4.6
Total	1,440,513	1,382,692	4.2
Working capital			
Equity investments and non-financial receivables	46,322	38,606	20.0
Other assets	136	112	21.4
Other liabilities	(21,519)	(14,302)	(50.5)
Total	24,939	24,416	2.1
Total capital employed	1,465,452	1,407,108	4.1
Covered by:			
Shareholders' equity	1,035,453	1,007,502	2.8
Provisions and employee termination indemnities	27,899	27,310	2.2
Net debt	402,100	372,296	8.0
Total financial coverage	1,465,452	1,407,108	4.1
Unrealized gains on listed securities	1,547,626	1,145,519	35.1

(1) Net of portion included in net debt.