ITALMOBILIARE

Quarterly report at March 31, 2011

ITALMOBILIARE

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ITALMOBILIARE S.P.A. DIRECTORS, OFFICERS AND AUDITORS

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ITALMOBILIARE

Quarterly report

at March 31, 2011

May 13, 2011

ITALMOBILIARE
Società per Azioni

Head Office: Via Borgonuovo, 20
20121 Milan – Italy
Share Capital € 100,166,937
Milan Companies Register

Italmobiliare S.p.A. Directors, Officers and Auditors

Board of Directors

(Term ends on approval of financial statements at 12.31.2010)

Giampiero Pesenti	1-2	Chairman-Chief Executive Officer
Italo Lucchini	1-3	Deputy Chairman
Carlo Pesenti	1	Chief Operating Officer
Piergiorgio Barlassina		
Mauro Bini	4-5-6-7-8	
Giorgio Bonomi	4	
Gabriele Galateri di Genola	3-6	
Jonella Ligresti	5-6	
Luca Minoli		
Giorgio Perolari	1-3-4-5-6	
Livio Strazzera	1	
Francesco Saverio Vinci		
Graziano Molinari	9	Secretary to the Board

Board of Statutory Auditors

(Term ends on approval of financial statements at 12.31.2010)

Acting auditors	
Mario Cera	Chairman
Luigi Guatri	
Leonardo Cossu	
Substitute auditors	
Marco Confalonieri	
Enrico Locatelli	

Giorgio Moroni	Manager in charge of preparing the company's financial reports
KPMG S.p.A.	Independent Auditors

1 Member of the Executive Committee
2 Executive director responsible for supervising the internal control system
3 Member of the Remuneration Committee
4 Member of the Internal Control Committee
5 Member of the Committee for Dealings with Related Parties
6 Independent director (pursuant to the Voluntary Code of Conduct and Law no. 58, February 24, 1998)
7 Lead independent director
8 Member of the Compliance Committee
9 Secretary to the Executive Committee

COMMENTS ON OPERATIONS

FOREWORD

This quarterly report as at and for the year to March 31, 2011, has been drawn up in compliance with article 154 ter, paragraph 5, of Legislative Decree no. 58 of February 24, 1998, and subsequent amendments. It is also compliant with the measurement and recognition criteria of the International and Financial Reporting Standards (IAS / IFRS).

The main changes in policies and interpretations with respect to the financial statements as at and for the year to December 31, 2010, are illustrated in the comments on the financial statements. They had no material effects in the first quarter of 2011.

With regard to the scope of consolidation, the Calcestruzzi group has been consolidated (on a line-by-line basis) as from January 1, 2011, while the Group operations conducted in Turkey through Set Group were treated as held-for-sale assets (application of IFRS 5) as from the beginning of the year and subsequently sold at the end of March. In compliance with IFRS 5, net profit from discontinued operations, both for the period under review and for the year-earlier period, is shown in a separate item on the income statement. A similar basis of presentation has been used for cash flows.

As already noted in prior-year quarterly reports, Group business activities are subject to seasonal trends, and performance in the first months of the year is affected in particular by meteorological conditions and by the fact that plant maintenance work is concentrated in the winter months. The results for the first quarter therefore cannot be considered as a significant indication of a full-year trend.

INFORMATION ON OPERATIONS

According to available information, in the first quarter of 2011 world economic activity improved, although volatility remained high. Among the industrialized economies, the euro zone reported a degree of progress, even though the difficulties stemming from the financial situation of some of the peripheral member states have not been resolved. The expansion of the emerging area continued at a sustained overall pace, although the differences among the results of the individual countries widened.

Commodity prices, and energy prices in particular, rose much more sharply than expected during the first quarter. The unrest in the Arab world, and the consequent widespread fears of shortages in the supply of oil, kept oil prices high. The sharp rise in commodity prices pushed up inflation almost everywhere; in the euro zone expectations of a prompter reaction by the European Central Bank helped strengthen the single currency, which returned to a level of more than 1.4 against the dollar at the end of the period.

There was greater volatility on the financial markets in the first three months of the year, reflecting the impact of the war in Libya and the Japanese earthquake. Pressures on sovereign debt in some countries in the euro zone intensified, with adverse effects for credit worthiness and repercussions on yields on government securities, with significant differences emerging among the various EU countries.

Overall, long-term yields on government securities in the euro zone and the USA rose slightly, although the upswing was partially offset by continuing tension that led many investors to prefer stores of value.

Share prices in many industrial economies also showed significant increases until the second week of February, boosted by healthy corporate earnings; subsequently, the Libyan crisis and the Japanese earthquake triggered precipitous falls in stocks and a temporary rise in market volatility.

In the first quarter of the year the Italian general stock market index rose slightly, after a strong increase at the beginning of the year. The growing uncertainty in the second half of the quarter had a more severe effect on raw material and automobile stocks, while electricity, telecommunications and insurance stocks turned in a better performance.

In this context, for the first quarter of 2011, after capital gains of approximately 109 million euro on the sale of equity investments, the Italmobiliare Group reported total net profit of 121.8 million euro and Group net profit of 27.0 million euro.

The main consolidated results for the first quarter to March 31, 2011, were as follows:

- **Revenues**: 1,224.4 million euro compared with 1,151.6 million euro at March 31, 2010 (+6.3%);
- **Recurring EBITDA**: 131.7 million euro compared with 175.1 million euro at March 31, 2010 (-24.8%);
- **EBITDA**: 149.0 million euro compared with 171.4 million euro at March 31, 2010 (-13.1%);
- **EBIT**: 32.7 million euro compared with 61.4 million euro at March 31, 2010 (-46.8%);

- **Finance income and costs** (including exchange-rate differences and derivatives): net costs of 23.4 million euro compared with 37.9 million euro at March 31, 2010 (-38.5%);
- **Profit before tax**: 17.2 million euro compared with 21.7 million euro at March 31, 2010 (-20.5%);
- **Net profit**: 121.8 million euro compared with 17.7 million euro at March 31, 2010; **Group net profit** totaled 27.0 million euro (11.6 million euro at March 31, 2010) and net profit attributable to minority interests amounted to 94.8 million euro (6.1 million euro at March 31, 2010).

At the end of March 2011 **total shareholders' equity** was 5,848.4 million euro, compared with 5,932.8 million euro at December 31, 2010.

Net debt at March 31, 2011, stood at 2,065.1 million euro, compared with 2,095.5 million euro at December 31, 2010.

The **gearing ratio** (net debt/total shareholders' equity) was 35.31% at March 31, 2011, virtually unchanged from the end of December 2010, while **leverage** (net debt/recurring EBITDA) rose from 2.38 at December 31, 2010, to 2.46.

Performance in the Italmobiliare Group core businesses is illustrated below:

- the **construction materials sector**, consisting of the Italcementi group (Italmobiliare's main industrial activity), reported healthy progress in sales volumes, thanks to the industry upturn, assisted by favorable weather conditions in the first quarter of 2011. Group revenues rose by 9.7% from the year-earlier first quarter, driven by stronger performance and the positive effect of line-by-line consolidation of the Calcestruzzi group. The upbeat revenue performance was offset by higher energy costs and by the market interruption in Egypt as a result of social and political events, leading to a 6.4% decrease in recurring EBITDA from the first quarter of 2010. After non-recurring income, EBITDA and EBIT rose by 8.8% and 17.6% respectively, despite the increase in amortization and depreciation charges compared with the year-earlier period. Profit before tax amounted to 23.4 million euro (a loss of 5.7 million euro in the first quarter of 2010), supported by impairment reversals on financial assets and lower net finance costs (21.0 million euro compared with 36.9 million euro at March 31, 2010). After tax of 4.9 million euro and the capital gain on the sale of Set Group, the sector posted a net profit for the period of 127.6 million euro (a net loss of 8.6 million euro in the year-earlier period), with group net profit of 80.7 million euro (a loss of 37.5 million euro at March 31, 2010);
- the **food packaging and thermal insulation sector,** consisting of the Sirap Gema group, reported revenues of 54.2 million euro, substantially in line with the first quarter of 2010 (53.9 million euro). EBITDA was positive at 0.2 million euro (3.9 million euro at March 31, 2010), while EBIT was negative at 2.6 million euro, a decrease of 3.4 million euro from the first quarter of 2010. These significant reductions arose essentially from the increase of approximately 35% in the cost of polymer raw materials, which the group was unable to recover immediately on sales prices because of difficult market conditions. After finance costs of 1.1 million euro and tax income of 0.4 million euro, the sector posted a net loss for the first quarter of 3.3 million euro (a net loss of 0.6 million euro at March 31, 2010);

- the **financial sector,** which includes the parent company Italmobiliare and the wholly owned financial companies, operated in a slightly more favorable climate on the financial markets. Although the sector reported a net profit for the quarter, the result was significantly lower than the year-earlier figure (2.6 million euro compared with 26.6 million euro at March 31, 2010), due to smaller measurement gains and capital gains on the equities and bond portfolio, which were particularly high in the first quarter of 2010;
- the **banking sector** comprises Finter Bank Zürich and Crédit Mobilier de Monaco. It posted a net loss of 0.7 million euro, a decrease from the small net loss reported at March 31, 2010 (-0.1 million euro). This result, essentially due to the negative performance of Finter Bank Zürich, reflected the uncertainty on the financial markets and the slight reduction in third-party assets under management, which led to a contraction in the intermediation margin from 8.9 million euro to 8.1 million euro in the first quarter of 2011, largely because of lower commission income from a smaller number of client transactions;
- the **property sector, services and other** does not have a prominent role within the global context of the Group and therefore its results are not particularly significant.

Italmobiliare Net Asset Value (NAV) at March 31, 2011, was 1,744.2 million euro (1,654.9 million euro at the end of 2010).

NAV was calculated considering:

- the year-end market value of the investments in listed companies;
- the value of non-listed companies, determined when possible on the basis of market multiples or specific valuations;
- the equity of the other equity investments, determined with IAS/IFRS policies, where available, or with local accounting policies;
- the increased value of any real estate assets;

and taking account of the fiscal effect.

GROUP BUSINESS AND FINANCIAL HIGHLIGHTS

Italmobiliare Group results for the first quarter of 2011 are summarized below:

(in millions of euro)	Q1 2011	Q1 2010 (IFRS 5)	% change	Q1 2010 published
Revenues	**1,224.4**	**1,151.6**	***6.3***	**1,173.0**
Recurring EBITDA	**131.7**	**175.1**	***(24.8)***	**171.4**
% of revenues	*10.8*	*15.2*		*14.6*
Other income (expense)	17.3	(3.7)	*n.s.*	(3.2)
EBITDA	**149.0**	**171.4**	***(13.1)***	**168.2**
% of revenues	*12.2*	*14.9*		*14.3*
Amortization and depreciation	(121.2)	(110.0)	*10.3*	(113.0)
Impairment variation	4.9	-	*n.s.*	(0.1)
EBIT	**32.7**	**61.4**	***(46.8)***	**55.1**
% of revenues	*2.7*	*5.3*		*4.7*
Finance income and costs	(23.4)	(37.9)	*(38.5)*	(38.2)
Impairment on financial assets	6.2	(0.1)	*n.s.*	(0.1)
Share of results of associates	1.7	(1.7)	*n.s.*	(1.8)
Profit before tax	**17.2**	**21.7**	***(20.5)***	**15.0**
% of revenues	*1.4*	*1.9*		*1.3*
Income tax	(4.6)	2.8	*n.s.*	2.7
Net profit from continuing operations	**12.6**	**24.5**	***(48.4)***	**17.7**
% of revenues	*1.0*	*2.1*		*1.5*
Net profit from discontinued operations	109.2	(6.8)	*n.s.*	
Net profit for the period	**121.8**	**17.7**	***n.s.***	**17.7**
Group net profit	**27.0**	**11.6**	***n.s.***	**11.6**
Net profit attributable to minority interests	94.8	6.1	*n.s.*	6.1
Employees at period end (heads)	**22,192**	**22,015***		**22,644**

n.s not significant

* excluding employees of the Turkish companies sold at the end of March 2011 and treated as discontinued operations

(in millions of euro)	March 31, 2011	December 31, 2010
Net debt	**2,065.1**	**2,095.5**

Recurring EBITDA is the difference between revenues and expense excluding: other non-recurring income and expense, amortization and depreciation, impairment variation, finance income and costs, share of results of associates and income tax.

EBITDA reflects recurring EBITDA including other income and expense (non-recurring).

EBIT reflects EBITDA including amortization and depreciation and impairment variation.

Revenues and operating results by business sector and geographical area

(in millions of euro)	Q1							
	Revenues		Recurring EBITDA		EBITDA		EBIT	
Business sector	Q1 2011	% change vs Q1 2010	Q1 2011	% change vs Q1 2010	Q1 2011	% change vs Q1 2010	Q1 2011	% change vs Q1 2010
Construction materials	1,153.2	*9.7*	130.4	*(6.4)*	148.0	*8.8*	35.6	*17.6*
Packaging and insulation	54.2	*0.7*	0.2	*(93.8)*	0.2	*(93.7)*	(2.6)	*n.s.*
Financial	15.1	*(61.8)*	3.8	*(87.6)*	3.5	*(88.5)*	3.4	*(88.5)*
Banking	9.0	*(9.1)*	0.5	*(44.9)*	0.5	*(46.5)*	(0.5)	*n.s.*
Property, services, other	0.8	*(45.9)*	0.3	*(69.0)*	0.3	*(68.1)*	0.3	*(68.9)*
Inter-sector eliminations	(7.9)	*83.2*	(3.5)	*n.s.*	(3.5)	*n.s.*	(3.5)	*n.s.*
Total	**1,224.4**	***6.3***	**131.7**	***(24.8)***	**149.0**	***(13.1)***	**32.7**	***(46.8)***
Geographical area								
European Union	716.2	*12.1*	43.6	*(48.4)*	61.0	*(24.1)*	3.9	*(84.5)*
Other European countries	16.2	*(7.8)*	-	*(101.8)*	-	*(101.7)*	(1.5)	*n.s.*
North America	63.9	*3.8*	(21.9)	*28.0*	(22.2)	*29.7*	(38.8)	*15.2*
Asia and Middle East	147.4	*36.2*	26.9	*70.4*	27.1	*74.4*	13.5	*n.s.*
Africa	252.5	*(14.3)*	87.4	*(5.8)*	87.4	*(5.8)*	62.4	*(11.2)*
Trading	41.3	*(36.1)*	2.8	*(5.9)*	2.8	*(5.9)*	1.9	*(19.1)*
Other countries	116.3	*19.2*	(7.1)	*37.2*	(7.1)	*59.4*	(8.7)	*38.0*
Inter-area eliminations	(129.4)	*(1.7)*	-		-		-	
Total	**1,224.4**	***6.3***	**131.7**	***(24.8)***	**149.0**	***(13.1)***	**32.7**	***(46.8)***

n.s. not significant

The 6.3% increase in **revenues** from the first quarter of 2010 reflected:

- the improvement in business performance, for 2.4%,
- positive changes in the scope of consolidation, for 3.9%.

The business upturn arose in construction materials (5.4%) and food packaging and thermal insulation (1.5%); the other sectors, and the financial sector in particular, reported a significant downturn.

The consolidation effect arose in construction materials, in Italy, with the re-inclusion of the Calcestruzzi group in the scope of consolidation.

The exchange-rate effect was immaterial in the first quarter, reflecting the depreciation of the Egyptian pound and the appreciation of the other currencies, notably the Thai baht and the Swiss franc.

Recurring EBITDA was 131.7 million euro, a decrease of 43.4 million euro from the first quarter of 2010 (175.1 million euro). The reduction arose in all the sectors, especially in food packaging and thermal insulation (-93.8%), the financial sector (-87.6%) and the banking sector (-44.9%), and was smaller in construction materials (-6.4%).

After net non-recurring income of 17.3 million euro (expense of 3.7 million euro at March 31, 2010), including 14.0 million euro at the Italcementi group for the capital gain on the sale of the wind farm development license in Turkey, **EBITDA** was down by 22.4 million euro (to 149.0 million euro, from 171.4 million euro in the first quarter of 2010).

After an increase in amortization and depreciation charges compared with the first quarter of 2010 (121.2 million euro, from 110.0 million euro), **EBIT** decreased by 46.8%, from 61.4 million euro to 32.7 million euro.

Net finance costs, penalized in the first quarter of 2010 by non-recurring costs for reimbursement of the Notes issued in the USA, decreased by 14.5 million euro, from 37.9 million euro in the year-earlier first quarter to 23.4 million euro at March 31, 2011. While interest expense on net debt rose slightly (+0.8 million euro on the first quarter of 2010), the quarter posted net income from equity investments of 14.1 million euro, consisting largely of capital gains on the sale of equity investments in the construction materials sector in Turkey. Exchange-rate differences generated a net loss of 5.5 million euro (a net gain of 4.0 million euro in the first quarter of 2010).

The caption does not include finance income and costs in the financial and banking sectors, which are part of these sectors' core businesses and therefore classified under the line items constituting recurring EBITDA.

The **share of results of associates** was positive at 1.7 million euro (negative at 1.7 million euro in the year-earlier period), due to the first-quarter earnings posted by associates in the financial sector (+0.4 million euro, compared with -4.0 million euro in the first quarter of 2010) and the construction materials sector (1.3 million euro, compared with 2.3 million euro in the first quarter of 2010).

After **income tax expense** of 4.6 million euro (tax income of 2.8 million euro in the first quarter of 2010), **net profit from continuing operations** totaled 12.6 million euro (24.5 million euro in the year-earlier period).

The capital gain on the sale of Set Group (109.2 million euro) drove **net profit for the period** to 121.8 million euro (17.7 million euro in the year-earlier period); **Group net profit**, after net profit attributable to minorities of 94.8 million euro (6.1 million euro at March 31, 2010), amounted to 27.0 million euro (11.6 million euro at March 31, 2010).

Total comprehensive income

In the first quarter of 2011, beginning from the net result for the period, the other components of comprehensive income reflected a negative balance of 143.4 million euro (a positive balance of 204.6 million euro in the first quarter of 2010), arising from: translation losses of 175.3 million euro, fair value gains on available-for-sale financial assets of 29.8 million euro, fair value gains on derivatives of 2.9 million euro and a negative tax effect of 0.8 million euro. Considering these components and the net profit for the period described above, total comprehensive income for the first quarter was negative at 21.6 million euro (positive income of 14.9 million euro attributable to the Group and negative income of 36.5 million euro attributable to minorities); this compares with positive total comprehensive income of 222.3 million euro in the first quarter of 2010 (43.1 million euro attributable to the Group and 179.2 million euro attributable to minorities). The schedule detailing total comprehensive income is included among the consolidated financial statements.

Investments in fixed assets

Investments in fixed assets in the first quarter, including changes in payables/receivables for purchases, amounted to 137.4 million euro (153.4 million euro in the first quarter of 2010), and related primarily to property, plant and equipment, investment property and intangible assets (109.8 million euro, from 132.6 million euro in the year-earlier period). These investments arose essentially in construction materials for 105.6 million euro and in food packaging and thermal insulation for 4.0 million euro.

Investments in non-current financial assets amounted to 27.6 million euro (20.9 million euro in the first quarter of 2010) and referred to the financial sector for 25.4 million euro and the construction materials sector for 2.2 million euro.

Net debt

At March 31, 2011, **net debt** stood at 2,065.1 million euro, down by 30.4 million euro from December 31, 2010. The improvement arose largely as a result of net cash flows from operations, the sale of Set Group for 281.4 million euro and the sale of other equity investments in Turkey. The main outflows referred to investments for 137.4 million euro, dividends paid for 57.0 million euro at the Suez group (Egypt) and the increase of 217.7 million euro in debt after the re-inclusion of the Calcestruzzi group in the scope of consolidation as from January 1, 2011.

(in millions of euro)	March 31, 2011	December 31, 2010
Cash, cash equivalents and current financial assets	(1,821.3)	(1,912.1)
Short-term financing	1,291.3	1,377.3
Medium/long-term financial assets	(115.4)	(134.3)
Medium/long-term financing	2,710.5	2,764.6
Net debt of continuing operations	**2,065.1**	**2,095.5**

Financial ratios

(in millions of euro)	March 31, 2011	December 31, 2010
Net debt	2,065.1	2,095.5
Consolidated shareholders' equity	5,848.4	5,932.8
Gearing	**35.31%**	**35.32%**
Net debt	2,065.1	2,095.5
EBITDA before income and expenses	839.1	878.8
Leverage[1]	**2.46**	**2.38**

[1] "Leverage" has been computed on rolling-year income statement data

CONSTRUCTION MATERIALS SECTOR

This sector, which is the Italmobiliare core industrial business, comprises the cement, ready mixed concrete and aggregates operations of the Italcementi group.

(in millions of euro)	Q1 2011	Q1 2010 (IFRS 5)	% change	Q1 2010
Revenues	**1,153.2**	**1,051.0**	***9.7***	**1,072.5**
Recurring EBITDA	**130.4**	**139.4**	***(6.4)***	**135.7**
% of revenues	*11.3*	*13.3*		*12.7*
Other income (expense)	17.6	(3.3)	*n.s.*	(2.9)
EBITDA	**148.0**	**136.0**	***8.8***	**132.7**
% of revenues	*12.8*	*12.9*		*12.4*
Amortization and depreciation	(117.4)	(106.0)	*10.7*	(109.1)
Impairment variation	4.9	0.2	*>100*	0.2
EBIT	**35.6**	**30.2**	***17.6***	**23.9**
% of revenues	*3.1*	*2.9*		*2.2*
Finance income and costs	(21.0)	(36.9)	*(43.3)*	(37.2)
Impairment on financial assets	7.5	-	*n.s.*	-
Share of results of associates	1.3	1.0	*32.6*	1.0
Profit before tax	**23.4**	**(5.7)**	***n.s.***	**(12.3)**
% of revenues	*2.0*	*(0.5)*		*(1.1)*
Income tax (expense)	(4.9)	3.9	*n.s.*	3.7
Net profit from continuing operations	**18.5**	**(1.9)**	***n.s.***	**(8.6)**
% of revenues	*1.6*	*(0.2)*		
Net profit from discontinued operations	109.1	(6.7)	*n.s.*	
Net profit for the period	**127.6**	**(8.6)**	***n.s.***	**(8.6)**
Group net profit	**80.7**	**(37.5)**	*n.s.*	**(37.5)**
Net profit attributable to minority interests	46.9	28.9	*62.4*	28.9
Employees at period end (heads)	**20,695**	**20,435***		**21,064**

n.s. not significant
* excluding employees of the Turkish companies sold at the end of March 2011 and treated as discontinued operations

(in millions of euro)	March 31, 2011	December 31, 2010
Net debt	**2,166.4**	**2,230.9**

The overall mood in the construction sector was brighter than at the end of 2010, with an improvement in trends in some of the group's European countries. Account should, however, be taken of the impact of weather conditions on business activity, which was negative at the end of 2010 and positive at the beginning of 2011. Consequently, an accurate appraisal of the real strength of the economic situation will be possible only over the next few months. In the group's emerging countries, the construction business continued to grow at an impressive pace, especially in Asia, but came to a temporary halt in Egypt as a result of the rapid changes taking place in the country's political scenario.

Sales volumes

	Q1 2011	% change vs Q1 2010	
		historic	at constant size
Cement and clinker *(millions of metric tons)*	12.4	*4.6*	*4.6*
Aggregates* *(millions of metric tons)*	9.3	*14.1*	*4.1*
Ready mixed concrete *(millions of m³)*	3.5	*65.5*	*8.6*

* excluding outgoes on work-in-progress account

The figures and changes in the above table do not include operations in Turkey (Set Group), sold at the end of the first quarter.

At constant size, sales volumes in the first quarter of 2011 made strong progress compared with the year-earlier period in all business sectors, and particularly in ready mixed concrete. The significant improvement reflected in the comparison of historic values in ready mixed concrete and aggregates was determined by the re-inclusion of the Calcestruzzi group in the scope of consolidation as from January 1, 2011.

In **cement and clinker** performance was positive in the mature countries, thanks to Italy, France/Belgium, North America, and in Asia, where all countries except Kazakhstan made a strong contribution. Conversely, performance slowed in the Emerging Europe, North Africa and Middle East area as a result of the situation in Egypt, where the widely reported political unrest temporarily upset the Egyptian economy, and in Bulgaria, which reported another large reduction in sales volumes.

In **aggregates** performance was positive in the mature countries, where the majority of group operations are located, reflecting progress in France/Belgium and North America (although absolute values were contained), which easily counterbalanced the volume decline in Italy, Greece and Morocco.

Sales volumes showed a significant increase in **ready mixed concrete**, supported in particular by Central Western Europe, with the growth in France/Belgium more than offsetting the sharp downturns in Spain and Greece and the small reduction in Italy. Volumes in North America were steady with the year-earlier period, while progress was achieved in the emerging countries, despite the fall in sales volumes in Egypt.

Revenues, at 1,153.2 million euro, were up 9.7% from the first quarter of 2010 due to the 5.3% improvement in business operations, a negative exchange-rate effect (-0.1%) and a positive consolidation effect (+4.5%).

At consolidated level the overall price effect was virtually zero, but arose on significantly different positive or negative trends in the individual countries.

At constant size and exchange rates, the countries that made the largest contribution to revenue growth were France/Belgium, India and Thailand. The marginal negative exchange-rate effect was the result of the depreciation of the Egyptian pound, net of the appreciation of the other currencies, specifically the Thai baht

The consolidation effect relates to Italy and stems largely from the re-inclusion of the Calcestruzzi group in the scope of consolidation (an effect of 49.9 million euro).

Operating results were negatively affected by the increase in energy costs, but EBITDA and EBIT benefited from non-recurring income arising on the sale of Italgen Elektric Uretim.

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Recurring EBITDA was 130.4 million euro (139.4 million euro in the first quarter of 2010), down 6.4% from the year-earlier period; the reduction was due to the temporary interruption of the market in Egypt, the rise in energy costs and the consolidation effect in 2011. These effects were mitigated by capital gains from the sale of CO_2 emission rights (9.3 million euro, against 2.6 million euro in the first quarter of 2010) and the reduction, in Egypt, of excise tax on raw materials.

EBITDA, at 148.0 million euro (136.0 million euro in the first quarter of 2010), was up 8.8% from the first three months of 2010 as a result of net non-recurring income items for 17.6 million euro (net expense items for 3.3 million euro in the first quarter of 2010), of which 14.0 million euro for the capital gain on the sale of the wind farm development license in Turkey held, through a subsidiary, by Italgen Elektric Uretim.

EBIT, at 35.6 million euro (30.2 million euro in the first quarter of 2010), rose by 17.6%, despite the increase in first-quarter depreciation and amortization charges compared with the year-earlier period.

Profit before tax amounted to 23.4 million euro (a loss of 5.7 million euro in the first quarter of 2010), and was supported by impairment reversals on financial assets and by lower **net finance costs,** which decreased to 21.0 million euro from 36.9 million euro in the first quarter of 2010, when the Group posted non-recurring costs of 21.7 million euro for reimbursement of the Notes issued in the USA. While net interest on net debt was substantially stable, the first quarter benefited from net income from equity investments of 14.1 million euro, arising chiefly from capital gains on the sale of Goltas and Bursa shares; conversely, the period reflected exchange-rate losses of 5.4 million euro (gains of 3.8 million euro in the year-earlier period).

The improvement in earnings generated **income tax expense** estimated at 4.9 million euro (a positive income tax effect of 3.9 million euro in the first quarter of 2010), for **net profit from continuing operations** of 18.5 million euro (a loss of 1.9 million euro in the first quarter of 2010).

With the capital gain on the sale of Set Group, the first quarter posted a net profit of 127.6 million euro (a net loss of 8.6 million euro in the year-earlier period).

Net profit attributable to equity holders of the parent was 80.7 million euro (a net loss of 37.5 million euro in the first three months of 2010), while the result attributable to minority interests was 46.9 million euro (28.9 million euro in the first quarter of 2010).

Net debt at March 31, 2011, was 2,166.4 million euro, down by 64.5 million euro from December 31, 2010. Investments in property, plant and equipment and investment property decreased by 29.5 million euro from the first quarter of 2010. Divestments were significant and referred chiefly to the sale of Italgen operations in Turkey and the sale of the Goltas and Bursa equity investments. Significant proceeds were generated by the sale of Set Group for 281.4 million euro and the sale of shares to reduce the size of the controlling interest in Afyon (22.7 million euro).

The consolidation of the Calcestruzzi group generated an increase of 217.7 million euro in debt. There was also an increase (26.1 million euro) in the working capital requirement and an earlier dividend payment (57.0 million euro) at the Suez group (Egypt) compared with 2010 (payout in the second quarter).

Significant events in the period

As noted at the beginning of this quarterly report, the **Calcestruzzi group** is again consolidated on a line-by-line basis, as from January 1, 2011.

The Calcestruzzi S.p.A. Board of Directors approved the Industrial Plan, presented to the court for comments in January 2011, which establishes the effective power of the board or its designated bodies to make and implement long-term decisions concerning the entire Calcestruzzi group, subject to the constraints and prescriptions laid down in the restitution order of April 27, 2010; the Chief Executive Officer of Calcestruzzi S.p.A. implemented the strategic management measures envisaged in the Plan, in accordance with the priorities and guidelines set by the Board of Directors, which, at a meeting on April 5, 2011, was informed of the activities already completed in the first quarter of 2011. The conditions for the re-inclusion in the scope of consolidation have therefore been met.

At the end of January, in view of the political unrest in **Egypt**, the group decided to suspend production operations and repatriate its foreign employees working in Egypt. After a closure of approximately one week, with the return to conditions of greater safety the five group plants were re-activated and the employees gradually returned to Egypt.

At the end of February, through the Ciments Français subholding, the group reached an agreement for the sale of **Set Group Holding** to Limak Holding, a diversified Turkish group active in construction, infrastructure, energy, transport and tourism. After receiving the approval of the Turkish authorities, the sale took place on March 25, with a cash payment of approximately 270 million euro.

The agreement does not concern the listed subsidiary **Afyon Çimento**, in which, through sales on the stock market during the first quarter, Ciments Français S.A. reduced its controlling interest from 76.51% to 67.51%, raising proceeds of 22.7 million euro. As required by IFRS 3, these sales of equity interests without loss of control have been accounted for solely as an equity transaction (changes in group shareholders' equity and shareholders' equity attributable to minorities).

At the end of March, under the group programs for development of the energy sector primarily in areas with cement production operations, Italgen S.p.A. reached an agreement with Enerjisa (Sabanci-Verbund joint venture) for the sale of its Turkish subsidiary **Italgen Elektrik Uretim**, the company that had been working on the project for a 142.5 MW wind farm in Balikesir, Turkey, since 2008.

Performance by geographical area

(in millions of euro)	Revenues		Recurring EBITDA		EBITDA		EBIT	
Geographical area	**Q1 2011**	**% change vs Q1 2010**	**Q1 2011**	**% change vs Q1 2010**	**Q1 2011**	**% change vs Q1 2010**	**Q1 2011**	**% change vs Q1 2010**
Central Western Europe	651.3	*20.0*	37.6	*(22.6)*	55.3	*23.7*	3.6	*n.s.*
North America	63.9	*3.8*	(21.9)	*(28.0)*	(22.2)	*(29.6)*	(38.9)	*(15.2)*
Emerging Europe, North Africa and Middle East	278.6	*(12.9)*	94.2	*(1.6)*	94.3	*(1.5)*	65.5	*(5.5)*
Asia	130.3	*37.1*	24.8	*72.5*	24.8	*76.3*	12.2	*>100*
Cement and clinker trading	41.3	*(36.1)*	2.8	*(5.9)*	2.8	*(5.9)*	1.9	*(19.1)*
Others	116.3	*19.2*	(7.1)	*(36.8)*	(7.0)	*(60.8)*	(8.7)	*(45.1)*
Inter-area eliminations	(128.5)	*n.s.*	-	-	-	-	-	-
Total	**1,153.2**	***9.7***	**130.4**	***(6.4)***	**148.0**	***8.8***	**35.6**	***17.6***

n.s. not significant

Central Western Europe

In Central Western Europe revenues in the first quarter of 2011 rose by 20%, buoyed by the upturn in consumption assisted by good weather conditions.

In **Italy**, values for the first quarter of 2011 and the comparison with the year-earlier period are subject to the change in the scope of consolidation as a result of the consolidation of the Calcestruzzi group. The market upturn was helped by good weather conditions in the first two months, compared with the bad weather of the year-earlier period. Conditions remain weak in the construction sector due to persistent funding difficulties on public and private investment programs. The negative price effect was the main cause of the reduction in recurring EBITDA and was offset only in part by the positive volume effect and savings on fixed costs.

In the ready mixed concrete sector, consolidated as from the first quarter of 2011, the long-standing difficulties on the market had negative consequences for sales volumes and impeded the transfer of cost increases to the market.

In **France** and in **Belgium**, cement consumption in the first quarter of 2011 benefited from extremely favorable weather compared with the year-earlier period. The positive trend in the construction industry had benefits for sales volumes in ready mixed concrete and aggregates. Overall, operating results made strong progress, driven largely by the improvement in sales volumes, whose effect was eroded in part by higher operating expenses, especially for energy and maintenance.

In **Spain**, the crisis in the construction industry penalized sales volumes in all group business sectors. Operating results were down as a result of the revenue decrease caused by lower sales volumes and prices and the increase in operating expenses, mainly energy and maintenance costs, counterbalanced only in part by action to contain fixed costs.

In **Greece** the public debt crisis suggests no economic recovery is imminent. The sharp fall in sales volumes in all three business sectors produced a reduction in operating results compared with the first quarter of 2010.

North America

In the USA, contrasting signals continued to come from the construction industry as a result of the contraction in investments, especially in the residential segment. In this context, operating results were down on the first quarter of 2010, penalized by the fall in sales prices and rise in operating expenses, whose effect was counterbalanced only in part by the growth in sales volumes.

Emerging Europe, North Africa and Middle East

Performance trends differed among the countries in this area.

In **Egypt**, the first quarter of 2011 was characterized by the unrest in January and February that led to the fall of the country's political regime. The total stoppage of the economy for approximately one week and a situation that remains uncertain had a severe impact on the construction industry, with negative consequences for cement and ready mixed concrete consumption. The political crisis also had repercussions on costs, enabling the group to reduce significantly the negative impact of the serious events of the first quarter. Operating results were penalized by these trends, which affected costs and revenues, and also by the unfavorable dynamic in energy costs and the depreciation of the local currency against the euro.

Sales volumes were positive in **Morocco**, supporting an increase in operating results for the first quarter despite the rise in fuel costs.

Among other countries in the area, **Bulgaria** reported a sharp fall in cement consumption, with repercussions for operating results, although operating results benefited from the capital gains generated by the sale of CO_2 emission rights. The increase in energy costs penalized operating results in **Turkey** despite the market upswing and price improvements; the quarterly result improved in **Kuwait** thanks to higher sales volumes and a positive trend in revenues.

Asia

In **Thailand** and **India** the growth reported at the end of 2010 continued. The rise in sales volumes and sales prices generated a strong improvement in operating results, eroded in part by higher fuel costs.

Results in **China** were down on the first quarter of 2010 due to the reduction in sales volumes and average sales prices and above all to the increase in fuel costs, counterbalanced in part by higher clinker sales prices and volumes.

In **Kazakhstan** the construction market slowed with respect to 2010 mainly because of adverse weather and the closure of a number of large construction sites. Despite the fall in sales volumes, operating results showed a marginal improvement, driven by a positive price effect.

E-business

In the first quarter of 2011, despite the continuing difficulties in the national and international situation, the BravoSolution group reported consolidated revenues of 12.6 million euro, a small increase (+0.5%) on the year-earlier period. EBITDA, at 1.1 million euro, and EBIT, at 0.2 million euro, were slightly down on the first quarter of 2010.

In February, the new German subsidiary, BravoSolution GmbH, was established near Munich. The company will operate on German-speaking markets and will commence operations later this year.

Calcestruzzi

As noted at the beginning of this report, the Calcestruzzi group has been re-included in the Italcementi S.p.A. scope of consolidation as from January 1, 2011, after the conditions for the group's return to the consolidation were met, specifically:

- the preparation of an Industrial Plan by the Board of Directors, subject to comments or approvals by the court;
- the effective power of the board or its designated bodies to make and implement long-term decisions concerning the Calcestruzzi group, subject to the continued constraints and prescriptions laid down in the restitution order dated April 27, 2010.

The Calcestruzzi Board of Directors approved the Industrial Plan on December 23, 2010, and sent it to the court on January 11, 2011; the court ruled that no comments or changes were necessary.

Calcestruzzi S.p.A. had already resumed control of its subsidiaries' financial and management policies in 2010, and has duly completed the entire schedule of prescriptions drawn up by the court, regarding which it presented a specific report at a meeting on February 10, 2011.

The Chief Executive Officer of Calcestruzzi S.p.A. implemented the strategic management measures envisaged in the Plan, in accordance with the priorities and guidelines set by the Board of Directors, which, at a meeting on April 5, 2011, was informed of the activities completed in the first quarter of 2011.

As noted in the section "Significant events after the first quarter", with a ruling dated April 20, 2011, the Caltanissetta court ordered the full annulment of the preventive seizure of Calcestruzzi S.p.A., with the return of the company assets to entitled shareholders.

The order, issued after a petition presented by the company's lawyers, recognizes the validity and effectiveness of the action taken by Calcestruzzi to implement the schedule of prescriptions drawn up by the court, and the clear demonstration of the "good intentions of the company under seizure and of its controlling company ".

Calcestruzzi expressed its satisfaction with the court's decision and with the fact that the re-organization plan and the improvements to its corporate governance of the last few years had been favorably assessed and appreciated.

The shareholders have instructed the company management to proceed with determination with the planned program, with a view to establishing Calcestruzzi, the leader in its sector, as a reference model for legality and corporate ethics, also in support of the activities of the courts.

Significant events after the first quarter

With a ruling dated April 20, 2011, the Caltanissetta court ordered the full annulment of the preventive seizure of Calcestruzzi S.p.A., with the return of company assets to entitled shareholders; the question is examined in greater detail in the section “Calcestruzzi”.

Full-year outlook

Based on the latest forecasts and in light of trends in the early part of the year, the healthy climate on Asia’s emerging markets is confirmed, as is the uncertain situation in Egypt, which will continue to be affected by socio-political developments. The upturn is less clear in the USA and in Europe, where the serious crisis affecting some of the peripheral member states is a significant factor.

In this context, the group is stepping up action to rationalize production costs and overheads. The sales prices trend – particularly positive in Asia and Italy – will enable the additional rise in energy cost factors to be absorbed.

The recent sales in Turkey and others currently taking place will strengthen Italcementi’s already solid financial and capital situation during the course of the year, to help it respond to the best opportunities for growth on the markets of greatest interest.

FOOD PACKAGING AND THERMAL INSULATION SECTOR

The Group operates in the food packaging and thermal insulation sector through Sirap Gema S.p.A. and its subsidiaries. Compared with the first quarter of 2010 the scope of consolidation does not include Inline - R CJSC. The table below sets out the condensed income statement for this sector.

(in millions of euro)	Q1 2011	Q1 2010	% change
Revenues	**54.2**	**53.9**	***0.7***
Recurring EBITDA	**0.2**	**3.9**	***(93.8)***
% of revenues	*0.5*	*7.3*	
Other income (expense)	-	-	
EBITDA	**0.2**	**3.9**	***(93.8)***
% of revenues	*0.5*	*7.3*	
Amortization and depreciation	(2.8)	(2.9)	*(2.1)*
Impairment variation	-	(0.2)	*n.s.*
EBIT	**(2.6)**	**0.8**	***n.s.***
% of revenues	*(4.8)*	*1.4*	
Finance income and costs	(1.1)	(0.9)	*34.6*
Profit before tax	**(3.7)**	**(0.1)**	*n.s.*
% of revenues	*(6.9)*	*(0.1)*	
Income tax (expense)	0.4	(0.5)	*n.s.*
Net profit for the period	**(3.3)**	**(0.6)**	*n.s.*
% of revenues	*(6.1)*	*(1.1)*	
Group net profit	**(3.3)**	**(0.6)**	*n.s.*
Net profit attributable to minority interests	n.s.	n.s.	
Employees at the end of the period (heads)	**1,301**	**1,371**	

n.s. not significant

(in millions of euro)	March 31, 2011	December 31, 2010
Net debt	**118.9**	**114.9**

The first quarter of 2011 experienced a sharp increase in the price of polymers, with average prices about 35% higher than those of the year-earlier period.

Generally speaking, the weakness of demand and aggressiveness of competition created considerable difficulties for the introduction of sales prices geared to the new cost structure. So far, because of market conditions, price reviews have been possible only in a few areas (insulation, rigid food containers in Poland) at the end of the first quarter, and in any case have been unable to counterbalance the upward trend in raw materials. While turnover was stable overall, margins were adversely affected, and were sharply down on 2010.

Consolidated **revenues** amounted to 54.2 million euro, showing a slight improvement (+0.7% / +1.5% at constant size and exchange rates compared with March 31, 2010) driven by healthy revenues in thermal insulation, which counterbalanced the downturn in food packaging, a sector more exposed to lower consumer spending.

EBITDA was 0.2 million euro (3.9 million euro in the first quarter of 2010) and was adversely affected in all segments by the sharp increase in polymer prices. After substantially unchanged amortization and depreciation, **EBIT** was negative at 2.6 million euro.

Net finance costs, at 1.1 million euro, worsened with respect to the year-earlier first quarter entirely as a result of the change in the exchange-rate effect (a loss of 0.1 million euro compared with a gain of 0.2 million euro at March 31, 2010) caused by the currencies in eastern Europe; interest expense was virtually unchanged, while average debt was stable.

After deferred **tax** assets for 0.4 million euro, the group posted a **net loss** for the first quarter of 3.3 million euro (a loss of 0.6 million euro at March 31, 2010).

Net debt stood at 118.9 million euro and increased with respect to December 31, 2010, as a result of the quarter's performance.

Investments in fixed assets amounted to 2.2 million euro (unchanged from the first quarter of 2010), and were largely in food packaging.

Significant events in the period

No significant events are reported.

Performance by business and geographical area

(in millions of euro)	Revenues		Recurring EBITDA		EBITDA		EBIT	
	Q1 2011	% change vs Q1 2010	Q1 2011	% change vs Q1 2010	Q1 2011	% change vs Q1 2010	Q1 2011	% change vs Q1 2010
Food packaging								
Italy	20.7	*(4.5)*	0.2	*(90.7)*	0.2	*(90.7)*	(1.5)	*n.s.*
France	5.9	*1.2*	0.4	*(30.3)*	0.4	*(30.3)*	0.3	*n.s.*
Other EU countries	14.1	*(2.1)*	(0.3)	*n.s.*	(0.3)	*n.s.*	(0.7)	*n.s.*
Other non-EU countries	3.8	*(15.2)*	(0.2)	*n.s.*	(0.2)	*n.s.*	(0.2)	*n.s.*
Eliminations	(3.4)		-		-		-	
Total	**41.1**	***(4.2)***	**0.1**	***(95.6)***	**0.1**	***(95.6)***	**(2.1)**	***n.s.***
Thermal insulation	**13.2**	***14.5***	**0.1**	***(76.8)***	**0.1**	***(76.8)***	**(0.5)**	***n.s.***
Eliminations	(0.1)		-		-		-	
Total	**54.2**	***0.7***	**0.2**	***(93.8)***	**0.2**	***(93.8)***	**(2.6)**	***n.s.***

n.s. not significant

Food packaging

Generally speaking, the continuing effects of the economic crisis pushed down food spending, especially in the first two months of the year, weakening demand for packaging products compared with 2010. The impossibility of raising prices in line with the increase in raw materials had a heavy impact on margins in all areas.

On the Italian market, weak demand led to a reduction in sales volumes in the foam container segment and a shift in the mix in rigid containers toward products with lower added value, with adverse effects for turnover.

France experienced similar difficulties, but the gradual shift in the mix toward better performing containers (barrier trays to conserve food in modified conditions) kept turnover steady and limited the reduction in margins.

The Polish market bucked the general trend: demand for rigid containers was stable and turnover was in line with the first quarter of 2010: the small decrease in volumes was counterbalanced by the rise in average sales prices.

In the other European countries of the Petruzalek group, the situation continued to be affected by weak demand and limited investments in packaging machines. Demand focused on products with lower added value and the impoverishment of the mix had a negative impact on margins, which also reflected expense for the group’s management re-organization.

Thermal insulation

In the first quarter turnover in insulation made healthy progress (+14.5%) compared with the year-earlier period, thanks to higher sales volumes and an initial increase in sales prices at the end of the quarter. Specifically, a significant improvement was reported in exports of high-thickness extruded panels, mainly to German-speaking European countries, where attention to energy saving is traditionally strong; awareness of the issue is now also spreading on the Italian market, in part thanks to recent legislation, and generated a further increase in sales volumes.

EBIT was down (-0.5 million euro compared with -0.2 million euro in the first quarter of 2010) due to the sharp impact of higher polymer costs, which it was possible to transfer partially to sales prices only in March.

Disputes and pending proceedings

As illustrated in previous reports, in June 2008 officers from the European Commission General Division 4 (‘’Competition) conducted an inspection of the Sirap-Gema S.p.A. offices in Verolanuova (Brescia). Subsequently, since November 30, 2009, the Commission has served Sirap-Gema S.p.A. with a number of requests for detailed information. Similar requests have been made to the Petruzalek G.m.b.H., Petruzalek Kft and Sirap France S.a.s. subsidiaries.

Sirap-Gema S.p.A. and its subsidiaries provided all the information requested in 2010, with the assistance of their legal advisors.

On March 11, 2011, the Commission requested additional data on the turnover recorded by the company and its subsidiaries on sales in a number of food packaging product categories, according to the materials from which the products are made, and on the aggregate turnover recorded on sales of all these products in a number of countries in the European Union and in the European Economic Area in the financial years from 2000 to 2007.

Sirap Gema S.p.A. has forwarded the information requested, also on behalf of its subsidiaries, with the assistance of its legal advisors. The Commission subsequently asked for clarifications and technical explanations, which Sirap Gema S.p.A. has provided.

The European Commission also asked Italmobiliare S.p.A. to supply figures on its world consolidated turnover in 2010. Italmobiliare S.p.A. has provided this information.

Significant events after the first quarter

No significant events are reported.

Full-year outlook

If current market conditions continue, the outlook for 2011 full-year earnings will depend primarily on the prices of polymers, which displayed a strong upward trend in the first quarter.

FINANCIAL SECTOR

The financial sector includes the parent company Italmobiliare and the wholly owned financial companies: Italmobiliare International Finance Limited (Ireland), Société de Participation Financière Italmobiliare S.A. (Luxembourg) and Fincomind A.G. (Switzerland).

(in millions of euro)	Q1 2011	Q1 2010	% change
Revenues	15.1	39.6	*(61.8)*
EBIT	3.4	29.9	*(88.5)*
Net profit for the period	**2.6**	**26.6**	***(90.2)***

Il The net profit for the period includes the results of associates valued with the equity method.

(in millions of euro)	March 31, 2011	December 31, 2010
Net financial position	143.7	170.6
Shareholders' equity	1,312.8	1,281.5
Employees (heads)	56	56

Results in accordance with the financial model

Given the specific nature of the financial sector, to permit full understanding of performance, the table below sets out results in the format normally used for financial companies. This reflects:

- "Net income on equity investments", which includes, with regard to available-for-sale investments, dividends received, capital gains and losses realized on divestments of equity investments, and impairment variations on these financial assets;
- "Net income (expense) from cash investments", which includes interest income on bank coupons and deposits, impairment variations on securities and trading equities, capital gains/losses on the sale of trading securities, income/expense on trading derivatives;
- "Net debt charges" which consists essentially of interest expense on financing, bank commissions and costs;
- "Operating income and expense", which includes employee expenses and operating expenses for the financial structure, net of amounts recovered from other Group companies and movements on provisions for risks.

(in millions of euro)	Q1 2011	Q1 2010	% change
Net income on equity investments	2.6	19.6	*(86.6)*
Net income (expense) from cash investments	6.0	13.5	*(55.8)*
Net debt charges	(1.5)	(1.1)	*32.5*
Total financial income and expense	**7.1**	**32.0**	
Operating income and expense	(4.6)	(4.9)	*(7.3)*
Income tax (expense)	0.1	(0.5)	*n.s.*
Net profit for the period	**2.6**	**26.6**	***(90.2)***

n.s. not significant

Net income on equity investments amounted to 2.6 million euro, compared with 19.6 million euro at March 31, 2010. The sharp reduction was essentially due to capital gains of 21.5 million euro in the first quarter of 2010 on sales of available-for-sale equity investments.

Net income (expense) from cash investments in the first quarter of 2011 reflected income of 6.0 million euro, significantly lower than 13.5 million euro in the year-earlier period. Trends on the financial markets in 2011 prevented a repetition of the good results reported in the first quarter of 2010: in particular the gains on trading securities amounted to 0.8 million euro (7.4 million euro in the first quarter of 2010) and capital gains on securities totaled 2.4 million euro (4.1 million euro in the year-earlier period).

Net debt charges were slightly higher than in the first quarter of 2010 (1.5 million euro, against 1.2 million euro) due to the higher level of debt at the Italmobiliare parent company.

Combining the results of the individual components, the financial sector had **total net financial income** of 7.1 million euro compared with 32.0 million euro in the first quarter of 2010.

The balance on **operating income and expense** was negative at 4.6 million euro, a slight improvement from the first quarter of 2010 (net expense of 4.9 million euro), thanks to containment of employee expenses.

After tax income of 0.1 million euro (expense of 0.4 million euro at March 31, 2010), **net profit for the period** was 2.6 million euro, compared with 26.6 million euro in the year-earlier period.

The companies in the financial sector hold substantial equity investments, the majority classified as “Available for sale”. The fair value changes in these investments, excluding consolidated investments, which are carried at cost in the separate financial statements, are reflected in shareholders' equity under the “Fair value reserve”. At March 31, 2011, the consolidated fair value reserve in the financial sector stood at 58.6 million euro, a significant improvement (29.6 million euro) from 29.0 million euro at December 31, 2010.

Significant events in the period

During the first quarter, Italmobiliare S.p.A. purchased Ciments Français shares for an overall amount of 25.4 million euro, as a result of which Italmobiliare S.p.A. directly holds 1.66% of share capital.

Net financial position of Italmobiliare and the financial sector

The table below provides an itemized description of the net financial positions of the parent company Italmobiliare S.p.A. and the financial sector, which is composed of the parent company Italmobiliare S.p.A. and the wholly owned financial companies.

	March 31, 2011		December 31, 2010	
(in thousands of euro)	Italmobiliare	Financial sector	Italmobiliare	Financial sector
Cash, cash equivalents and current financial assets	120,227	474,810	116,555	469,056
Short-term financing	(225,205)	(228,582)	(211,506)	(214,512)
Short-term net financial position	**(104,978)**	**246,228**	**(94,951)**	**254,544**
Medium/long-term financial assets	9,761	51,761	9,362	51,362
Medium/long-term financing	(154,338)	(154,338)	(135,338)	(135,338)
Medium/long-term financial position	**(144,577)**	**(102,577)**	**(125,976)**	**(83,976)**
Net financial position	**(249,555)**	**143,651**	**(220,927)**	**170,568**

The net financial position of Italmobiliare S.p.A. at March 31, 2011, reflected debt of 249.6 million euro (220.9 million euro at December 31, 2010), an increase of 28.6 million euro largely due to the purchases in Ciments Français for 25.4 million euro.

The financial sector had a positive consolidated financial position of 143.7 million euro (170.6 million euro at December 31, 2010), a decrease of 26.9 million euro, largely as a result of acquisitions of equity investments.

Significant events after the first quarter

No significant events are reported.

Full-year outlook

Results in the financial sector depend on dividend flows and trends on the financial markets. Based on early indications, dividend flows from companies outside the sector will be slightly lower than those of 2010.

The equity markets are supported by higher than expected average earnings growth and by monetary policies that remain accommodating at global level, while the fixed-income markets could benefit from inflation rates that, despite fears, appear to be under control.

Projections for 2011 earnings also depend on the resolution of a number of structural questions concerning fiscal issues and the public debt of the “developed” nations, which could undermine market dynamics; consequently, it is difficult at the moment to formulate any reliable full-year forecast for overall results in this sector.

BANKING SECTOR

The banking sector is composed of two wholly owned banks, Finter Bank Zürich and Crédit Mobilier de Monaco.

(in millions of euro)	Q1 2011	Q1 2010	% change
Revenues	9.0	9.9	*(9.0)*
EBIT	(0.5)	(0.1)	*n.s.*
Net profit for the period	**(0.7)**	**(0.1)**	***n.s.***

n.s not significant

(in millions of euro)	March 31, 2011	December 31, 2010
Net financial position	70.6	74.7
Total shareholders' equity	104.6	109.5
Group shareholders' equity	104.1	109.0
Employees (heads)	124	128

Results in accordance with the banking model

Given the specific nature of the banking sector, to permit full understanding of performance, the table below sets out the results of the sector in the format normally used for banks, as follows:

- "Net interest income", which reflects the balance on interest income and dividends received;
- the "Intermediation margin", which includes commission income and expense on lending transactions, on securities trading, other financial services and income on trading transactions. The margin also includes insurance operations conducted through the subsidiary Finter Life;
- "Gross operating profit", which includes employee expenses and overheads for the banking organization;
- "Profit from operations", which includes amortization and depreciation, adjustments to asset values and provisions.

(in millions of euro)	Q1 2011	Q1 2010	% change
Net interest income	1.8	1.6	*7.4*
Intermediation margin	8.1	8.9	*(8.9)*
Gross operating profit	0.5	1.1	*(52.1)*
Profit from operations	(0.6)	(0.1)	*n.s.*
Net profit for the period	**(0.7)**	**(0.1)**	***n.s.***

n.s. not significant

The results of the sector, consisting almost entirely of the results of Finter Bank Zürich, were lower.

Finter Bank Zürich

In the first quarter of 2011 the Finter Bank Zürich group reported a decrease in the intermediation margin from 12.6 million Swiss francs in the first quarter of 2010 to 10.1 million Swiss francs (-19.8%). The reduction arose largely as a result of lower commission income (8.3 million Swiss francs compared with 10.3 million Swiss francs, -19.4%) on a smaller number of client transactions due to the uncertainty of the financial markets, and from a small reduction in third-party assets under management. Owing to the high volatility on the financial markets, net trading revenues also declined, from 1.2 million Swiss francs in the previous period to 0.4 million Swiss francs in 2011 (-66.7%).

The contraction in margins was accompanied by a sharp reduction in operating expenses, with decreases in service expenses (3.8 million Swiss francs in the first quarter of 2011 against 4.4 million Swiss francs in the year-earlier period, -13.6%) and in employee expenses (5.8 million Swiss francs in the first quarter of 2011 compared with 6.7 million Swiss francs in the year-earlier period, -13.4%). Despite this significant reduction in expenses, gross operating profit decreased from 1.5 million Swiss francs in the first quarter of 2010 to 0.6 million Swiss francs in the first quarter of 2011.

After amortization and depreciation (1.3 million Swiss francs) and tax (0.1 million Swiss francs), the bank posted a consolidated net loss of 1.0 million Swiss francs, compared with a net loss of 0.2 million Swiss francs in the year-earlier period.

Consolidated shareholders' equity decreased from 129.8 million Swiss francs at December 31, 2010, to 128.6 million Swiss francs at March 31, 2011.

Third-party assets under management at the end of the first quarter of 2011 totaled 4.4 billion Swiss francs (excluding assets invested in own funds), a slight decrease from 2010.

The reduction in third-party assets under management arose for a number of reasons: on the one hand the loss of clients for non-recurring reasons, on the other the strengthening of the Swiss franc against the US dollar, and consequent lower valuation of assets measured in Swiss francs.

Crédit Mobilier de Monaco

Crédit Mobilier de Monaco is a bank in Monaco active primarily in guarantee-backed loans. It reported a net profit of 32,000 euro for the first quarter of 2011, compared with 28,000 euro for the quarter to March 31, 2010.

Significant events in the period

No significant events are reported.

Significant events after the first quarter

No significant events are reported.

Full-year outlook

The high volatility on the markets in general and the financial markets in particular makes it difficult to draw up reliable forecasts for 2011 full-year results in the banking sector. Management is continuing existing programs and planning new measures to achieve a stable reduction in costs and a recovery in revenues.

PROPERTY SECTOR, SERVICES, OTHER

This sector includes a number of real estate companies and services companies. The services companies essentially provide services within the Group.

The sector's revenues for the year to March 31, 2011, amounted to 0.8 million euro, down from the first quarter of 2010 (1.5 million euro). Net profit amounted to 0.3 million euro, slightly down on the result for the year-earlier period (0.4 million euro).

The weight of the sector is of marginal importance to Group results.

DEALINGS WITH RELATED PARTIES

For the purposes of the consolidated financial statements, dealings with related parties were with:

- subsidiaries not consolidated on a line-by-line basis;
- associates;
- other related parties.

All dealings with related parties, whether for the exchange of goods and services or of a financial nature, are conducted at normal market conditions.

No atypical or unusual transactions took place in the first quarter.

Dealings with subsidiaries and associates

Dealings with companies not consolidated on a line-by-line basis and with associates are of a commercial nature (exchange of goods and/or services) or a financial nature.

Italmobiliare also provides an “administrative service” for some associates, regulated on the basis of the costs attributable to performance of the service.

Dealings with other related parties

Dealings with other related parties in the first quarter of 2011 were as follows:

- administrative, financial, contractual and fiscal consultancy services, as well as support for the organization of corporate restructuring operations, supplied to the Italmobiliare Group by Finsise S.p.A., whose majority shareholder is Italo Lucchini, Deputy Chairman of Italmobiliare, for considerations totaling approximately 90,200 euro;
- consultancy services for the senior management of Italmobiliare in relation to the rationalization and development of Group activities, provided by Piergiorgio Barlassina, an Italmobiliare director, for considerations totaling 62,500 euro;
- legal consultancy, judicial and extrajudicial assistance provided to the Italmobiliare Group by the associate law firm Dewey & LeBoeuf, of which Italmobiliare director Luca Minoli is a partner, for considerations totaling 20,000 euro;

In the first quarter of 2011 the Italmobiliare Group made an endowment of 600,000 euro to the Italcementi Cav. Lav. Carlo Pesenti foundation to cover operating expenses. Italcementi S.p.A. charged the Italcementi Cav. Lav. Carlo Pesenti foundation for contractually agreed administrative and corporate services and for costs incurred on behalf of the foundation, for an amount of approximately 43,000 euro.

FULL-YEAR OUTLOOK

The recovery in the world economy is spreading through different industries, although the pace of the upturn differs from one country and one region to another. Inflationary pressures have intensified at global level as a result of price increases in both oil and raw materials, and are particularly evident in the faster growing emerging economies.

In the advanced economies, persistently high unemployment levels and the need to continue action to improve public- and private-sector budgets continue to impede the recovery; in the euro zone in particular, a situation of two-speed growth has emerged, with Germany progressing faster than the other countries.

Volatility remains a feature of the financial markets, in part due to growing pressures on the sovereign debt of a number of European peripheral countries, despite a generally positive picture confirmed by the fact that earnings among listed companies were once again higher than expected.

In this context the Group is moving ahead with its plans to rationalize production costs and overheads and strengthen its financial position without forgoing opportunities to create value in its business sectors.

Consolidated quarterly situation

Financial statements

Income statement

(in thousands of euro)	Q1 2011	%	Q1 2010 (IFRS 5)	%	Change	%	Q1 2010 published	%
Revenues	**1,224,441**	**100.0**	**1,151,556**	**100.0**	**72,885**	**6.3**	**1,173,000**	**100.0**
Other revenues	11,309		10,808		501		10,905	
Change in inventories	(15,417)		6,484		(21,901)		9,140	
Internal work capitalized	4,723		10,879		(6,156)		10,879	
Goods and utilities expenses	(514,776)		(459,597)		(55,179)		(477,595)	
Services expenses	(295,665)		(257,168)		(38,497)		(261,813)	
Employee expenses	(256,650)		(244,795)		(11,855)		(249,861)	
Other operating income (expense)	(26,220)		(43,085)		16,865		(43,245)	
Recurring EBITDA	**131,745**	**10.8**	**175,082**	**15.2**	**(43,337)**	**-24.8**	**171,410**	**14.6**
Net capital gains on sale of fixed assets	16,673		1,197		15,476		1,598	
Non-recurring employee expenses for re-organizations	918		(4,188)		5,106		(4,188)	
Other non-recurring income (expense)	(287)		(659)		372		(660)	
EBITDA	**149,049**	**12.2**	**171,432**	**14.9**	**(22,383)**	**-13.1**	**168,160**	**14.3**
Amortization and depreciation	(121,311)		(109,978)		(11,333)		(113,040)	
Impairment variation	4,918		(32)		4,950		(32)	
EBIT	**32,656**	**2.7**	**61,422**	**5.3**	**(28,766)**	**-46.8**	**55,088**	**4.7**
Finance income	22,724		12,120		10,604		12,208	
Finance costs	(39,555)		(52,595)		13,040		(52,971)	
Net exchange-rate differences and derivatives	(6,515)		2,544		(9,059)		2,559	
Impairment on financial assets	6,181		(86)		6,267		(86)	
Share of results of associates	1,734		(1,749)		3,483		(1,749)	
Profit before tax	**17,225**	**1.4**	**21,656**	**1.9**	**(4,431)**	**-20.5**	**15,049**	**1.3**
Income tax (expense)	(4,590)		2,810		(7,400)		2,672	
Net profit from continuing operations	**12,635**	**1.0**	**24,466**	**2.1**	**(11,831)**	**-48.4**	**17,721**	**1.5**
Net profit from discontinued operations	109,128		(6,745)		115,873			
Net profit for the period	**121,763**	**9.9**	**17,721**	**1.5**	**104,042**	**n.s.**	**17,721**	**1.5**
Attributable to:								
Equity holders of the parent	27,008	2.2	11,556	1.0	15,452	133.7	11,556	1.0
Minority interests	94,755	7.7	6,165	0.5	88,590	n.s.	6,165	0.5

Statement of comprehensive income

(in thousands of euro)	Q1 2011	%	Q1 2010 (IFRS 5)	%	Change	%	Q1 2010 published	%
Net profit for the period	**121,763**	**9.9**	**17,721**	**1.5**	**104,042**	**n.s**	**17,721**	**1.5**
Fair value adjustments to:								
Available-for-sale financial assets	29,791		(256)		30,047		(256)	
Derivatives	2,921		(4,054)		6,975		(4,054)	
Translation differences	(175,345)		199,712		(375,057)		207,723	
Tax relating to components of other comprehensive income	(747)		1,141		(1,888)		1,141	
Components of other comprehensive income	**(143,380)**		**196,543**		**(339,923)**		**204,554**	
Components of other comprehensive income from discontinued operations			8,011		(8,011)			
Total comprehensive income	**(21,617)**	**-1.8**	**222,275**	**19.3**	**(243,892)**	**n.s.**	**222,275**	**18.9**
Attributable to:								
Equity holders of the parent	14,930		43,091		(28,161)		43,091	
Minority interests	(36,547)		179,184		(215,731)		179,184	

Summary of change in total net financial position

(in thousands of euro)	03/31/2011	03/31/2010 (IFRS 5)
Opening net financial position	**(2,095,456)**	**(2,200,819)**
Cash flow from operating activities before change in working capital	98,290	90,944
Change in working capital	(27,361)	126,117
Cash flow from operating activities	**70,929**	**217,061**
Investments in PPE, investment property and intangible assets	(65,852)	(94,056)
Change in payables for PPE, investment property and intangible asset purchases	(43,945)	(38,518)
Cash flows net of investments in PPE, investment property and intangible assets	**(38,868)**	**84,487**
Financial investments (equity investments)	(27,536)	(11,910)
Change in payables for equity investment purchases	(112)	(8,945)
Divestments of fixed assets	80,880	50,174
Dividends paid	(57,021)	-
Net debt of the Calcestruzzi group at January 1, 2011	(217,688)	-
Net flows from discontinued operations	281,382	2,186
Other changes	9,271	(14,330)
Change for the period	**30,308**	**101,662**
Closing net financial position	**(2,065,148)**	**(2,099,157)**

Financial position

(in thousands of euro)	March 31, 2011	December 31, 2010	Change	%
Cash, cash equivalents and current financial assets	1,821,322	1,912,071	(90,749)	-4.7
Short-term financing	(1,291,388)	(1,377,248)	85,860	-6.2
Medium/long-term financial assets	115,377	134,320	(18,943)	-14.1
Medium/long-term financing	(2,710,459)	(2,764,599)	54,140	-2.0
Net debt	**(2,065,148)**	**(2,095,456)**	**30,308**	**-1.4**

The Net Financial Position at March 31, 2011, determined in compliance with Consob Communication no. DEM/6064293 of July 28, 2006 (i.e., not including medium/long-term financial assets) stood at 2,180,525 thousand euro (2,229,776 thousand euro at December 31, 2010).

Shareholders' equity

(in thousands of euro)	March 31, 2011	December 31, 2010	Change	%
Total shareholders' equity	**5,848,365**	**5,932,785**	**(84,420)**	**-1.4**

Comments on the financial statements

Foreword

This quarterly report at March 31, 2011, has been drawn up in accordance with the provisions of article 154 ter, paragraph 5, of Legislative Decree no. 58 of February 24, 1998, and subsequent amendments. It has been prepared using the measurement and valuation criteria of the International Financial Reporting Standards (IFRS).

Basis of presentation

The consolidated financial statements are based on the accounts of the consolidated companies at March 31, 2011, adjusted where necessary to ensure alignment with the IFRS-compliant classification criteria and accounting principles adopted by the Group.

The consolidation principles are those used to prepare the 2010 consolidated financial statements as well as the principles and amendments that came into force and were adopted as from January 1, 2011, of which the most significant for the Group are:

- IAS 24 revised "Related party disclosures";
- amendment to IFRS 1 "First-time adoption of IFRS" and the related amendment to IFRS 7;
- IFRIC 19 "Extinguishing financial liabilities with equity instruments";
- amendment to IFRIC 14 "Prepayments of a minimum funding requirement";
- amendment to IAS 32 "Financial instruments presentation" regarding classification of rights issues;
- amendments to IFRS 7;
- amendments to a number of IAS/IFRS/IFRIC in connection with the improvement of the same (IFRS 1, 3, 7, IAS 1, 27, 34, IFRIC 13).

The above changes had no material effects on the period under review.

Sale of the operations in Turkey headed by Set Group Holding

Through its subsidiary Ciments Français, on March 25, 2011, the Group sold the companies headed by Set Group Holding – Turkey; consequently, the operations in question have been accounted for in compliance with IFRS 5 "Non-current assets held for sale and discontinued operations", presenting a separate item in the income statement and the statement of changes in debt reflecting the earnings and the cash flows arising from the sale.
Also in compliance with IFRS 5, the amounts in the income statement and the statement of changes in debt for the first quarter of 2010 have been restated accordingly.

Exchange rates used to translate the financial statements of foreign entities

The accounts denominated in foreign currency of the foreign subsidiaries consolidated on a line-by-line basis or a proportionate basis and those of the foreign associates valued with the equity method have been translated into the reporting currency using the exchange rate at March 31, 2011, for assets and liabilities and the average exchange rate for the first three months of 2011 for income and expense.

Exchange rates for 1 euro:

	Average rate			Closing rate		
Currencies	**Q1 2011**	**Full year 2010**	**Q1 2010**	**March 31, 2011**	**December 31, 2010**	**March 31, 2010**
Thai baht	41.77117	42.02675	45.47216	42.97600	40.17000	43.59800
Czech crown	24.37492	25.28480	25.86805	24.54300	25.06100	25.44000
Libyan dinar	1.69446	1.67844		1.74959	1.67606	
Serbian dinar	103.95300	103.01500	98.71830	103.66400	106.04500	99.79030
Kuwaiti dinar	0.38210	0.38019	0.39818	0.39387	0.37594	0.38926
Moroccan dirham	11.22385	11.15625	11.23759	11.32690	11.17980	11.20320
Canadian dollar	1.34838	1.36508	1.43829	1.37850	1.33220	1.36870
US dollar	1.36799	1.32588	1.39291	1.42070	1.33620	1.34790
Hungarian florin	272.42800	275.39800	268.52200	265.72000	277.95000	265.75000
Swiss franc	1.28714	1.38063	1.46321	1.30050	1.25040	1.42760
Ukraine hrivna	10.87710	10.53970	11.07950	11.31430	10.62540	10.69210
Croatian kuna	7.40184	7.28886	7.28494	7.37780	7.38300	7.26380
Albanian lek	139.46073	137.74003	138.74060	140.79100	138.86000	139.17500
Moldavian leu	16.49024	16.38605	17.37505	16.92000	16.24000	16.71960
Bulgarian lev	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
Egyptian pound	8.03868	7.47113	7.56876	8.47093	7.75751	7.42002
Bosnian mark	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
New Turkish lira	2.14692	1.98756	2.07874	2.18160	2.04910	2.05230
New Romanian leu	4.22116	4.21125	4.11302	4.12210	4.26200	4.09700
Mauritanian ouguiya	386.57017	365.68685	362.22313	395.95600	377.75700	356.92400
Mexican peso	16.50071	16.73637	17.65552	16.92760	16.54750	16.65730
Chinese renmimbi	9.00285	8.97294	9.44174	9.30360	8.82200	9.20060
Saudi Arabian riyal	5.13032	4.97226	5.18596	5.32791	5.01060	5.05480
Qatar riyal	4.98134	4.82647	5.03362	5.17339	4.86375	4.90716
Russian ruble	39.99760	40.25900	41.26970	40.28500	40.82000	39.69500
Indian rupee	61.92551	60.58486	63.47958	63.34500	59.75800	60.51400
Sri Lanka rupee	151.40834	149.85278	158.13725	156.78900	148.24700	153.70600
Pound sterling	0.85386	0.85805	0.88760	0.88370	0.86075	0.88980
Kazakhstan tenge	200.24031	195.38110	204.21324	206.95000	196.96400	198.20200

Scope of consolidation

The main changes in the scope of consolidation at March 31, 2011, compared with March 31, 2010, refer to:

- the line-by-line consolidation of the Calcestruzzi group – Italy, as from January 1, 2011,
- the Calcestruzzi group consists of the subsidiaries: Calcestruzzi S.p.A., Cemencal S.p.A., Eica S.r.l., Esa Monviso S.p.A. and Speedybeton S.p.A. (consolidated on a line-by-line basis); the associates: Mantovana Inerti S.r.l. and Ecoinerti S.r.l. (consolidated on a proportionate basis); and the associates: General Cave S.r.l. and Safra S.r.l. (valued with the equity method);
- the exclusion of Set Group Holding – Turkey, and its subsidiaries: Set Cimento and Met Teknik Servis, after the sale to third parties on March 25, 2011;
- the exclusion of Bares and Italgen Elektrik – Turkey, after the sale to third parties on March 31, 2011;
- the exclusion of Franco Tosi S.r.l. and Sance S.r.l. (Italy), merged into and with the parent company Italmobiliare S.p.A.;
- the exclusion of Soparfinter S.A. and SG Finance S.A. (Luxembourg), which were sold;
- the consolidation of the CJSC Inline-R company (Russia), now valued at cost after partial sale of the equity investment.

Income statement

Revenues

Revenues from sales and services totaled 1,224,441 thousand euro, as follows:

(in thousands of euro)	Q1 2011	Q1 2010	Change	% change
Industrial revenues				
Product sales	1,160,324	1,062,380	97,944	9.2%
Revenues from services	36,519	33,086	3,433	10.4%
Other revenues	8,610	7,625	985	12.9%
Total	**1,205,453**	**1,103,091**	**102,362**	**9.3%**
Financial revenues				
Interest	2,462	2,332	130	5.6%
Dividends	3	47	(44)	-93.6%
Capital gains and other revenues	7,920	35,712	(27,792)	-77.8%
Total	**10,385**	**38,091**	**(27,706)**	**-72.7%**
Banking revenues				
Interest	1,384	1,422	(38)	-2.7%
Commission and other revenues	6,770	7,839	(1,069)	-13.6%
Total	**8,154**	**9,261**	**(1,107)**	**-12.0%**
Real estate and service revenues	**449**	**1,113**	**(664)**	**-59.7%**
Grand total	**1,224,441**	**1,151,556**	**72,885**	**6.3%**

Goods and utilities expenses

Goods and utilities expenses amounted to 514,776 thousand euro, as follows:

(in thousands of euro)	Q1 2011	Q1 2010	Change	% change
Raw materials and semifinished goods	153,027	112,566	40,461	35.9%
Fuel	147,071	113,368	33,703	29.7%
Materials and machinery	82,162	66,845	15,317	22.9%
Finished goods	42,514	59,306	(16,792)	-28.3%
Electricity, water, gas	114,959	105,750	9,209	8.7%
Change in inventories of raw materials, consumables, other	(24,957)	1,762	(26,719)	n.s.
Total	**514,776**	**459,597**	**55,179**	**12.0%**

Services expenses

Services expenses amounted to 295,665 thousand euro, as follows:

(in thousands of euro)	Q1 2011	Q1 2010	Change	% change
External services and maintenance	101,798	88,996	12,802	14.4%
Transport	116,859	95,933	20,926	21.8%
Legal fees and consultancy	12,809	12,770	39	0.3%
Rents	23,462	19,932	3,530	17.7%
Insurance	11,277	11,024	253	2.3%
Subscriptions	2,907	2,391	516	21.6%
Other	26,553	26,122	431	1.6%
Total	**295,665**	**257,168**	**38,497**	**15.0%**

Employee expenses

Employee expenses totaled 256,650 thousand euro, as follows:

(in thousands of euro)	Q1 2011	Q1 2010	Change	% change
Wages and salaries	174,132	166,211	7,921	4.8%
Social security charges	40,235	38,541	1,694	4.4%
Provisions and contributions to pension funds	17,826	15,877	1,949	12.3%
Cost of stock option plans	975	2,347	(1,372)	-58.5%
Other costs	23,482	21,819	1,663	7.6%
Total	**256,650**	**244,795**	**11,855**	**4.8%**

“Other costs” related mainly to costs for temporary personnel, canteen costs, employee insurance costs and also personnel training and recruitment costs.

The number of employees is shown below:

(heads)	Q1 2011	Q1 2010
Number of employees at period end	22,192	22,015
Average number of employees	22,230	22,085

Other operating income (expense)

Other operating expense net of other operating income amounted to 26,220 thousand euro, as follows:

(in thousands of euro)	Q1 2011	Q1 2010	Change	% change
Other taxes	21,380	19,182	2,198	11.5%
Provision for bad debts	5,826	2,603	3,223	n.s.
Provision for environmental restoration - quarries	2,282	1,185	1,097	92.6%
Interest expense and other expense for companies in financial, banking, insurance sectors	6,471	4,612	1,859	40.3%
Miscellaneous expense	12,289	25,054	(12,765)	-50.9%
Miscellaneous income	(22,028)	(9,551)	(12,477)	n.s.
Total	**26,220**	**43,085**	**(16,865)**	**-39.1%**

Miscellaneous income for the quarter to March 31, 2011, included net capital gains of 9.3 million euro from trading of CO_2 emission rights (2.6 million euro in the first quarter to March 31, 2010).

Non-recurring income (expense)

Non-recurring income net of non-recurring expense amounted to 17,304 thousand euro (expense of 3,650 thousand euro in the first quarter of 2010), as follows:

(in thousands of euro)	Q1 2011	Q1 2010	Change	% change
Net capital gains on sale of fixed assets	16,673	1,197	15,476	n.s.
Non-recurring employee expenses for re-organizations	918	(4,188)	5,106	n.s.
Other non-recurring income (expense)	(287)	(659)	372	-56.4%
Total	**17,304**	**(3,650)**	**20,954**	**n.s.**

The largest item in the first quarter of 2011 was capital gains on the sale of fixed assets for 16.7 million euro (1.2 million euro in the first quarter of 2010); this included the net capital gain of 14.0 million euro on the sale of Bares and Italgen Turkey, whose main balance sheet asset was the license for the Balikesir wind farm project in Turkey.
Expenses for re-organizations in the first quarter of 2010 mainly referred to charges for the closure of two grinding centers in Italy.

Amortization and depreciation

Amortization and depreciation totaled 121,311 thousand euro (109,978 thousand euro in the first quarter of 2010) and included depreciation charges for property, plant and equipment for 116,990 thousand euro (106,238 thousand euro in the first quarter of 2010).

Finance income (costs), net exchange-rate differences and derivatives

Finance costs net of finance income amounted to 23,346 thousand euro, as follows:

	Q1 2011		Q1 2010	
(in thousands of euro)	**Income**	**Costs**	**Income**	**Costs**
Interest income	5,475		6,914	
Interest expense		(27,340)		(44,270)
Sub total	**5,475**	**(27,340)**	**6,914**	**(44,270)**
Net interest in respect of net financial position		**(21,865)**		**(37,356)**
Net dividends	360		97	
Gains on sale of equity investments	13,806	(69)	4,208	(548)
Other finance income	3,083		901	
Capitalized interest expense		153		3,873
Other finance costs		(12,299)		(11,650)
Sub total	**17,249**	**(12,215)**	**5,206**	**(8,325)**
Total finance income and (costs)	**22,724**	**(39,555)**	**12,120**	**(52,595)**
Gains/(losses) on interest-rate derivatives		(1,049)		(1,426)
Gains/(losses) on foreign-exchange derivatives	35,343			(6,043)
Net exchange-rate differences		(40,809)	10,013	
Net exchange-rate differences and derivatives	**(6,515)**		**2,544**	
Total finance income (costs), net exchange-rate differences and derivatives		**(23,346)**		**(37,931)**

Total finance costs net of finance income, not considering net exchange-rate differences and derivatives, amounted to 16,831 thousand euro (40,475 thousand euro in the first quarter of 2010); 2010 first-quarter finance costs included 21.7 million euro for the re-purchase of notes from the private placements in the USA; 2011 first-quarter income from equity investments includes net capital gains of 13.7 million euro from the partial sale of Goltas shares and the total sale of Bursa.
"Capitalized finance costs" in the first quarter of 2011 amounted to 153 thousand euro (3,873 thousand euro in the first quarter of 2010).

Impairment on financial assets

The amount of 6,181 thousand euro chiefly refers to the reversal of the impairment loss on the Calcestruzzi group recognized in the fair value reserve for available-for-sale financial assets on December 31, 2010, now recorded in the income statement as a result of the consolidation of the group as from January 1, 2011.

Share of results of associates

This reflects:

(in thousands of euro)	Q1 2011	Q1 2010	Change	% change
Mittel (Italy)	(25)	82	(107)	n.s.
Asment (Morocco)	1,477	1,863	(386)	-20.7%
Tecnogravel (Egypt	231	325	(94)	-28.9%
Innocon and Ciment du Quebec (Canada)	268	4	264	n.s.
RCS MediaGroup (Italy)	469	(4,077)	4,546	-111.5%
Others	(686)	54	(740)	n.s.
Total	**1,734**	**(1,749)**	**3,483**	**n.s.**

Income tax

Income tax reflected expense of 4,590 thousand euro, as follows:

(in thousands of euro)	Q1 2011	Q1 2010	Change	% change
Current tax	2,202	(19,338)	21,540	n.s.
Prior-year tax and other non-recurring fiscally driven items, net	(35)	1,564	(1,599)	n.s.
Deferred tax	(6,757)	20,584	(27,341)	n.s.
Total	**(4,590)**	**2,810**	**(7,400)**	**n.s.**

Net profit from discontinued operations

The amount of 109.1 million euro refers to the net capital gain generated by the sale of Set Group Holding – Turkey; in 2010, Set Group Holding posted a first-quarter net loss of 6.7 million euro.

Non-recurring transactions

Details on and the impact of the most significant non-recurring transactions on Group equity, income and financial position are set out below:

	Q1 2011					
(in thousands of euro)	Shareholders' equity		Net profit for the period		Net debt	
	amount	%	amount	%	amount	%
Book values	**5,848,365**		**121,763**		**(2,065,148)**	
Net capital gains on sale of fixed assets	16,673	0.29%	16,673	13.69%	59,565	-2.88%
Non-recurring employee expenses for re-organizations	918	0.02%	918	0.75%		
Other non-recurring income (expense)	(287)	0.00%	(287)	0.24%	(300)	0.01%
Tax on non-recurring transactions	(1,254)	-0.02%	(1,254)	1.03%		
Non-recurring tax						
Total	**16,050**	**0.27%**	**16,050**	**13.18%**	**59,265**	**-2.87%**
Figurative value without non-recurring transactions	**5,832,315**		**105,713**		**(2,124,413)**	

	Q1 2010					
(in thousands of euro)	Shareholders' equity		Net profit for the period		Net debt	
	amount	%	amount	%	amount	%
Book values	**5,950,603**		**17,721**		**(2,099,157)**	
Net capital gains on sale of fixed assets	1,598	0.03%	1,598	9.02%	11,230	-0.53%
Non-recurring employee expenses for re-organizations	(4,188)	0.07%	(4,188)	23.63%		
Other non-recurring income (expense)	(660)	0.01%	(660)	3.72%	(330)	-0.02%
Tax on non-recurring transactions	967	0.02%	967	5.46%		
Non-recurring tax						
Total	**(2,283)**	**0.04%**	**(2,283)**	**12.88%**	**10,900**	**-0.52%**
Figurative value without non-recurring transactions	**5,952,886**		**20,004**		**(2,110,057)**	

Investments in fixed assets

Investments in fixed assets in the first quarter of 2011 are detailed below:

(in thousands of euro)	Q1 2011	Q1 2010	Change	% change
Investments in intangible assets	2,338	4,588	(2,250)	-49.0%
Investments in property, plant and equipment and investment property	63,514	89,468	(25,954)	-29.0%
Change in payables for property, plant and equipment, investment property and intangible asset purchases	43,945	38,518	5,427	14.1%
Total investments in property, plant and equipment, investment property and intangible assets	**109,797**	**132,574**	**(22,777)**	**-17.2%**
Investments in non-current financial assets	27,536	11,910	15,626	131.2%
Change in payables for non-current financial asset purchases	112	8,945	(8,833)	-98.7%
Total financial investments (equity investments)	**27,648**	**20,855**	**6,793**	**32.6%**
Total	**137,445**	**153,429**	**(15,984)**	**-10.4%**

Investments in property, plant and equipment and investment property totaling 63,514 thousand euro arose in on the European Union for 33,406 thousand euro, Africa for 12,208 thousand euro and Asia and Middle East for 11,487 thousand euro.

Net debt

Net debt at March 31, 2011, was 2,065,148 thousand euro (2,095,456 thousand euro at December 31, 2010). It comprised gross financing for 4,001,847 thousand euro and gross financial assets for 1,936,699 thousand euro.

Medium/long-term financing of 2,710,459 euro included the bond issued in March 2010 by Italcementi Finance S.A. on the European market for an aggregate nominal amount of 750 million euro, with a 5.375% coupon, whose net value at March 31, 2011, was 734.1 million euro.

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The manager in charge of preparing the company's financial reports, Giorgio Moroni, declares, pursuant to paragraph 2 article 154 bis of the Consolidated Law on Finance, that the accounting information contained in this report corresponds to the document results, books and accounting entries.