

BOARD EXAMINES CONSOLIDATED RESULTS FOR FIRST QUARTER OF 2014

- **REVENUE: 1,008.6 MILLION EURO (1,028.8 MILLION EURO IN Q1 2013)**
- **LOSS FOR THE PERIOD: 47.4 MILLION EURO (LOSS OF 76.1 MILLION EURO FOR QUARTER ENDED MARCH 31, 2013)**
- **LOSS FOR PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT: 20.0 MILLION EURO (LOSS OF 49.1 MILLION EURO FOR QUARTER ENDED MARCH 31, 2013)**
- **EQUITY: 4,304.6 MILLION EURO (4,339.3 MILLION EURO AT DECEMBER 31, 2013)**
- **NET FINANCIAL DEBT: 1,925.6 MILLION EURO (1,830.0 MILLION EURO AT DECEMBER 31, 2013). GEARING 44.7%**
- **FURTHER STRENGTHENING IN FINANCIAL SEGMENT'S NET FINANCIAL POSITION TO +203.3 MILLION EURO (+146.6 MILLION EURO AT DECEMBER 31, 2013)**
- **ITALMOBILIARE S.p.A. NET ASSET VALUE: 1,655.5 MILLION EURO (1,283.1 MILLION EURO AT DECEMBER 31, 2013)**

Milan, May 15, 2014 – *The Italmobiliare S.p.A. Board of Directors examined and approved the quarterly report as at March 31, 2014.*

The first quarter of the year saw an improvement in the Group's industrial operations, despite the slowdown in sales of construction materials on the North American markets due to adverse weather conditions. The mood was also more favorable on the financial markets, sustained by signs of an economic recovery and the expansionary measures taken by the main central banks, enabling the Group to report higher values especially for Italian stocks in the banking segment.

In this scenario, and considering the heavy negative exchange-rate effect, in the first quarter the Italmobiliare Group posted revenue of 1,008.6 million euro (1,028.8 million euro in the year-earlier period) and recurring gross operating profit of 110.2 million euro, an improvement on 91.0 million euro in the 2013 first quarter driven largely by enhanced industrial efficiency and higher income in the financial segment.

Although the Group posted a loss for the period, in part due to the significant increase (approximately 20 million euro) in net finance costs stemming largely from the exchange-rate effect, the figure showed an improvement compared with the year-earlier period: the loss attributable to owners of the parent was down to 20.0 million euro, from 49.1 million euro in the first quarter of 2013.

*Specifically, in the **construction materials segment**, where operations are led by the main subsidiary, Italcementi (which published its results on May 8), the Group reported revenue of 932.9 million euro (+0.2% net of the exchange-rate effect). Recurring gross operating profit was 95.5 million euro, an improvement of 8.1% from the first quarter of 2013, arising from on-going action to cut operating expense. After amortization, depreciation*

and impairment totaling 100.7 million euro (105.1 million euro in the first three months of 2013), an operating loss of 4.2 million euro was reported, although this was an improvement on the year-earlier period (a loss of 16.4 million euro), as was the loss for the first quarter (55.2 million euro compared with 58.5 million euro).

The first quarter in the **food packaging and thermal insulation** segment, where the Sirap Gema group operates, was marked by continuing market difficulties and high costs for raw materials. In this situation, revenue was substantially stable at 53.3 million euro; meanwhile, operating results improved, thanks to cost optimization measures and commercial action, with gross operating profit up by 39.2% to 3.3 million euro and a return to operating profit (0.8 million euro, compared with an operating loss of 0.3 million euro at March 31, 2013). The segment reported a loss for the period of 1.2 million euro (a loss of 1.8 million euro at March 31, 2013).

In the **financial segment**, which includes the Italmobiliare parent and Société de Participation Financière Italmobiliare S.A., there was an upturn on the financial markets, whose positive impact contributed to net finance income of 11.3 million euro (net finance costs of 9.9 million euro in the first quarter of 2013), arising from gains on the sale of equity investments, notably in banking, and gains from liquidity management. A profit of 5.2 million euro was posted for the period (a loss of 15.4 million euro in the quarter to March 31, 2013).

In the **banking segment** (Finter Bank Zürich and Crédit Mobilier de Monaco), total income in the first quarter was 4.6 million euro, a decrease of 22.3% compared with March 31, 2013, caused chiefly by the contraction in commission income. The significant reduction in expense for services and personnel kept the loss for the quarter to 0.4 million euro (with a downturn of 13.2% on the year-earlier period).

2014 first-quarter consolidated **revenue** amounted to 1,008.6 million euro. The decrease of 2% from the first quarter of 2013 arose from a negative exchange-rate effect of 3.4%, mitigated in part by 1.4% growth in business performance. At constant exchange rates and on a like-for-like basis, revenue grew in the emerging countries thanks to positive contributions from Egypt and Thailand as a result of positive sales volumes for construction materials. The European Union countries also reported a small increase thanks to a positive contribution from the financial segment, while severe weather conditions on the markets of the construction materials segment had a serious negative impact on performance in North America. Overall, the EU countries were the largest contributor to revenue. The negative exchange-rate effect was largely linked to the depreciation of the Egyptian pound, Thai baht and Ukrainian grivna against the euro.

Recurring gross operating profit was 110.2 million euro, a material increase on the first quarter of 2013 (91.0 million euro). Growth was particularly significant in the financial segment, thanks to a notable increase in revenue, and in the Group industrial segments, largely as a result of containment of operating expense. A small positive contribution came from the banking segment, with an improvement on the negative figure in the year-earlier period. Looking at performance in individual countries, the strongest progress was reported in the European Union, notably by Italy and Spain, whereas a sharp contraction was recorded in North America.

After net non-recurring income of 0.8 million euro (in line with March 31, 2013), **gross operating profit** was up 19.2 million euro (to 111.0 million euro, from 91.8 million euro in the first quarter of 2013).

After a 6.0% decrease in amortization and depreciation compared with the first quarter of 2013 (101.9 million euro from 108.4 million euro) and impairment losses on non-current

assets of 1.8 million euro (absent in 2013), **operating profit** was 7.3 million euro compared with an operating loss of 16.6 million euro in the first quarter of 2013.

Finance income and costs, including exchange-rate differences and derivatives, reflected net costs of 40.9 million euro compared with net costs of 20.6 million euro in the first quarter of 2013. Net interest expense on financing operations increased by 4.1 million euro (to 32.9 million euro in the first quarter of 2014 from 28.8 million euro in the year-earlier period); there was a negative change of 11.0 million euro in exchange-rate differences net of hedging.

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

The **share of profit (loss) of equity-accounted investees** reflected a loss of 0.6 million euro (a loss of 15.4 million euro in 2013) as a result of the performance of investees in the construction materials segment.

After income tax expense of 13.2 million euro for the period (expense of 23.5 million euro in the first quarter of 2013), the Group posted a **loss for the period** of 47.4 million euro, compared with a loss of 76.1 million euro in the first quarter of 2013. After a loss of 27.4 million euro attributable to non-controlling interests (a loss of 27.0 million euro in the quarter ended March 31, 2013), the **loss attributable to owners of the parent** was 20.0 million euro (a loss of 49.1 million euro in the first quarter of 2013).

Revenue and operating performance by segment

(in millions of euro)	Revenue		Recurring gross operating profit		Gross operating profit		Operating profit (loss)	
	Q1 2014	% change vs. Q1 2013	Q1 2014	% change vs. Q1 2013	Q1 2014	% change vs. Q1 2013	Q1 2014	% change vs. Q1 2013
Construction materials	932.9	(3.3)	95.5	8.1	96.5	8.9	(4.2)	74.6
Packaging and insulation	53.3	-	3.5	49.3	3.3	39.2	0.8	n.s.
Finance	15.5	77.2	7.1	n.s.	7.1	n.s.	7.1	n.s.
Banking	5.0	(16.2)	-	n.s.	-	(89.4)	(0.3)	5.5
Property, services, other	0.3	(42.6)	-	n.s.	-	n.s.	(0.1)	n.s.
Inter-segment eliminations	1.6	n.s.	4.1	n.s.	4.1	n.s.	4.0	n.s.
Total	1,008.6	(2.0)	110.2	21.1	111.0	20.9	7.3	n.s.

n.s. not significant

Capital expenditure in the first quarter, including changes in payables/receivables for purchases, totaled 169.6 million euro (65.9 million euro in the first quarter of 2013) and referred essentially to investments in property, plant and equipment, investment property and intangible assets (167.7 million euro compared with 65.9 million euro in the first quarter of 2013). These investments were in construction materials for 165.7 million euro and in food packaging and thermal insulation for 2.0 million euro.

At March 31, 2014, **net financial debt** amounted to 1,925.6 million euro, an increase of 95.6 million euro from December 31, 2013. The increase arose largely from the period's capital expenditure (169.6 million euro), offset only in part by proceeds from the sale of financial and industrial assets (61.9 million euro) and by cash flows from operating activities (15.9 million euro).

The net financial position of Italmobiliare and the wholly owned financial companies was positive at the end of March 2014 at 203.3 million euro (146.6 million euro at December 31, 2013).

At March 31, 2014, total equity amounted to 4,304.6 million euro, compared with 4,339.3 million euro at December 31, 2013.

The gearing ratio (net financial debt / equity) rose from 42.2% at December 31, 2013 to 44.7% at March 31, 2014.

Italmobiliare Net Asset Value (NAV) at the end of the first quarter of 2014 was 1,655.5 million euro, up by more than 372 million euro from 1,283.1 million euro at December 31, 2013.

The economic figures for the first three months of the year appear to confirm that a moderate recovery is underway. The eurozone should see a further consolidation in domestic demand, thanks to an expansionary monetary policy, greater availability of credit to support the real economy, and the moderate progress achieved in improving state budgets and introducing structural reforms.

Indirectly, these prospects could be negatively affected by the reduction in the Federal Reserve's monetary stimulus, by the slowdown in the Chinese economy and by international tension over the crisis in Ukraine, which could have an impact on financial market volatility.

Against these uncertainties, the Group nonetheless confirms its expectation of an improvement in its full-year consolidated recurring gross operating profit compared with 2013, subject to currently unforeseeable events.

The manager in charge of preparing the financial reports of Italmobiliare S.p.A., Giorgio Moroni, declares, pursuant to paragraph 2 article 154 bis of the Consolidated Law on Finance that the accounting information contained in this press release corresponds to the document results, books and accounting entries.

Disclaimer

This press release, and the section headed "Outlook" in particular, may contain forward-looking statements. These statements are based on the Group's current expectations and projections about future events and, by their nature, are subject to inherent risks and uncertainties. They relate to events and depend on circumstances that may or may not occur or exist in the future, and, as such, undue reliance should not be placed on them. Actual results may differ materially from those expressed in such statements as a result of a variety of factors, including: continued volatility and further deterioration of capital and financial markets, changes in commodity prices, changes in general economic conditions, economic growth and other changes in business conditions, changes in laws and regulations and the institutional environment (in each case in Italy or abroad), and many other factors, most of which are beyond the Group's control

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Attachments: condensed income statement and financial data

Italmobiliare Group					
Income statement (in thousands of euro)	Q1 2014	%	Q1 2013 re-stated	%	% change
Revenue	1,008,628	100.0	1,028,783	100.0	-2.0
Other revenue	9,704		11,710		
Change in inventories	1,725		14,345		
Internal work capitalized	4,882		4,757		
Raw materials and supplies	(414,749)		(443,940)		
Services	(254,059)		(255,825)		
Personnel expense	(225,904)		(235,868)		
Other operating expense	(20,075)		(32,986)		
Recurring gross operating profit	110,152	10.9	90,976	8.8	21.1
Net gains from the sale of non-current assets	1,273		2,633		
Non-recurring personnel expense for re-organizations	(264)		(2,061)		
Other non-recurring income (expense)	(187)		217		
Gross operating profit	110,974	11.0	91,765	8.9	20.9
Amortization and depreciation	(101,861)		(108,390)		
Impairment losses on non-current assets	(1,809)		47		
Operating profit (loss)	7,304	0.7	(16,578)	-1.6	144.1
Finance income	5,966		8,362		
Finance costs	(40,236)		(35,091)		
Exchange-rate differences and net gains (losses) on derivs	(6,603)		6,129		
Share of profit (loss) of equity-accounted investees	(584)		(15,422)		
Loss before tax	(34,153)	-3.4	(52,600)	-5.1	35.1
Income tax expense	(13,205)		(23,475)		
Loss relating to continuing operations	(47,358)	-4.7	(76,075)	-7.4	37.7
Loss for the period	(47,358)	-4.7	(76,075)	-7.4	37.7
Attributable to:					
Owners of the parent	(19,953)	-2.0	(49,066)	-4.8	59.3
Non-controlling interests	(27,405)	-2.7	(27,009)	-2.6	-1.5

Italmobiliare Group					
Statement of comprehensive income (in thousands of euro)	Q1 2014	%	Q1 2013 re-stated	%	% change
Loss for the period	(47,358)	-4.7	(76,075)	-7.4	37.7
Other comprehensive income (expense) relating to continuing operations					
Items that will not be reclassified to profit or loss subsequently					
Re-measurement of the net liability (asset) for employee benefits	(1)		266		
Income tax			(406)		
Total items that will not be reclassified to profit or loss subsequently	(1)		(140)		
Items that might be reclassified to profit or loss subsequently					
Translation reserve on foreign operations	5,200		25,957		
Translation reserve on foreign operations – investments in equity-accounted investees	(3,165)		818		
Fair value gains (losses) on cash flow hedging	(5,826)		6,580		
Fair value gains (losses) on cash flow hedging – investments in equity-accounted investees			51		
Fair value gains (losses) on available-for-sale financial assets	41,446		(30,980)		
Fair value gains (losses) on available-for-sale financial assets – investments in equity-accounted investees					
Income tax	1,006		122		
Total items that might be reclassified to profit or loss subsequently	38,661		2,548		
Total other comprehensive income relating to continuing operations net of tax effect	38,660		2,408		
Total other comprehensive income	38,660		2,408		
Total comprehensive expense	(8,698)	-0.9	(76,667)	-7.2	88.2
Attributable to:					
Owners of the parent	25,279		(57,251)		
Non-controlling interests	(33,977)		(16,416)		

Italmobiliare Group				
Financial position (in thousands of euro)	March 31, 2014	December 31, 2013 re-stated	Change	
			Δ	%
Current financial assets	(1,192,664)	(1,211,892)	19,228	-1.6
Current financial liabilities	1,020,406	960,481	59,925	-6.2
Non-current financial assets	(115,748)	(130,960)	15,212	-11.6
Non-current financial liabilities	2,213,629	2,212,359	1,270	-0.1
Total net financial debt	1,925,623	1,829,988	95,635	-5.2

Italmobiliare Group		
Condensed statement of change in total net financial debt (in thousands of euro)	March 31, 2014	March 31, 2013 re-stated
Net financial debt at beginning of period	(1,829,988)	(1,923,178)
Cash flow from operating activities before change in working capital	29,145	43,640
Change in working capital	(13,216)	(91,828)
Total cash flow from (used in) operating activities	15,929	(48,188)
Investments in PPE, investment property and intangible assets	(128,548)	(52,031)
Change in liabilities for purchase of PPE, investmt property, intangibles	(39,135)	(13,824)
Cash flow net of investments in property, plant and equipment, investment property, intangibles	(151,754)	(114,043)
Investments in equity investments	(1,851)	(86)
Change in liabilities for purchase of equity investments	(42)	24
Proceeds from sale of non-current assets	61,909	11,390
Dividends paid	-	(668)
Other changes	(3,897)	(8,349)
Change in net financial debt	(95,635)	(111,732)
Net financial debt at end of period	(1,925,623)	(2,034,910)