ITALMOBILIARE

Quarterly report at March 31, 2012

ITALMOBILIARE

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Quarterly report
at March 31, 2012

May 15, 2012

ITALMOBILIARE
Società per Azioni

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

Company officers

Board of Directors

(Term ends on approval of financial statements at 12.31.2013)

Giampiero Pesenti	1-2	Chairman-Chief Executive Officer
Italo Lucchini	1-3	Deputy Chairman
Carlo Pesenti	1	Chief Operating Officer
Mauro Bini	4-5-6-8	
Giorgio Bonomi	4	
Gabriele Galateri di Genola	3-6	
Jonella Ligresti	5-6	
Sebastiano Mazzoleni		
Luca Minoli		
Gianemilio Osculati	6	
Giorgio Perolari	1-3-4-5-6	
Clemente Rebecchini		
Paolo Sfameni	6-9	
Livio Strazzera	1-7	
Graziano Molinari	10	Secretary to the Board

Board of Statutory Auditors

(Term ends on approval of financial statements at 12.31.2013)

Acting auditors

Francesco Di Carlo	Chairman
Angelo Casò	
Leonardo Cossu	

Substitute auditors

Luciana Ravicini
Enrico Locatelli
Paolo Ludovici

Manager of preparing the Company's financial reports

Giorgio Moroni

Independent Auditors

KPMG S.p.A.

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 Transactions with Related Parties
6 Independent director (pursuant to the Voluntary Code of Conduct and Law no.58, February 24, 1998)
7 Independent director (pursuant to Law no.58, February 24, 1998)
8 Lead independent director
9 Member of the Compliance Committee
10 Secretary to the Executive Committee

COMMENTS ON OPERATIONS

FOREWORD

This quarterly report as at and for the year to March 31, 2012, 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 changes in policies and interpretations with respect to the financial statements as at and for the year to December 31, 2011, are illustrated in the comments on the financial statements. They had no effects in the first quarter of 2012.

With regard to the changes in the scope of consolidation, in December 2011 the Axim-branded operations in cement and ready mixed concrete additives in Italy, France, USA, Canada, Morocco and Spain were sold; in January 2012, Italcementi S.p.A. sold its entire investment (100%) in Silos Granari della Sicilia S.r.l. to a third party. Furthermore, under the agreements of February 2012 for the sale of the remaining 51% of the capital of Afyon Cimento Sanayii Turk A.S. to Cimsa Cimento Sanayi ve Ticaret A.S., Afyon has been deemed available-for-sale since the beginning of the year. In compliance with IFRS 5, gains (losses) relating to discontinued operations, both for the period under review and for the year-earlier period, are shown in a separate item on the income statement. A similar basis of presentation has been used for the cash flows that generated the change in total net financial debt.

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.

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INFORMATION ON OPERATIONS

Despite the improvement in the short-term world outlook for some economies and the progress achieved in creating conditions favorable to economic growth, structural obstacles and the as yet incomplete process of restoring public- and private-sector budgets in Europe to health continued to slow medium-term growth.

Signs of a slowdown also appeared in a number of emerging countries, beginning with China, as a result of the slacker pace of world trade, as well as of the more cautious economic policy stance almost everywhere. Meanwhile, comforting signs came from North America where the current recovery strengthened, leading, among other things, to significant increases in employment.

In the first quarter of 2012 the difficulties caused by the sovereign debt crisis in the euro zone eased significantly, contributing to a general reduction in volatility both in government securities and in equities. Factors assisting this were the new measures introduced by some euro zone governments, the decisions taken by European leaders in January and the agreement over a second bail-out plan for Greece. The return to calmer conditions on the financial markets assisted a notable upturn in share prices and the resumption of capital flows to the emerging countries. Since the end of March, however, with new concerns emerging over the prospects of several euro zone countries and fears about the scale of the global economic slowdown, tension on the financial markets intensified again.

In the period under review, euro zone long-term yields on government securities with high ratings were substantially stable, whereas yields in the USA fell slightly, although the recovery of the US economy continued.

The significant narrowing of the spreads on euro zone ten-year government securities with respect to the German Bund, which was a feature of most of the quarter, has reversed in part since the end of March. Until then, spreads had fallen in Italy, Ireland, Belgium and Portugal, but widened in Spain, reflecting the worsening prospects for the consolidation of the country’s public finances.

During the quarter the euro generally appreciated against most of the main currencies, specifically the US dollar, the Japanese yen and the Chinese renminbi, but stayed steady against the pound. In the first three months, overall it depreciated against other European currencies, notably the Hungarian florin and the Polish zloty, as well as the Czech crown.

In this context, for the first quarter of 2012 the Italmobiliare Group posted an overall **loss** of 38.2 million euro and a **loss attributable to owners of the parent** of 23.5 million euro, compared with respectively total profit of 121.8 million euro and profit attributable to owners of the parent of 27.0 million euro in the first quarter of 2011. The year-earlier period benefited from the capital gain of 109.1 million euro on the sale of Set Group in Turkey.

The main consolidated results for the first quarter to March 31, 2012, were as follows:

- **Revenue**: 1,145.6 million euro compared with 1,220.7 million euro at March 31, 2011, (-6.2%);
- **Recurring EBITDA**: 133.9 million euro compared with 132.1 million euro at March 31, 2011 (+1.3%);
- **EBITDA**: 142.3 million euro compared with 149.4 million euro at March 31, 2011 (-4.7%);

- **EBIT**: 24.6 million euro compared with 33.4 million euro at March 31, 2011 (-26.3%);
- **Finance income and costs** (including exchange-rate differences and derivatives): net costs of 29.0 million euro compared with 23.5 million euro at March 31, 2011 (+23.6%);
- **Profit before tax:** a loss of 10.9 million euro compared with profit of 17.8 million euro at March 31, 2011 (change >100%);
- **Gains (losses) relating to continuing operations**: a loss of 37.5 million euro compared with a gain of 13.3 million euro at March 31, 2011 (change >100%);

At the end of March 2012 **total equity** was 5,429.1 million euro, compared with 5,539.6 million euro at December 31, 2011.

Net financial debt at March 31, 2012, stood at 2,129.3 million euro, against 2,039.6 million euro at December 31, 2011.

The **gearing ratio** (net financial debt/total equity) increased from 36.82% at December 31, 2011, to 39.22% at March 31, 2012.

Performance in the Italmobiliare Group business segments is illustrated below:

- the **construction materials segment,** consisting of the Italcementi group (Italmobiliare's main industrial activity) witnessed a contraction in construction activities in the Mediterranean countries and signs of an upturn in the US residential sector, while growth in the sector slowed in the emerging countries. Against this background Group revenue was down 6.8% from the first quarter of 2011, due to the negative volume effect, offset in part by a positive overall sales prices dynamic. Besides the reduction in revenue, operating results were negatively affected by the increase in energy costs, but benefited from measures to cut overheads and raise production efficiency and from careful management of CO_2 emission rights. After non-recurring income of 8.8 million euro (17.6 million euro at March 31, 2011), EBITDA decreased by 8.7% from the year-earlier period. EBIT was 21.3 million euro, a significant fall from 36.3 million euro at March 31, 2011, when there were impairment reversals on financial assets and lower net finance costs. After tax expense of 26.0 million euro, a loss was posted for the period of 34.6 million euro compared with profit of 127.6 million euro in the first quarter of 2011 (thanks to the capital gain of 109.1 million euro on the sale of Set Group in Turkey), with a loss attributable to owners of the parent of 49.0 million euro (profit of 80.7 million euro at March 31, 2011);
- in the **food packaging and thermal insulation segment**, consisting of the Sirap Gema group, performance in the first quarter of 2012 was affected by continuing difficulties in demand on the group core markets. The segment reported revenue of 53.9 million euro, substantially in line with the year-earlier period (54.2 million euro). EBITDA was positive at 2.6 million euro, a significant improvement compared with the first quarter of 2011 (0.2 million euro), when the group posted re-organization expense of approximately 1 million euro. EBIT, though negative, improved to -0.1 million euro (-2.6 million euro at March 31, 2011) thanks to the reduction in overheads and the lower impact of polymer raw material costs on selling costs. After net finance costs of 1.2 million euro and income tax expense of 0.2 million euro, the segment posted a loss for the period of 1.4 million euro (a loss of 3.3 million euro at March 31, 2011);
- in the **financial segment,** which includes the parent company Italmobiliare and the wholly owned financial companies, the financial markets showed a slight upturn, although the segment posted a loss for the period of 0.4 million euro (down from profit of 2.6 million euro at March 31, 2011), as a result of impairment losses on equity investments in the banking sector, offset only in part by gains on trading securities;

- the **banking segment** comprises the operations of Finter Bank Zürich and Crédit Mobilier de Monaco. It posted a loss of 1.5 million euro, a downturn from the loss of 0.7 million euro in the first quarter of 2011. The result, essentially reflecting performance at Finter Bank Zürich, was largely determined by the reduction in operating income from 8.1 million euro to 7.7 million euro in the first quarter of 2012, due to the diminution in commission income driven by the reduction in third-party assets under management and higher administrative expense;
- the **property segment, 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, 2012, was 1,206.3 million euro (1,138.5 million euro at the end of 2011).

NAV was calculated considering:

- the market value at the end of the quarter of the investments in listed companies;
- RCS Media Group was valued on the basis of value in use determined by an independent assessment;
- the value of non-listed companies, determined when possible on the basis of market multiples or specific valuations or, alternatively, on the basis of equity determined in accordance with the IAS/IFRS, if available, or otherwise in accordance 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 2012 are summarized below:

(in millions of euro)		Q1 2012	Q1 2011 (IFRS 5)	% change	Q1 2011 published
Revenue		**1,145.6**	**1,220.7**	***(6.2)***	**1,224.4**
Recurring EBITDA		**133.9**	**132.1**	***1.3***	**131.7**
% of revenue		*11.7*	*10.8*		*10.8*
Other income (expense)		8.4	17.3	*(50.7)*	17.3
EBITDA		**142.3**	**149.4**	***(4.7)***	**149.0**
% of revenue		*12.4*	*12.2*		*12.2*
Amortization and depreciation		(117.4)	(120.9)	*(2.9)*	(121.2)
Impairment		(0.3)	4.9	*n.s.*	4.9
EBIT		**24.6**	**33.4**	***(26.3)***	**32.7**
% of revenue		*2.1*	*2.7*		*2.7*
Finance income (costs)		(29.0)	(23.5)	*23.6*	(23.4)
Impairment on financial assets		(6.0)	6.2	*n.s.*	6.2
Share of profit /(loss) of associates		(0.5)	1.7	*n.s.*	1.7
Profit before tax		**(10.9)**	**17.8**	***n.s.***	**17.2**
% of revenue		*(1.0)*	*1.5*		*1.4*
Income tax (expense)		(26.5)	(4.6)	*n.s.*	(4.6)
Gains (losses) relating to continuing operations		**(37.5)**	**13.3**	***n.s.***	**12.6**
Gains (losses) relating to discontinued operations		(0.8)	108.5	*n.s.*	109.2
Profit /(loss) for the period		**(38.2)**	**121.8**	***n.s.***	**121.8**
attributable to:	**Owners of the parent**	**(23.5)**	**27.0**	***n.s.***	**27.0**
	Non-controlling interests	(14.7)	94.8		94.8
Number of employees at period end		**21,126**	**22,068**		**22,192**

n.s. not significant

(in millions of euro)	March 31, 2012	December 31, 2011
Net financial debt	**2,129.3**	**2,039.6**

Recurring EBITDA is the difference between revenue and expense excluding: other non-recurring income and expense, amortization and depreciation, impairment, finance income and costs, share of profit/(loss) of associates and income tax.

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

EBIT reflects EBITDA including amortization, depreciation and impairment.

Revenue and operating results by business segment and geographical area

(in millions of euro)	Q1							
	Revenue		Recurring EBITDA		EBITDA		EBIT	
Business segment	Q1 2012	% change vs Q1 2011	Q1 2012	% change vs Q1 2011	Q1 2012	% change vs Q1 2011	Q1 2012	% change vs Q1 2011
Construction materials	1,071.7	*(6.8)*	126.7	*(3.1)*	135.5	*(8.7)*	21.3	*(41.4)*
Packaging and insulation	53.9	*(0.5)*	2.6	*n.s.*	2.6	*n.s.*	(0.1)	*(97.1)*
Finance	16.3	*8.0*	5.9	*56.0*	5.6	*60.9*	5.5	*59.5*
Banking	8.2	*(9.0)*	(0.8)	*n.s.*	(0.8)	*n.s.*	(1.5)	*n.s.*
Property,services,other	0.3	*(59.7)*	(0.2)	*n.s.*	(0.2)	*n.s.*	(0.2)	*n.s.*
Inter-segment eliminations	(4.8)	*(38.2)*	(0.3)	*(89.9)*	(0.4)	*(89.9)*	(0.4)	*(90.6)*
Total	**1,145.6**	***(6.2)***	**133.9**	***1.3***	**142.3**	***(4.7)***	**24.6**	***(26.3)***
Geographical area								
European Union	646.4	*(9.8)*	54.1	*24.0*	62.4	*2.4*	3.1	*(21.4)*
Other European countries	13.4	*7.0*	(0.7)	*n.s.*	(0.7)	*n.s.*	(1.5)	*96.1*
North America	79.8	*25.0*	(12.6)	*(42.4)*	(12.5)	*(43.8)*	(28.4)	*(26.9)*
Asia and Middle East	146.0	*(1.0)*	20.5	*(23.8)*	20.5	*(24.3)*	6.5	*(51.6)*
Africa	238.1	*(5.7)*	76.4	*(12.7)*	76.5	*(12.5)*	51.2	*(18.0)*
Trading	51.8	*25.4*	1.8	*(36.0)*	1.7	*(41.7)*	1.0	*(49.0)*
Other countries	88.6	*(23.8)*	(5.6)	*(21.0)*	(5.6)	*(20.4)*	(7.3)	*(16.5)*
Inter-area eliminations	(118.5)	*(8.5)*	-		-		-	
Total	**1,145.6**	***(6.2)***	**133.9**	***1.3***	**142.3**	***(4.7)***	**24.6**	***(26.3)***

n.s. not significant

The 6.2% reduction in **revenue** from the first quarter of 2011 reflected:

- the slowdown in business performance, for 6.2%,
- a positive exchange-rate effect, for 0.5%,
- negative changes in the scope of consolidation, for 0.5%.

The business downturn arose in the construction materials and banking segments. A marginal negative contribution came from property, services, other, while the contribution of the financial segment was positive.

The revenue breakdown by geographical area reflects a reduction in the European Union, while the strongest progress was reported in North America and India. In absolute terms, the EU countries as a whole made the largest contribution to revenue.

The modest positive exchange-rate effect in the first quarter arose chiefly from the appreciation of the euro against the US dollar, the Egyptian pound and the Swiss franc, while the single currency depreciated against the Polish zloty, the Hungarian florin and the Indian rupee.

The consolidation effect related to the construction materials segment, with the sale of Axim-branded operations.

Recurring EBITDA at 133.9 million euro increased by 1.3% from the first quarter of 2011 (132.1 million euro). This small improvement arose in food packaging and thermal insulation and in the financial segment, while reductions were reported in the other segments, especially banking.

After net non-recurring income of 8.4 million euro (+17.3 million euro at March 31, 2011), relating mainly to the Italcementi group as the net balance from capital gains on the disposal of assets and restructuring expense, **EBITDA** decreased by 7.1 million euro (to 142.3 million euro from 149.4 million euro in the first quarter of 2011).

After a reduction in amortization and depreciation charges from the first quarter of 2011 (117.4 million euro against 120.9 million euro) and impairment losses of 0.3 million euro (reversals of 4.9 million euro in the first quarter of 2011), **EBIT** decreased by 26.3% to 24.6 million euro, from 33.4 million euro in the year-earlier period.

Finance income and costs and other items

Net finance costs increased by 5.5 million euro, from 23.5 million euro in the first quarter of 2011 to 29.0 million euro at March 31, 2012. Given stable interest expense on net financial debt (-0.2 million euro from the first quarter of 2011) and lower exchange-rate losses net of hedging (-5.3 million euro from the first quarter of 2011), the change was largely due to the presence of capital gains in the first quarter of 2011 from the sale of Goltas shares in the construction materials segment.

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

Impairment losses on financial assets of 6.0 million euro (reversals of 6.2 million euro at March 31, 2011), related to the impairment of the equity investment in Unicredit, in the financial segment.

The Group posted a **loss from associates** of 0.5 million euro (profit of 1.7 million euro in the first quarter of 2011) reflecting the results reported by investments held in the construction materials segment, which had a loss of 0.9 million mitigated only in part by the share of the results of associates in the financial segment, which had a profit of 0.4 million euro.

Profit (loss) for the period

After income tax expense of 26.5 million euro (4.6 million euro in the first quarter of 2011), the Group posted **losses relating to continuing operations** of 37.5 million euro (gains of 13.3 million euro in the first quarter of 2011).

The loss of 0.8 million euro relating to **discontinued operations** was the 2012 first-quarter loss reported by the Turkish company Afyon, for which the Italcementi group has reached a sale agreement.

The **loss for the period** was 38.2 million euro, against a profit of 121.8 million euro in the first quarter of 2011 which had was a capital gain from the sale of Set Group (109.1 million euro); the **loss attributable to owners of the parent,** after a loss attributable to non-controlling interests of 14.7 million euro (profit of 94.8 million euro at March 31, 2011), was 23.5 million euro (profit of 27.0 million euro in the first quarter of 2011).

Total comprehensive income

In the first quarter of 2012, beginning from profit (loss) for the period, the other components of comprehensive income reflected a negative balance of 51.7 million euro (-143.4 million euro in the first quarter of 2011) arising from the following negative items:

- translation losses of 52.5 million euro,
- fair value losses on derivatives for 8.5 million euro,
- the share of other comprehensive income of associates for 1.2 million euro,

the following positive items:

- fair value gains on available-for-sale assets for 7.7 million euro,
- other comprehensive income on discontinued operations for 1.3 million euro,

and the related positive tax effect for 1.5 million euro.

Taking into account the loss for the period of 38.2 million euro, as described above, and the above-mentioned components, total comprehensive income for the first quarter of 2012 was negative at 89.9 million euro (-32.7 million euro attributable to owners of the parent and -57.2 million euro attributable to non-controlling interests) compared with negative total comprehensive income of 21.6 million euro in the first quarter of 2011 (positive income of 14.9 million euro attributable to owners of the parent and -36.5 million euro attributable to non-controlling interests).

The table setting out comprehensive income is shown in the consolidated financial statements section.

Capital expenditure

Capital expenditure in the first quarter, including changes in payables/receivables for purchases, amounted overall to 95.6 million euro (136.9 million euro in the first quarter of 2011), and related mainly to property, plant and equipment, investment property and intangible assets (84.0 million euro compared with 109.3 million euro in the first quarter of 2011). These investments were essentially in the construction materials segment for 82.2 million euro and the food packaging and thermal insulation segment for 1.6 million euro.

Investments in non-current financial assets amounted to 11.6 million euro (27.6 million euro in the first quarter of 2011) and referred to the financial segment for 11.2 million euro and the construction materials segment for 0.4 million euro.

Net financial debt

Net financial debt stood at 2,129.3 million euro at March 31, 2012, an increase of 89.7 million euro from December 31, 2011. The key factors were capital expenditure for the period (95.6 million euro), cash flows from operating activities (13.0 million euro) and dividends paid (10.1 million euro), offset only in part by proceeds from the sale of fixed assets (23.7 million euro). Cash flows in the first quarter of 2011 benefited from the significant net inflows arising from non-recurring operations (asset sale in Turkey and re-consolidation of Calcestruzzi).

(in millions of euro)	**March 31, 2012**	**December 31, 2011**
Cash, cash equivalents and current financial assets	(1,503.0)	(1,693.2)
Short-term financing	1,533.2	1,567.5
Medium/long-term financial assets	(152.2)	(167.4)
Medium/long-term financing	2,253.9	2,332.7
Net financial debt for continuing operations	**2,131.9**	**2,039.6**
Net financial debt for discontined operations	(2.6)	-
Net financial debt	**2,129.3**	**2,039.6**

Financial ratios

(in millions of euro)	**March 31, 2012**	**December 31, 2011**
Net financial debt	2,129.3	2,039.6
Consolidated equity	5,429.1	5,539.6
Gearing	**39.22%**	**36.82%**
Net financial debt	2,129.3	2,039.6
EBITDA before income and expense	683.1	681.0
Leverage[1]	**3.12**	**2.99**

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

CONSTRUCTION MATERIALS SEGMENT

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

(in millions of euro)		Q1 2012	Q1 2011 (IFRS 5)	% change	Q1 2011 published
Revenue		**1,071.7**	**1,149.5**	***(6.8)***	**1,153.2**
Recurring EBITDA		**126.7**	**130.8**	***(3.1)***	**130.4**
% of revenue		*11.8*	*11.4*		*11.3*
Other income (expense)		8.8	17.6		17.6
EBITDA		**135.5**	**148.4**	***(8.7)***	**148.0**
% of revenue		*12.6*	*12.9*		*12.8*
Amortization and depreciation		(113.9)	(117.0)	*(2.6)*	(117.4)
Impairment		(0.3)	4.9	*n.s.*	4.9
EBIT		**21.3**	**36.3**	***(41.4)***	**35.6**
% of revenue		*2.0*	*3.2*		*3.1*
Finance income (costs)		(28.2)	(21.1)	*33.6*	(21.0)
Impairment on financial assets		-	7.5		7.5
Share of profit/(loss) of associates		(1.0)	1.3		1.3
Profit before tax		**(7.8)**	**24.1**	***n.s.***	**23.4**
% of revenue		*(0.7)*	*2.1*		*2.0*
Income tax (expense)		(26.0)	(4.9)		(4.9)
Gains (losses) relating to continuing operations		**(33.8)**	**19.1**	***n.s.***	**18.5**
Gains (losses) relating to discontinued operations		(0.8)	108.5		109.1
Profit (loss) for the period		**(34.6)**	**127.6**	***n.s.***	**127.6**
attributable to:	**Owners of the parent**	**(49.0)**	**80.7**	***n.s.***	**80.7**
	Non-controlling interests	14.4	46.9		46.9
Number of employees at period end		**19,643**	**20,571**		**20,695**

n.s. not significant

(in millions of euro)	March 31, 2012	December 31, 2011
Net financial debt	**2,179.1**	**2,093.0**

The slowdown in the world economic cycle that emerged in the second half of 2011 continued in the first quarter of 2012, with the euro zone displaying particular weakness. This was due to both the persisting difficulties of the financial sector and the austerity plans introduced to combat the deterioration in public finances. Signs of a slowdown in growth also appeared in a number of emerging countries, notably in China, while the US market reported an important upturn, with significant improvements in employment.

Sales volumes

	Q1 2012	% change vs Q1 2011	
		Historic	At constant size
Cement and clinker *(millions of metric tons)*	11.4	*(8.1)*	*(8.1)*
Aggregates* *(millions of metric tons)*	8.0	*(14.1)*	*(14.1)*
Ready mixed concrete *(millions of m³)*	3.1	*(10.7)*	*(11.2)*

* excluding outgoes on work-in-progress account

The figures and changes in the table do not include sales volumes for the Turkish company Afyon, classified as noted earlier under discontinued operations.

Sales volumes decreased in the first quarter of 2012 in all lines of business, in part due to bad weather conditions in Central Western Europe; the difference compared with the first quarter of 2011 was amplified by the positive climate factor in the year-earlier period.

In **cement and clinker**, the decline in Central Western Europe, arising from a general slowdown in the various countries, was offset in part by the progress in North America and Trading. In Emerging Europe, North Africa and Middle East, the downturn in Egypt, after the local socio-political events of 2011, and in Kuwait was largely offset by positive performance in Bulgaria and Morocco. In Asia, performance in India and Thailand was substantially in line with the first quarter of 2011, whereas sharp reductions were reported in China and Kazakhstan.

In **aggregates,** sales fell significantly in all Central Western European countries, with the sole exception of Italy. Performance was positive in North America, although volumes stayed at modest levels.

In **ready mixed concrete**, there was a significant and generalized decline throughout Central Western Europe, whereas an important improvement was reported in North America, although in absolute terms values were still limited. Some progress was reported in Emerging Europe, North Africa and Middle East, thanks to higher sales volumes in Morocco and Kuwait.

Revenue, at 1,071.7 million euro, was down 6.8% from the first quarter of 2011. Given a positive exchange-rate effect of 0.5% and an equivalent negative consolidation effect, the entire decrease arose from the business slowdown; while the sales volume effect was negative, in part due to poor weather conditions in Central Western Europe, the global sales price trend was positive, thanks above to Italy, with international trends varying from market to market.

At constant size and exchange rates, the revenue comparison with 2011 was penalized above all by the reduction in Central Western Europe (especially France – Belgium and Italy due to volumes) and in Egypt, while the most important progress was reported in North America, India, Trading and, once again, Morocco.

The limited positive exchange-rate effect arose largely from the US dollar and the Egyptian pound, net of the depreciation of the rupee.

The equally limited negative consolidation effect arose chiefly from the sale of Axim-branded operations.

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Thanks to the upbeat trend in prices, containment of fixed costs and, to a lesser extent, income from management of CO_2 emission rights, **recurring EBITDA**, at 126.7 million euro (130.8 million euro in Q1 2011), decreased by only 3.1% from the year-earlier period, due to the negative volume effect and the rise in variable costs as a result of higher fuel and electricity prices.

Looking at the individual countries, the most important progress from the first quarter of 2011 was reported in Italy and North America, although recurring EBITDA was still significantly negative, and Morocco; the largest reductions in absolute terms were in Egypt and France-Belgium.

EBITDA, at 135.5 million euro (148.4 million euro in Q1 2011), was down by 8.7% from the year-earlier first quarter, when the group posted larger net non-recurring income. In the period under review, net non-recurring income was 8.8 million euro (17.6 million euro in the year-earlier period), reflecting the net balance between the capital gains on the sale of assets (mainly Silos Granari della Sicilia S.r.l.) and restructuring costs.

EBIT, at 21.3 million euro (36.3 million euro in Q1 2011) was down by 41.4%; there was a small reduction in amortization and depreciation (2.6%).

The group posted a **loss before tax** of 7.8 million euro (profit of 24.1 million euro in the year-earlier period), reflecting the impact of **net finance costs** of 28.2 million euro (21.1 million euro in 2011); given the slight reduction in net interest expense on net financial debt, the change arose largely from the capital gains on the sale of Goltas shares in the first quarter of 2011.

The first quarter of 2011 also benefited from **impairment reversals on financial assets** of 7.5 million euro, for the reversal of the impairment loss on the Calcestruzzi group recognized in the fair value reserve at December 31, 2010.

After **income tax expense** of 26.0 million euro (4.9 million euro in Q1 2011), the group posted **losses relating to continuing operations** of 33.8 million euro (gains of 19.1 million euro in the first quarter of 2011).

The **loss** of 0.8 million euro **relating to discontinued operations** reflected the 2012 first-quarter result of the Turkish company Afyon, for which a sales agreement has been reached.

The group posted a **loss for the period** of 34.6 million euro compared with a profit of 127.6 million euro in the first quarter of 2011, when it had capital gains of 109.1 million euro from the sale of Set Group in Turkey.

There was a **loss attributable to owners of the parent** of 49.0 million euro (profit of 80.7 million euro in the first quarter of 2011), and profit attributable to non-controlling interests of 14.4 million euro (46.9 million euro in the first quarter of 2011).

Net financial debt stood at 2,179.1 million euro at March 31, 2012, an increase of 86.0 million euro from December 31, 2011.

Compared with the first quarter of 2011, against a reduction in cash flows from operating activities, capital expenditure decreased (to 82.5 million euro from 107.3 million euro) and dividends paid decreased (10.1 million euro, against 57.0 million euro).

ITALMOBILIARE

Significant events in the period

In February, Ciments Français and the subsidiary Parcib s.a.s. signed an agreement with **Cimsa** Cimento Sanayi ve Ticaret A.S. for the sale of the remaining 51% of the capital of **Afyon** Cimento Sanayii Turk A.S.. The overall sale price has been set at 57,530,000 Turkish lira, equivalent to approximately 25 million euro. In April, Antitrust approval was received, while the share transfer and payment will take place at closing, expected by the end of the second quarter. The final price is subject to the usual contractual conditions.

In March the **revamping** program began at the **Devnya Cement** cement plant, one of the most important investments in Bulgaria in the last 20 years. The new facility, one of the largest group facilities in Europe, will begin operations in 2015 and produce approximately 1.5 million metric tons of cement a year when fully operational. A total of approximately 160 million euro will be invested in the project.

Performance by geographical area

(in millions of euro)	Revenue		Recurring EBITDA		EBITDA		EBIT	
Geographical area	**Q1 2012**	**% change vs Q1 2011**	**Q1 2012**	**% change vs Q1 2011**	**Q1 2012**	**% change vs Q1 2011**	**Q1 2012**	**% change vs Q1 2011**
Central Western Europe	577.6	*(11.3)*	42.4	*12.7*	51.0	*(7.8)*	(3.5)	*n.s.*
North America	79.8	*25.0*	(12.6)	*42.4*	(12.5)	*43.8*	(28.4)	*26.9*
Emerging Europe, North Africa and Middle East	262.2	*(4.6)*	81.9	*(13.4)*	82.1	*(13.3)*	53.8	*(18.8)*
Asia	129.4	*(0.7)*	18.9	*(23.9)*	18.8	*(24.1)*	5.8	*(52.5)*
Cement and clinker trading	51.8	*25.4*	1.8	*(36.0)*	1.7	*(41.7)*	1.0	*(49.0)*
Other	88.6	*(23.8)*	(5.6)	*20.7*	(5.6)	*19.8*	(7.3)	*15.8*
Inter-area eliminations	(117.6)	*n.s.*	-	-	-	-	-	-
Total	**1,071.7**	***(6.8)***	**126.7**	***(3.1)***	**135.5**	***(8.7)***	**21.3**	***(41.4)***

n.s. not significant

In the quarter under review, there was a widening in the gap in the cyclical positions of the construction sector between Europe and North America, inside the euro zone and also among the group emerging countries. The signs of an upturn in the US residential sector were confirmed; inside the euro zone, construction activities continued to contract in the group Mediterranean countries while the situation improved in the French-Belgian area, although that area too was affected by extremely poor weather; among the emerging countries, although the picture as a whole remained positive, growth was reported on some markets, while others showed signs of slackening.

E-business

In the period under review, despite continuing domestic and international economic stagnation, BravoSolution S.p.A. and its subsidiaries reported healthy overall revenue growth to 14.1 million euro (+11.3% from Q1 2011). Operating results declined, however, in part due to development costs in countries where the group recently established or is establishing a direct operation. Consolidated EBITDA was 0.3 million euro (1.1 million euro in the year-earlier period), while EBIT was negative at 0.8 million euro (positive EBIT of 0.2 million euro in the first quarter of 2011).

Significant events after the reporting date

In April, the **Standard and Poor's** ratings agency placed the Italcementi corporate rating (BBB-/A-3) under review with negative implications. The Ciments Français rating has also been placed under review.

On May 3, 2012, Ciments Français reached an agreement to **transfer to West China Cement** its equity investment in **Fuping** (acquired by the group in 2007) and its 35% interest in **Shifeng** (acquired from Fuping in 2010) against a reserved share capital increase enabling the **Italcementi** group to become the **third-largest shareholder of West China Cement** with an interest of 6.25%. The transaction will be based on an evaluation of Fuping of approximately 86 million euro, gross of its net financial debt for approximately 26 million euro, which will be deconsolidated. The group will subscribe 284,200,000 new West China Cement shares at a price of 2,1815 HK$/share. West China Cement is a holding listed in Hong Kong, with a cement production capacity of approximately 20 million metric tons in the regions of Shaanxi (where it is the leading industry player) and Xinjiang, which will rise to approximately 24 million metric tons by the end of the year, in 15 sites, including Fuping and Shifeng. In 2011 West China Cement reported total revenue of approximately 380 million euro and a profit for the period of approximately 80 million euro. Closing is expected to take place by the end of the second quarter of 2012, subject to approval by the Chinese authorities.

Disputes and pending proceedings

With reference to the disputes over the non-closure of the 2008 agreement for the sale of the Turkish operations (Set Group) by Ciments Français to Sibcem, Sibconcord, the main shareholder of Sibcem, has begun a proceeding in Russia to annul the agreement. In December 2011, on the basis of a favorable ruling obtained in Russia, Sibconcord filed for compulsory execution in Kazakhstan; its petition was rejected by the courts in January 2012. This decision was upheld by the Court of Appeal in April.

With respect to the situation described in the 2011 Annual Report for the construction materials segment, no significant developments took place in current disputes.

Full-year outlook

The growth prospects of the emerging economies should assist positive development on their markets over the next few months; the signs of recovery in North America, confirmed in the latest period, suggest the short-term outlook remains upbeat. Conversely, several EU countries have been affected by the severe crisis, with a particularly strong recessionary impact in the construction sector.

While the cost of production factors, especially energy, appears to be stabilizing at international level, inflationary pressures continue to affect some emerging countries. The group has begun further action to boost productivity, cut fixed operating costs and rationalize its production facilities, in part though selective investment and sales. It has also introduced measures to adjust its sales prices in response to the inflationary pressure on costs in some of the largest markets on which it operates.

The results of these measures and constant attention to the use of available financial resources will enable the group, despite the temporary slowdowns of the first quarter, to keep operating results in line with 2011 and contain net financial debt at a slightly higher level in the wake of the important strategic investments underway in Italy, Bulgaria and India.

FOOD PACKAGING AND THERMAL INSULATION SEGMENT

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

(in millions of euro)		Q1 2012	Q1 2011	% change
Revenue		**53.9**	**54.2**	***(0.5)***
Recurring EBITDA		**2.6**	**0.2**	***n.s.***
% of revenue		*4.8*	*0.5*	
Other income (expense)		-	-	
EBITDA		**2.6**	**0.2**	***n.s.***
% of revenue		*4.8*	*0.5*	
Amortization and depreciation		(2.7)	(2.8)	*(6.8)*
Impairment		-	-	
EBIT		**(0.1)**	**(2.6)**	***(97.1)***
% of revenue		*(0.1)*	*(4.8)*	
Finance income (costs)		(1.2)	(1.1)	*4.5*
Profit before tax		**(1.2)**	**(3.7)**	*(66.6)*
% of revenue		*(2.3)*	*(6.9)*	
Income tax (expense)		(0.2)	0.4	*n.s.*
Profit (loss) for the period		**(1.4)**	**(3.3)**	*(56.5)*
attributable to:	**Owners of the parent**	**(1.4)**	**(3.3)**	*(56.5)*
	Non-controlling interests	n.s.	n.s.	*n.s.*
Number of employees at period end		**1,288***	**1,301**	

n.s. not significant

* The figure includes 45 people receiving state-subsidized benefits since the closure of the Corciano factory at the end of 2011

(in millions of euro)	March 31, 2012	December 31, 2011
Net financial debt	**127.6**	**128.6**

In the first quarter of 2012, the market situation remained difficult in all the group's main countries; weak demand accentuated the non-positive seasonal effect of the first quarter, especially in thermal insulation.

Despite these difficulties, **revenue** was 53.9 million euro, substantially in line with the year-earlier period (54.2 million euro).

EBITDA was 2.6 million euro, a significant improvement compared with the first quarter of 2011 (0.2 million euro) driven largely by the positive effects of the restructuring measures taken in 2011 and the stabilization of average polymer costs at lower levels than in the year-earlier period.

After amortization and depreciation of 2.7 million euro (2.8 million euro in 2011), **EBIT** was negative at 0.1 million euro (-2.6 million euro in Q1 2011).

Finance costs, for 1.2 million euro, increased from the year-earlier period, due to the combined effect of the higher cost of money and greater average exposure, countered in part by exchange-rate gains of 0.2 million euro (losses of 0.1 million euro in 2011).

The quarter had **income tax expense** of 0.2 million euro compared with deferred tax assets of 0.4 million euro in the first quarter of 2011, reflecting the change in taxable income.

Net financial debt stood at 127.6 million euro, a slight improvement from December 31, 2011 (128.6 million euro), largely thanks to containment of working capital.

Capital expenditure in the period amounted to 1.7 million euro (2.2 million euro in the first quarter of 2011) and focused essentially on food packaging.

Significant events in the period

The re-organization of the “rigid” division led to the closure of the Corciano factory (Perugia) at the end of 2011, and the re-allocation of production operations to the Castelbelforte factory (Mantua). After agreements were reached with the unions, a state-subsidized layoff procedure was set up for 48 employees, who currently number 45 as a result of resignations.

To improve operating efficiency further, the decision was taken to centralize marketing and logistics support operations at the Sirap Gema S.p.A. head office in Verolanuova. On April 23, an agreement was reached with the unions for the gradual transfer of surplus employees to a mobility program, up to a maximum of 12 people.

On January 1, 2012, the Sirap Gema group gave its formal approval to an Environmental Policy document designed to give visibility to its commitment to and operations for the protection of the environment in the countries where it operates. The intention of the Sirap group to comply with local laws and apply the best ecological standards for sustainable, responsible growth, was illustrated to employees through publication of special guidelines.

Performance by line of business and geographical area

(in millions of euro)	Revenue		Recurring EBITDA		EBITDA		EBIT	
	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Food packaging								
Italy	20.7	20.7	0.7	0.2	0.7	0.2	(0.8)	(1.5)
France	5.5	5.9	0.5	0.4	0.5	0.4	0.3	0.3
Other EU countries	13.6	14.1	0.8	(0.3)	0.8	(0.3)	0.4	(0.7)
Other non-EU countries	5.7	3.8	0.3	(0.2)	0.3	(0.2)	0.2	(0.2)
Eliminations	(3.3)	(3.4)	-	-	-	-	-	-
Total	**42.2**	**41.1**	**2.3**	**0.1**	**2.3**	**0.1**	**0.1**	**(2.1)**
Thermal insulation	**11.8**	**13.2**	**0.3**	**0.1**	**0.3**	**0.1**	**(0.1)**	**(0.5)**
Eliminations	(0.1)	(0.1)	-	-	-	-	(0.1)	-
Total	**53.9**	**54.2**	**2.6**	**0.2**	**2.6**	**0.2**	**(0.1)**	**(2.6)**

Food packaging

The complex and difficult economic situation continued to have a negative impact on spending on fresh food, leading to weak demand for food packaging products, on a par with the trend seen in 2011, especially in Western Europe. Even so, food packaging revenue (42.2 million euro) showed a small increase; above all there was a strong recovery in first-quarter margins (EBITDA 2.3 million euro from 0.2 million euro in Q1 2011) as a result of the action taken to cut overheads and rationalize production of rigid-transparent containers (closure of the Corciano factory at the end of 2011) and the reduction in polymer costs.

On the Italian market, revenue was substantially stable with a healthy trend in sales volumes of foamed containers; for rigid containers, where average sales prices improved, the re-organization is still underway with production concentrated in the Mantua factory and expected to be completed by the end of the first half.

In France, where the crisis in consumption continued to be severe, first-quarter revenue (5.5 million euro) was down 6.2% from the first quarter of 2011; the gradual shift in the mix toward higher-performance trays continued (barrier trays to preserve food in a modified environment), mitigating in part the impact of the reduction in prices in a particularly competitive context.

In Poland demand was stable and revenue showed a slight improvement despite the unfavorable local currency trend, thanks to higher sales volumes (due mainly to entry into new market segments).

In the other European countries where the Petruzalek group operates, there was an overall upturn in revenue thanks to increased sales of packaging machines and containers. Margins improved, reflecting the growth in revenue and reduction in overheads after re-organization measures, mainly expensed in the first quarter of 2011.

Thermal insulation

Thermal insulation revenue in the first quarter amounted to 11.8 million euro, down by 10.7% from 13.2 million euro in the first quarter of 2011. The decrease largely originated from lower sales volumes, caused in part by the bad weather in the first two months of the year, and was counterbalanced to some extent by the healthy level of average prices. The price factor and the reduction in the average cost of raw materials drove the improvement in margins.

Export revenue (Germany, Austria and Switzerland) remained at a healthy level and was assisted by the completion of the offer with extra-thick panels and by the gradual reinforcement of the distribution network to ensure better coverage of markets.

The company continues to pay close attention to credit risk on all customers, with careful customer assignment procedures, credit management and insurance covers.

Disputes and pending proceedings

As already illustrated in previous reports, in June 2008 officers from the European Commission General Division 4 (“Competition”) conducted an inspection at the Sira-Gema S.p.A. offices in Verolanuova (Brescia).

Subsequently, the Commission served Sirap-Gema S.p.A., also on behalf of its subsidiaries, with a number of requests for information concerning data and circumstances, to continue the investigation that began with the inspection.

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

As far as Sirap-Gema S.p.A. is aware, the Commission’s investigation is still underway.

Significant events after the reporting date

On April 23, the Petruzalek company purchased a representative share of the entire share capital of the Austrian company Interpack GmbH, which in turns controls, as sole shareholder, the Austrian company Dorner Pack GmbH. This company assembles and markets food product packaging machines and, in Austria in particular, is in a position to supplement the product offer of the Petruzalek group.

Full-year outlook

Generally speaking, the economic situation on the core markets of the Sirap group remains weak. No signs are visible of a possible significant recovery in demand in the short-medium term.

Nevertheless, thanks to the extraordinary re-organization measures introduced last year (and still underway in some cases) and subject to currently unforeseeable extraordinary events, operating margins are expected to improve compared with 2011.

FINANCIAL SEGMENT

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

(in millions of euro)	Q1 2012	Q1 2011	% change
Revenue	16.3	15.1	*8.0*
Recurring EBITDA	5.9	3.8	*56.0*
EBITDA	5.6	3.5	*60.9*
EBIT	5.5	3.4	*59.5*
Profit (loss) for the period	**(0.4)**	**2.6**	***n.s.***

n.s. not significant

(in millions of euro)	March 31, 2012	December 31, 2010
Net financial position	96.0	105.2
Equity	1,052.6	1,060.8
Number of employees at period end	57	56

Results in accordance with the financial model

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

- "Net gains on investments", which includes, with regard to available-for-sale investments, dividends received, gains and losses realized on sales of equity investments, and impairment on these financial assets;
- "Net gains on investments of cash", which includes interest income on bank coupons and deposits, impairment on securities and trading equities, capital gains/losses on the sale of trading securities, income/expense on trading derivatives;
- "Net borrowing costs" which consists essentially of interest expense on financing, bank commissions and costs;
- "Other income and expense", which includes employee expense 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 2012	Q1 2011	% change
Net gains (losses) on equity investments	(4.1)	2.6	*n.s.*
Net gains on investments of cash and cash equivalents	10.4	6.0	*74.4*
Net borrowing costs	(2.2)	(1.5)	*42.7*
Total finance income (loss)	**4.1**	**7.1**	*(42.2)*
Other income and expense	(4.2)	(4.6)	*(7.1)*
Income tax (expense)	(0.3)	0.1	*n.s.*
Profit (loss) for the period	**(0.4)**	**2.6**	***n.s.***

n.s. not significant

Net gains on equity investments were negative for 4.1 million euro, reflecting the absence of incoming dividends, which are usually approved by investee companies in the second quarter of the year.

The downturn with respect to the first quarter of 2011 (gains of 2.6 million euro) arose essentially from the impairment loss of 6 million euro on Unicredit, which was offset only in part by the capital gains on the sale of equity investments and securities (mainly Unicredit rights) and by the positive balance on share of profit (loss) of associates.

Net gains on investments of cash and cash equivalents in the first quarter of 2011 amounted to 10.4 million euro, a significant improvement from 6.0 million euro in the first quarter of 2011. The moderate upturn on the financial markets in the early months of 2012 drove the improvement, thanks to gains on trading securities of 7.4 million euro (0.8 million euro in the year-earlier period) and capital gains on securities of 1.8 million euro (2.3 million euro in the first quarter of 2011).

Net borrowing costs increased from the year-earlier period (to 2.2 million euro compared with 1.5 million euro), largely due to the higher cost of borrowing.

Combining the individual components, the financial segment posted **net finance income** of 4.1 million euro compared with 7.1 million euro in the first quarter of 2011.

Other expense and income reflected net expense of 4.2 million euro, a slight improvement from the first quarter of 2011 (net expense of 4.6 million euro).

After tax expense of 0.3 million euro (income of 0.1 million euro at March 31, 2011), the segment posted a **loss for the period** of 0.4 million euro, compared with a profit of 2.6 million euro in the first quarter of 2011.

The companies in the financial segment hold substantial equity investments, the majority classified as “Available for sale”. The fair value changes on these investments, excluding consolidated investments carried at cost less impairment in the separate financial statements, are recognized in equity under the “Fair value reserve”, or in the income statement if the correlated financial assets have been impaired, in accordance with the accounting policies adopted by the Italmobiliare Group. At March 31, 2012, the fair value reserve of the financial segment reflected a negative balance of 73.9 million euro, compared with -75.1 million euro at December 31, 2011.

Significant events in the period

With regard to the share capital increase approved by Unicredit at the end of 2011 and finalized in January 2012, Italmobiliare S.p.A. exercised 2,876,645 rights to subscribe 5,753,290 shares for a total outlay of 11.2 million euro, funded entirely through the sale of the remaining rights at its disposal. After the increase Italmobiliare S.p.A. directly holds 0.272% of Unicredit ordinary capital.

During the first quarter, in order to optimize its sources of finance, Italmobiliare arranged a number of borrowings, providing shares in portfolio as security. Specifically, it transferred 1,760,000 Italcementi ordinary shares plus voting rights, representing 0.994% of the shares in portfolio.

Net financial position of Italmobiliare and the financial segment

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

	March 31, 2012		December 31, 2011	
(in thousands of euro)	Italmobiliare	Financial segment	Italmobiliare	Financial segment
Cash, cash equivalents and current financial assets	15,683	322,570	21,780	345,107
Short-term financing	(124,444)	(91,599)	(119,371)	(101,965)
Short-term net financial position	**(108,761)**	**230,971**	**(97,591)**	**243,142**
Medium/long-term financial assets	6,091	41,091	6,628	41,628
Medium/long-term financing	(176,019)	(176,019)	(179,531)	(179,531)
Medium/long-term net financial position	**(169,928)**	**(134,928)**	**(172,903)**	**(137,903)**
Net financial position	**(278,689)**	**96,043**	**(270,494)**	**105,239**

Italmobiliare S.p.A. had net financial debt of 278.7 million euro at March 31, 2012 (270.5 million euro at December 31, 2011), an increase of 8.2 million euro arising from current operations.

The consolidated financial position of the financial segment, including the parent company Italmobiliare, was positive at 96.0 million euro (105.2 million euro at December 31, 2011), with a reduction of 9.2 million euro largely due to cash flows on ordinary operations. Cash flows in the first quarter of 2012 were negatively affected by the absence of incoming dividends.

Significant events after the reporting date

No significant events took place.

Full-year outlook

Trends on the financial markets continue to be closely tied to political and regulatory developments in the Euro zone as the region deals with the sovereign debt crisis.

The propensity of the ECB to provide cash injections, the strengthening of the European Stability Mechanism and the undertakings of the IMF have gone some way toward easing investor concern over the systemic risk on the markets. At the same time, at world level, corporate fundamentals retain a positive profile, on average higher than expectations, and in terms of valuations the global stock markets continue to present an attractive risk premium. Nevertheless, due to deep uncertainty over the manner and timing in which the political obstacles affecting the single currency and the resolution of the debt crisis will be tackled, volatility on the financial markets is likely to remain at one of the highest levels of the postwar period.

In this context, it is not possible to formulate reliable forecasts on the segment’s 2012 full-year results.

BANKING SEGMENT

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

(in millions of euro)	Q1 2012	Q1 2011	% change
Revenue	8.2	9.0	*(8.9)*
Recurring EBITDA	(0.8)	0.5	*n.s.*
EBITDA	(0.8)	0.5	*n.s.*
EBIT	(1.5)	(0.5)	*n.s.*
Profit (loss) for the period	**(1.5)**	**(0.7)**	***n.s.***

n.s not significant

(in millions of euro)	March 31, 2012	December 31, 2011
Net financial position	76.8	72.4
Equity	85.8	86.8
Equity attributable to owners of the parent	85.4	86.3
Numbers of employees at period end	124	131

Results in accordance with the banking model

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

- "Net interest income", which reflects the balance on interest income and dividends received, net of interest expense and dividends paid;
- "Operating income", which includes commission income and expense on lending transactions, on securities trading, other financial services and income on trading transactions. It also includes insurance operations conducted through the subsidiary Finter Life;
- "Gross operating profit (loss)", which also includes employee expense and overheads for the banking organization;
- "Profit (loss) from operations", which includes amortization and depreciation, impairment losses and provisions.

(in millions of euro)	Q1 2012	Q1 2011	% change
Net interest income	1.7	1.8	*(3.6)*
Operating income	7.7	8.1	*(5.0)*
Gross operating profit (loss)	(0.6)	0.5	*n.s.*
Profit (loss) from operations	(1.5)	(0.6)	*n.s.*
Profit (loss) for the period	**(1.5)**	**(0.7)**	***n.s.***

n.s. not significant

The results of the banking segment, which deteriorated, consisted almost entirely of the results of Finter Bank Zürich.

Finter Bank Zürich

After a small decrease of 0.1 million Swiss francs in net interest income, operating income was 8.8 million Swiss francs, a reduction from the first quarter of 2011 (10.1 million Swiss francs), caused mainly by lower commissions (6.5 million Swiss francs against 8.3 million Swiss francs) as a result of a smaller number of client transactions in response to uncertainty on the financial markets, and the small reduction in third-party assets under management. Thanks to the upturn on the financial markets in 2012, net trading revenue increased from 0.4 million Swiss francs in the year-earlier period to 1.2 million Swiss francs in the first quarter of 2012.

The contraction in margins was accompanied by virtually unchanged operating expenses, despite costs of approximately 0.4 million Swiss francs incurred in the first quarter for extraordinary projects. After employee expense of 5.8 million Swiss francs, practically unchanged from the first quarter of 2011, a gross operating loss of 0.9 million Swiss francs was posted for the first quarter, compared with gross operating profit of 0.6 million Swiss francs in the first three months of 2011.

After amortization and depreciation (0.9 million Swiss francs), provisions (0.2 million Swiss francs) and a positive income tax posting (0.03 million Swiss francs), the bank posted a consolidated loss for the period of 2.0 million Swiss francs compared with a loss of 0.9 million Swiss francs in the year-earlier period.

Consolidated equity decreased from 98.5 million Swiss francs at December 31, 2011, to 96.3 million Swiss francs at March 31, 2012.

Third-party assets under management at March 31, 2012, amounted to 3.6 billion Swiss francs (excluding assets invested in own funds), a small decrease from 2011 caused by client capital outflows, in part due to high competitiveness on the Swiss banking market.

Crédit Mobilier de Monaco

Crédit Mobilier de Monaco is a bank in Monaco whose main activity is guarantee-backed loans. It reported profit for the first quarter of 2012 of 132,000 euro, compared with 32,000 euro at March 31, 2011.

Significant events in the period

No significant events took place.

Significant events after the reporting date

No significant events took place.

Full-year outlook

Despite the improvement in the short-term world outlook, the outlook for the banking segment continues to be negative due to the constant pressures on the financial markets and growing competition, especially on the Swiss banking market.

PROPERTY SEGMENT, SERVICES, OTHER

This segment includes a number of real estate companies and services companies essentially providing services within the Group.

At March 31, 2012, segment revenue totaled 0.3 million euro, a decrease from the first quarter of 2011 (0.8 million euro). After operating expenses and amortization and depreciation of 0.6 million euro, the segment posted a loss for the period of 0.2 million euro, a reduction from the year-earlier period (profit of 0.3 million euro).

The segment is of marginal importance with respect to overall Group results.

TRANSACTIONS WITH RELATED PARTIES

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

- subsidiaries not consolidated on a line-by-line basis;
- joint ventures and their subsidiaries;
- associates and their subsidiaries;
- other related parties.

All transactions with related parties, whether for the exchange of goods and services or of a financial nature, are conducted at normal market conditions and in compliance with the Code of Voluntary Conduct.

No atypical or unusual transactions as defined by Consob Communication no. DEM/6064293 of July 28, 2006, took place in the first quarter.

Transactions with subsidiaries, joint ventures, associates and the subsidiaries of such companies

Transactions with subsidiaries, joint ventures, associates and non-consolidated subsidiaries of such companies 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.

Transactions with other related parties

Transactions with other related parties in the first quarter of 2012 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 90,000 euro;
- legal consultancy, judicial and extrajudicial assistance provided to Italmobiliare S.p.A. by the associate law firm Dewey & LeBoeuf, of which Italmobiliare director Luca Minoli is a partner, for considerations totaling 17,000 euro.

In 2012 Italmobiliare S.p.A. made an endowment of 300,000 euro to the Italcementi Cav. Lav. Carlo Pesenti foundation. Italcementi S.p.A. charged the foundation for an amount of 42,000 euro for administrative-corporate services and other services.

FULL-YEAR OUTLOOK

The economic outlook for the current year highlights positive indications for the majority of emerging countries and signs of a recovery in North America. In the euro zone, on the other hand, growth is likely to remain weak: the continuing tensions on the sovereign debt markets, their impact on credit conditions, the process of balancing public-sector budgets and high unemployment in a number of countries will continue to brake growth. In this situation, the high level of volatility on the financial markets may persist, especially on bank stocks.

In these conditions, the Group is maintaining a constant focus on cutting overheads and rationalizing and re-organizing production facilities in its industrial sectors, while the pressures on the financial markets will continue to affect the financial and banking segments.

Financial statements

Financial statements

Income statement

(in thousands of euro)	Q1 2012	%	Q1 2011 (IFRS 5)	%	Change	%	Q1 2011 (published)
Revenue	**1,145,577**	**100.0**	**1,220,745**	**100.0**	**(75,168)**	**-6.2**	**1,224,441**
Other revenue	13,335		11,306		2,029		11,309
Change in inventories	19,334		(16,854)		36,188		(15,417)
Internal work capitalized	3,997		4,723		(726)		4,723
Goods and utilities expense	(496,711)		(511,058)		14,347		(514,776)
Services	(279,855)		(294,820)		14,965		(295,665)
Employee expense	(257,262)		(255,858)		(1,404)		(256,650)
Other operating income (expense)	(14,547)		(26,079)		11,532		(26,220)
Recurring EBITDA	**133,868**	**11.7**	**132,105**	**10.8**	**1,763**	**1.3**	**131,745**
Net capital gains on sale of fixed assets	10,955		16,673		(5,718)		16,673
Non-recurring employee expense for re-organizations	(2,186)		918		(3,104)		918
Other non-recurring income (expense)	(289)		(287)		(2)		(287)
EBITDA	**142,348**	**12.4**	**149,409**	**12.2**	**(7,061)**	**-4.7**	**149,049**
Amortization and depreciation	(117,423)		(120,929)		3,506		(121,311)
Impairment	(310)		4,918		(5,228)		4,918
EBIT	**24,615**	**2.1**	**33,398**	**2.7**	**(8,783)**	**-26.3**	**32,656**
Finance income	6,329		22,576		(16,247)		22,724
Finance costs	(34,373)		(39,551)		5,178		(39,555)
Net exchange-rate differences and derivatives	(964)		(6,489)		5,525		(6,515)
Impairment on financial assets	(5,978)		6,181		(12,159)		6,181
Share of profit (loss) of equity accounted investees	(563)		1,734		(2,297)		1,734
Profit (loss) before tax	**(10,934)**	**-1.0**	**17,849**	**1.5**	**(28,783)**	**n.s.**	**17,225**
Income tax (expense)	(26,532)		(4,584)		(21,948)		(4,590)
Profit (loss) relating to continuing operations	**(37,466)**	**-3.3**	**13,265**	**1.1**	**(50,731)**	**n.s.**	**12,635**
Profit (loss) relating to discontinued operations	(770)		108,498		(109,268)		109,128
Profit/(loss) for the period	**(38,236)**	**-3.3**	**121,763**	**10.0**	**(159,999)**	**n.s.**	**121,763**
Attributable to:							
Owners of the parent	(23,470)	-2.0	27,008	2.2	(50,478)	n.s.	27,008
Non-controlling interests	(14,766)	-1.3	94,755	7.8	(109,521)	n.s.	94,755

Statement of comprehensive income

(in thousands of euro)	Q1 2012	% of revenue	Q1 2011 (IFRS 5)	% of revenue	Change	%	Q1 2011 (published)
Profit (loss) for the period	**(38,236)**	**-3.3**	**121,763**	**10.0**	**(159,999)**	**n.s.**	**121,763**
Fair value gains (losses) on:							
Available-for-sale financial assets	7,741		29,791		(22,050)		29,791
Derivatives	(8,489)		2,921		(11,410)		2,921
Translation differences	(52,550)		(168,983)		116,433		(175,345)
Tax on other comprehensive income	1,530		(747)		2,277		(747)
Share of other comprehensive income of equity accounted investees	(1,186)		(4,017)		2,831		
Other comprehensive income	**(52,954)**		**(141,035)**		**88,081**		**(143,380)**
Other comprehensive income on discontinued operations	1,296		(2,345)		3,641		
Total comprehensive income	**(89,894)**	**-7.8**	**(21,617)**	**-1.8**	**(68,277)**	**n.s.**	**(21,617)**
Attributable to:							
owners of the parent	(32,724)		14,930		(47,654)		14,930
non-controlling interests	(57,170)		(36,547)		(20,623)		(36,547)

Summary of changes in total net financial position

(in thousands of euro)	03/31/2012	03/31/2011 (IFRS 5)
Net financial position at beginning of period	**(2,039,619)**	**(2,095,456)**
Cash flow from operating activities before change in working capital	61,746	98,548
Change in working capital	(74,744)	(26,396)
Total cash flow from operating activities	**(12,998)**	**72,152**
Caoital expenditure (PPE, investment property and intangible assets)	(66,550)	(65,832)
Change in payables for PPE and intangible asset purchases	(17,448)	(43,448)
Cash flow net of capital expenditure on PPE, investment property and intangible assets	**(96,996)**	**(37,128)**
Capital expenditure (equity investments)	(11,498)	(27,536)
Change in payables for equity purchases	(61)	(112)
Proceeds from sale of fixed assets	23,661	80,880
Dividends paid	(10,126)	(57,021)
Calcestruzzi group net financial debt at January 1, 2011		(217,689)
Net flows on discontinued operations	(1,089)	279,161
Other changes	6,443	9,753
Change in the period	**(89,666)**	**30,308**
Net financial position at end of period	**(2,129,285)**	**(2,065,148)**

Financial position

(in thousands of euro)	March 31, 2012	December 31, 2011	Change	%
Cash, cash equivalents and current financial assets	1,503,034	1,693,184	(190,150)	-11.2
Short-term financing	(1,533,174)	(1,567,469)	34,295	-2.2
Medium/long-term financial assets	152,177	167,400	(15,223)	-9.1
Medium/long-term financing	(2,253,891)	(2,332,734)	78,843	-3.4
Net financial debt for continuing operations	**(2,131,854)**	**(2,039,619)**	**(92,235)**	**4.5**
Net financial debt for discontinued operations	2,569		2,569	n.s.
Total net financial debt	**(2,129,285)**	**(2,039,619)**	**(89,666)**	**4.4**

The Net Financial Position at March 31, 2012, computed pursuant to Consob communication no. DEM/6064293 of July 28, 2006 (i.e., not including medium/long-term financial assets) was 2,281,462 thousand euro (2,207,019 thousand euro at December 31, 2011).

Equity

(in thousands of euro)	March 31, 2012	December 31, 2011	Change	%
Total equity	**5,429,057**	**5,539,564**	**(110,507)**	**-2.0**

Comments on the financial statements

Foreword

This quarterly report at March 31, 2012, 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, 2012, 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 2011 consolidated financial statements.

Discontinued operations: Afyon – Turkey

In February, the Group signed an agreement for the sale to Cimsa Cimento Sanayi ve Ticaret A.S. of the remaining 51% of the capital of Afyon Cimento Sanayi Turk A.S.; the share transfer to Cimsa and the payment will take place after approval by the authorities and fulfillment of all the conditions contemplated in the agreement.
Consequently, Afyon operations are presented in compliance with IFRS 5 “Non-current assets held for sale and discontinued operations”, with a separate item reflecting earnings and the cash flows in the period on the income statement and the statement of changes in net financial debt.
Also in compliance with IFRS 5, the amounts on the income statement and the statement of changes in net financial debt for the first quarter of 2011 have been restated accordingly.
For greater clarity, the comparative information in the income statement and the statement of comprehensive income is presented restated in compliance with IFRS 5 and as published in the quarterly report at March 31, 2011.

Income for the period of discontinued Afyon operations is set out below.

(in millions of euro)	**Q1 2012**	**Q1 2011**
Revenue(*)	1.6	3.7
Recurring EBITDA	(0.5)	(0.4)
EBITDA	(0.5)	(0.4)
EBIT	(0.9)	(0.7)
Profit (loss) for the period	**(0.8)**	**(0.6)**

(*) after intragroup eliminations

Discontinued Afyon consolidated assets and liabilities at March 31, 2012, consisted of assets for 33.7 million euro and liabilities for 3.8 million euro.
Net cash flows from discontinued operations for the first quarter of 2012 amounted to -1.1 million euro; in the year-earlier period they were 279.2 million euro, of which -2.2 million euro at Afyon.

Exchange rates used to translate the financial statements of foreign operations

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, 2012, for assets and liabilities and the average exchange rate for the first three months of 2012 for the income statement.

Exchange rates for 1 euro:

	Average rate			Closing rate		
Currencies	**Q1 2012**	**FY 2011**	**Q1 2011**	**March 31, 2012**	**Dec. 31, 2011**	**March 31, 2011**
Thai baht	40.62997	42.43201	41.77117	41.17700	40.99100	42.97600
Czech crown	25.08352	24.59142	24.37492	24.73000	25.78700	24.54300
Libyan dinar	1.64425	1.71332	1.69446	1.66554	1.62823	1.74959
Serbian dinar	108.14700	101.96300	103.95300	111.55400	106.17700	103.66400
Kuwaiti dinar	0.36466	0.38460	0.38210	0.37083	0.36056	0.39387
Moroccan dirham	11.14201	11.26142	11.22385	11.18900	11.11290	11.32690
US dollar	1.31082	1.39213	1.36799	1.33560	1.29390	1.42070
Hungarian florin	296.84700	279.35900	272.42800	294.92000	314.58000	265.72000
Swiss franc	1.20799	1.23297	1.28714	1.20450	1.21560	1.30050
Ukrainian hrivna	10.50300	11.10830	10.87710	10.70910	10.36920	11.31430
Croatian kuna	7.55684	7.43873	7.40184	7.51250	7.53700	7.37780
Albanian lek	139.22408	140.32192	139.46073	140.59500	139.03600	140.79100
Moldavian leu	15.53058	16.32856	16.49024	15.77740	15.15860	16.92000
Bulgarian lev	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
Egyptian pound	7.91162	8.27659	8.03868	8.06672	7.80328	8.47093
Bosnian mark	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
New Turkish lira	2.34627	2.32564	2.14692	2.35540	2.45920	2.18160
New Romanian leu	4.35328	4.23816	4.22116	4.38200	4.32330	4.12210
Mauritanian ouguiya	382.64189	391.22452	386.57017	389.82800	374.09200	395.95600
Mexican peso	17.01952	17.28784	16.50071	17.02220	18.05120	16.92760
Chinese renminbi	8.26924	8.99687	9.00285	8.40890	8.15880	9.30360
Saudi Arabian riyal	4.91593	5.22099	5.13032	5.00880	4.85236	5.32791
Qatar riyal	4.77280	5.06924	4.98134	4.86271	4.71164	5.17339
Russian rouble	39.54960	40.88300	39.99760	39.29500	41.76500	40.28500
Indian rupee	65.89905	64.90042	61.92551	68.04200	68.71300	63.34500
Sri Lankan rupee	156.12477	153.84847	151.40834	171.17600	147.38600	156.78900
Pound sterling	0.83448	0.86785	0.85386	0.83390	0.83530	0.88370
Kazakh tenge	194.18522	204.12404	200.24031	197.41100	191.88500	206.95000
Polish zloty	4.23293	4.12052	3.94598	4.15220	4.45800	4.01060

The exchange rates used to translate the financial statements of foreign operations are those published by the Bank of Italy and the Central Turkish Bank.

Scope of consolidation

The main changes in the scope of consolidation in the first quarter of 2012 were the exclusion of Silos Granari della Sicilia S.r.l. (Italy) after its sale to third parties on January 18, 2012.

Income statement

Revenue

Revenue from sales and services totaled 1,145,577 thousand euro, as follows:

(in thousands of euro)	Q1 2012	Q1 2011	Change	% change
Industrial revenue				
Product sales	1,080,855	1,156,628	(75,773)	-6.6%
Services provided	34,195	36,519	(2,324)	-6.4%
Other revenue	8,175	8,610	(435)	-5.1%
Total	**1,123,225**	**1,201,757**	**(78,532)**	**-6.5%**
Financial revenue				
Interest	1,985	2,462	(477)	-19.4%
Dividends	14	3	11	n.s.
Capital gains and other revenue	12,707	7,920	4,787	60.4%
Total	**14,706**	**10,385**	**4,321**	**41.6%**
Bank revenue				
Interest	1,541	1,384	157	11.3%
Commissions	5,077	6,337	(1,260)	-19.9%
Other revenue	1,021	433	588	n.s.
Total	**7,639**	**8,154**	**(515)**	**-6.3%**
Property and service revenue	**7**	**449**	**(442)**	**-98.4%**
Grand total	**1,145,577**	**1,220,745**	**(75,168)**	**-6.2%**

Goods and utilities expense

Goods and utilities expense amounted to 496,711 thousand euro, as follows:

(in thousands of euro)	Q1 2012	Q1 2011	Change	% change
Raw materials and semifinished goods	127,039	152,305	(25,266)	-16.6%
Fuel	110,170	145,307	(35,137)	-24.2%
Materials and machinery	77,201	81,720	(4,519)	-5.5%
Finished goods	40,122	42,514	(2,392)	-5.6%
Electricity, water, gas	130,931	114,073	16,858	14.8%
Change in inventories of raw materials, consumables, other	11,248	(24,861)	36,109	n.s.
Total	**496,711**	**511,058**	**(14,347)**	**-2.8%**

Services

Services expense amounted to 279,855 thousand euro, as follows:

(in thousands of euro)	Q1 2012	Q1 2011	Change	% change
External services and maintenance	92,088	101,718	(9,630)	-9.5%
Transport	116,953	116,621	332	0.3%
Legal fees and consultancy	11,978	12,768	(790)	-6.2%
Rents	21,274	23,456	(2,182)	-9.3%
Insurance	10,828	11,245	(417)	-3.7%
Subscriptions	2,686	2,907	(221)	-7.6%
Other expense	24,048	26,105	(2,057)	-7.9%
Total	**279,855**	**294,820**	**(14,965)**	**-5.1%**

Employee expense

Employee expense totaled 257,262 thousand euro, as follows:

(in thousands of euro)	Q1 2012	Q1 2011	Change	% change
Wages and salaries	173,523	173,526	(3)	0.0%
Social security contributions	38,847	40,151	(1,304)	-3.2%
Provisions and contributions to pension funds	17,838	17,826	12	0.1%
Cost of stock option plans	185	975	(790)	-81.0%
Other expense	26,869	23,380	3,489	14.9%
Total	**257,262**	**255,858**	**1,404**	**0.5%**

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

The number of employees is shown below:

(headcount)	Q1 2012	Q1 2011	Change
Number of employees at period end	21,126	22,068	(942)
Average number of employees	21,190	22,107	(917)

Other operating income (expense)

Other operating expense net of other operating income amounted to 14,547 thousand euro, as follows:

(in thousands of euro)	Q1 2012	Q1 2011	Change	% change
Other taxes	22,057	21,342	715	3.4%
Provision for bad debts	5,754	5,826	(72)	-1.2%
Provision for environmental restoration - quarries	1,690	2,279	(589)	-25.8%
Interest expense and other expense for companies in the financial and banking segments	5,620	6,471	(851)	-13.2%
Miscellaneous expense	8,538	12,189	(3,651)	-30.0%
Miscellaneous income	(29,112)	(22,028)	(7,084)	32.2%
Total	**14,547**	**26,079**	**(11,532)**	**-44.2%**

“Miscellaneous income” in the first quarter of 2012 includes net capital gains of 12.8 million euro on CO_2 emission rights trading (9.3 million euro in the year-earlier period) and income of 3.9 million euro from the reimbursement of “new entry” CO_2 quotas assigned to Italcementi S.p.A..

Non-recurring income (expense)

Non-recurring income net of non-recurring expense amounted to 8,480 thousand euro (income of 17,304 thousand euro in the first quarter of 2011), as follows:

(in thousands of euro)	Q1 2012	Q1 2011	Change	% change
Net capital gains on sale of fixed assets	10,955	16,673	(5,718)	-34.3%
Employee expense for re-organizations	(2,186)	918	(3,104)	n.s.
Other non-recurring income (expense)	(289)	(287)	(2)	0.7%
Total	**8,480**	**17,304**	**(8,824)**	**-51.0%**

The most important item consisted of capital gains on the sale of fixed assets for 11.0 million euro (16.7 million euro in the first quarter of 2011), relating primarily to the net gain of 8.4 million euro from the sale of Silos Granari della Sicilia.

Amortization and depreciation

The total amount of 117,423 thousand euro (120,929 thousand euro in the first quarter of 2011) reflects depreciation of property, plant and equipment for 113,072 thousand euro (116,608 thousand euro in the year-earlier period), depreciation of investment property for 171 thousand euro (190 thousand euro in the year-earlier period) and amortization of intangible assets for 4,180 thousand euro (4,131 thousand euro in the year-earlier period).

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

Finance costs net of finance income amounted to 29,008 thousand euro, as follows:

	Q1 2012		Q1 2011	
(in thousands of euro)	**Income**	**Costs**	**Income**	**Costs**
Interest income	3,985		5,327	
Income expense		(25,541)		(27,340)
Sub total	**3,985**	**(25,541)**	**5,327**	**(27,340)**
Net interest in respect of net financial position		**(21,556)**		**(22,013)**
Dividends			360	
Capital gains/(losses) from sale of equity investments	153		13,806	(69)
Other finance income	2,191		3,083	
Capitalized interest expense				153
Other finance costs		(8,832)		(12,295)
Sub total	**2,344**	**(8,832)**	**17,249**	**(12,211)**
Total finance income (costs)	**6,329**	**(34,373)**	**22,576**	**(39,551)**
Gains/(losses) on interest-rate derivatives		(812)		(1,049)
Gains/(losses) on exchange-rate derivatives	30,934		35,343	
Net exchange-rate differences		(31,086)		(40,783)
Net exchange-rate differences and derivatives		**(964)**		**(6,489)**
Total finance income (costs), net exchange-rate differences and derivatives		**(29,008)**		**(23,464)**

Total finance costs net of finance income, not considering net exchange-rate differences and derivatives, amounted to 28,044 thousand euro (16,975 thousand euro in the first quarter of 2011); 2011 first-quarter income from equity investments included 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 2012 were zero (153 thousand euro in the first quarter of 2011).

Impairment on financial assets

The impairment loss of 5,978 thousand euro refers to the impairment of Unicredit S.p.A. shares, while the positive amount of 6,181 thousand euro in the first quarter of 2011 referred chiefly 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, and subsequently recorded in the income statement after the consolidation of the group as from January 1, 2011.

As noted in the annual report at December 31, 2011, the group is performing an equities volatility analysis in order to assess a possible change in the materiality thresholds (beyond which impairment is posted on the income statement) to provide a closer reflection of the current situation on the markets.

Share of profit (loss) of equity accounted investees

(in thousands of euro)	Q1 2012	Q1 2011	Change	% change
Mittel (Italy)	1,643	(25)	1,668	n.s.
Asment Cement (Morocco)	1,597	1,477	120	8.1%
Techno Gravel (Egypt)	189	231	(42)	-18.2%
Innocon e Ciment du Quebec (Canada)	(904)	268	(1,172)	n.s.
Vassiliko (Cyprus)	(1,015)	(279)	(736)	n.s.
RCS MediaGroup (Italy)	(1,243)	469	(1,712)	n.s.
Others	(830)	(407)	(423)	103.9%
Total	**(563)**	**1,734**	**(2,297)**	**-132.5%**

Income tax (expense)

Income tax reflected expense of 26,532 thousand euro, as follows:

(in thousands of euro)	Q1 2012	Q1 2011	Change	% change
Current tax	(11,565)	2,202	(13,767)	n.s.
Prior-year tax and other non-recurring fiscally driven items, net	(10)	(35)	25	-71.4%
Deferred tax	(14,957)	(6,751)	(8,206)	121.6%
Total	**(26,532)**	**(4,584)**	**(21,948)**	**n.s.**

Profit (loss) relating to discontinued operations

The amount of 770 thousand euro reflected the loss posted for the first quarter of 2012 at Afyon; the gain of 108,498 thousand euro in the year-earlier period consisted of the loss for the period of 630 thousand euro at Afyon and the net capital gain of 109,128 thousand euro on the sale of Set Group Holding.

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 2012					
(in thousands of euro)	Equity		Profit (loss) for the period		Net financial debt	
	amount	%	amount	%	amount	%
Book values	**5,429,057**		**(38,236)**		**(2,129,285)**	
Net capital gains on sale of fixed assets	10,955	0.20%	10,955	28.65%	12,529	0.59%
Non-recurring employee expense for re-organizations	(2,186)	0.04%	(2,186)	5.72%		
Other non-recurring income/(expense)	(289)	0.01%	(289)	0.76%	(300)	0.01%
Tax on non-recurring transactions	(2,855)	0.05%	(2,855)	7.47%		
Total	**5,625**	**0.10%**	**5,625**	**14.71%**	**12,229**	**0.57%**
Figurative value without non-recurring transactions	**5,423,432**		**(43,861)**		**(2,141,514)**	

	Q1 2011					
(in thousands of euro)	Equity		Profit (loss) for the period		Net financial 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 expense 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%		
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)**	

Capital expenditure

Capital expenditure in the first quarter of 2012 is set out in the table below:

(in thousands of euro)	Q1 2012	Q1 2011	Change	% change
Investments in intangible assets	1,958	2,338	(380)	-16.3%
Investments in PPE and investment property	64,592	63,494	1,098	1.7%
Change in payables for purchases of PPE, investment property and intangible assets	17,448	43,448	(26,000)	-59.8%
Total capital expenditure in PPE, investment property and intangible assets	**83,998**	**109,280**	**(25,282)**	**-23.1%**
Investments in non-current financial assets	11,498	27,536	(16,038)	-58.2%
Change in payables for purchases of non-current financial assets	61	112	(51)	-45.5%
Total financial investments (equity investments)	**11,559**	**27,648**	**(16,089)**	**-58.2%**
Total	**95,557**	**136,928**	**(41,371)**	**-30.2%**

Investments in property, plant and equipment and investment property for 64,592 thousand euro were mainly in the European Union for 39,531 thousand euro, Asia and the Middle East for 12,345 thousand euro, North America for 5,663 thousand euro and Africa for 5,038 thousand euro.

Net financial debt

Net financial debt stood at 2,129,285 thousand euro at March 31, 2012 (2,039,619 thousand euro at December 31, 2011), consisting of gross financing for 3,787,065 thousand euro, gross financial assets for 1,655,211 thousand euro and assets of 2,569 thousand euro relating to Afyon discontinued operations.

At March 31, 2012, medium/long-term financing totaled 2,253,891 thousand euro (2,332,734 at December 31, 2011). It included the debenture issued on the European market by Italcementi Finance S.A. for an aggregate nominal amount, net of repurchases, of 738 million euro, with a 5.375% coupon.

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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.