ITALMOBILIARE

2005 Annual Report

ITALMOBILIARE
Società per Azioni
Head Office: Via Borgonuovo, 20
20121 Milan - Italy
Share capital € 100,166,937
Milan Companies Register

Directors, officers and auditors

Board of Directors

(Term ends on approval of financial statements at 12.31.2007)

Giampiero Pesenti	1	Chairman - Chief Executive Officer - CEO
Italo Lucchini	1-2	Deputy Chairman
Pier Giorgio Barlassina		
Mauro Bini	3-4-5	
Giorgio Bonomi	3	
Gabriele Galateri di Genola		
Luca Minoli	2	
Giorgio Perolari	1-2-3-4	
Carlo Pesenti	1	Chief Operating Officer - COO
Livio Strazzera		
Graziano Molinari	6	Secretary to the Board

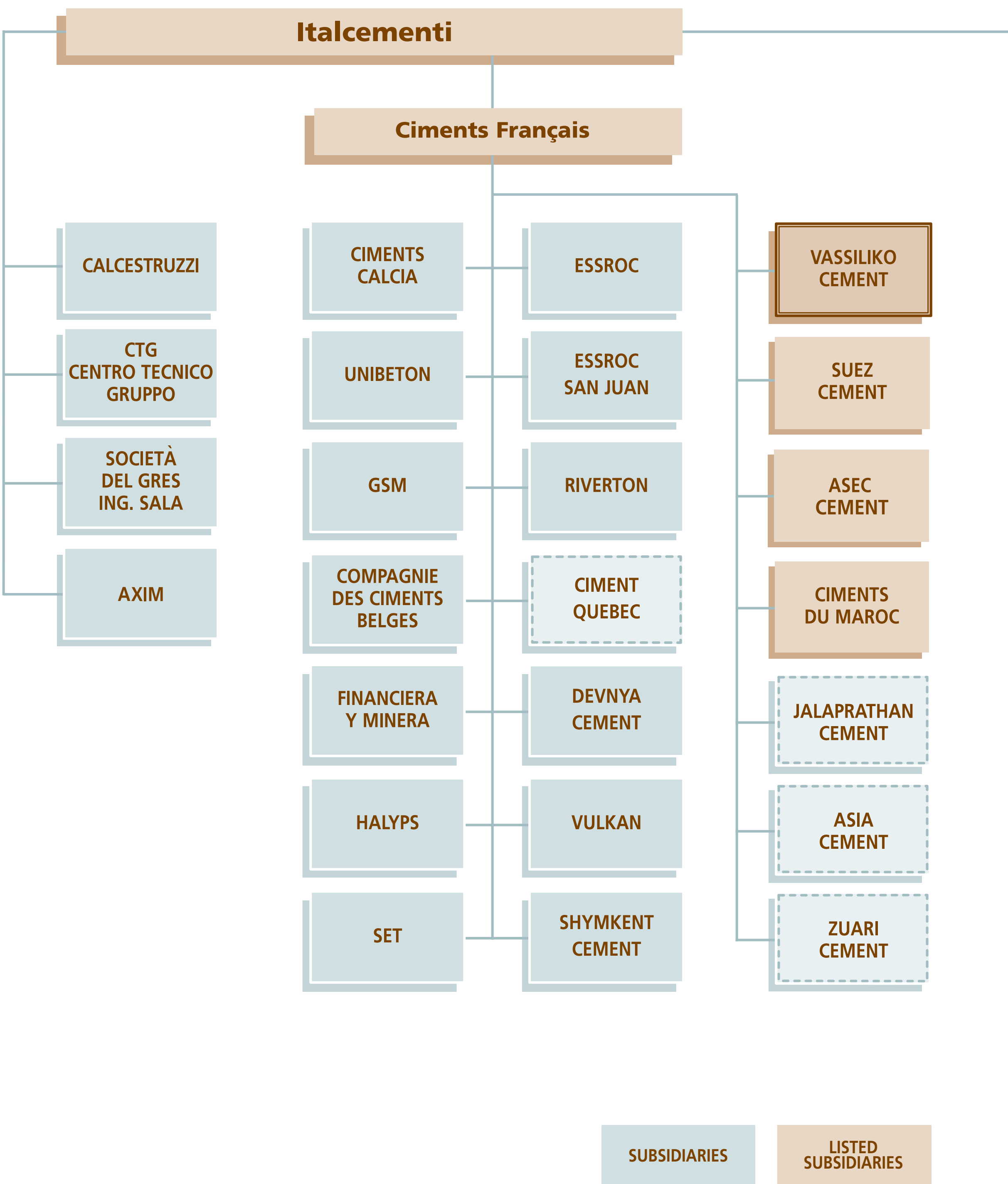
Board of Statutory Auditors

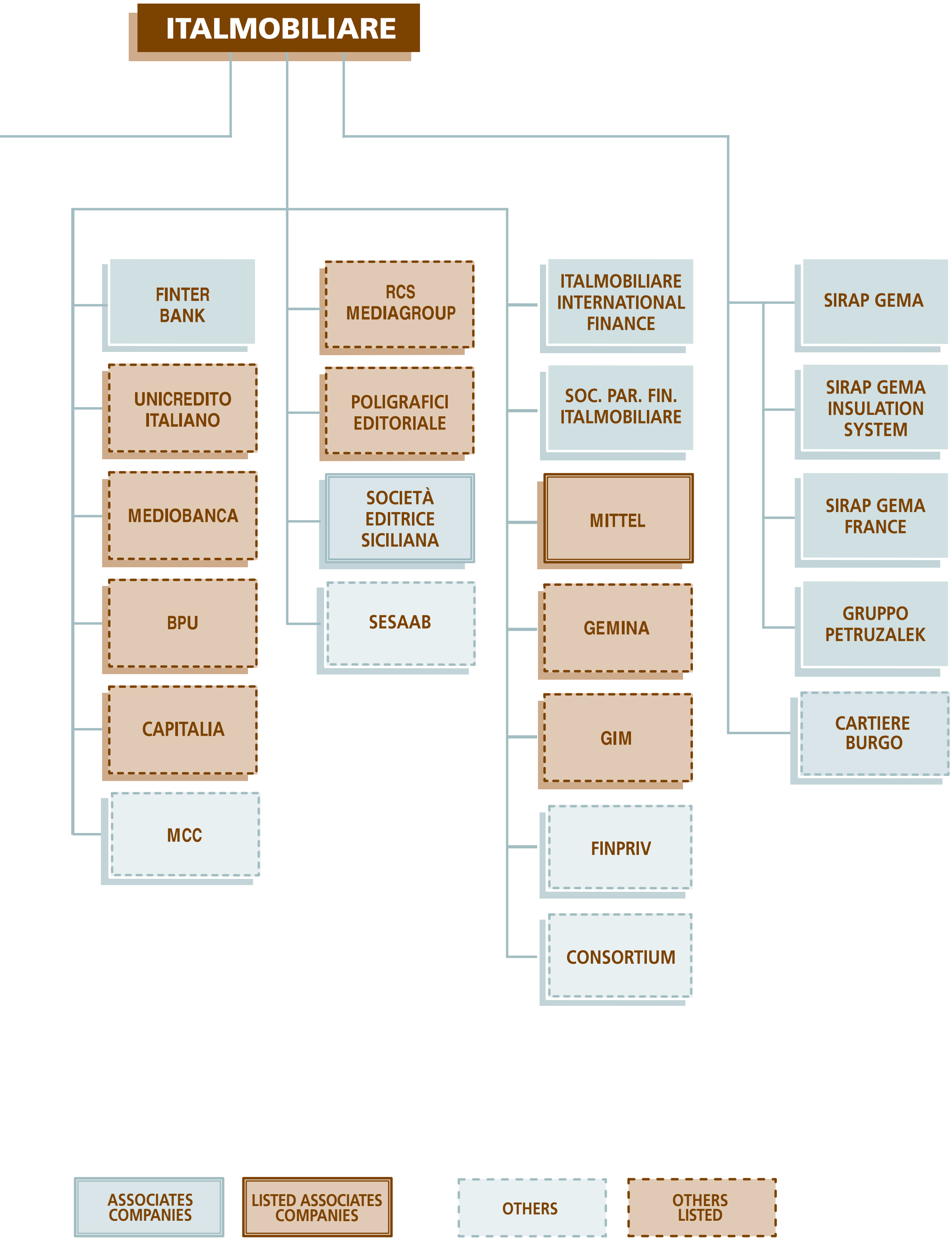
(Term ends on approval of financial statements at 12.31.2007)

Acting auditors		
Luigi Guatri		Chairman
Claudio De Re		
Eugenio Mercorio		
Substitute auditors		
Dino Fumagalli	5	
Pietro Curcio		
Enrico Locatelli		
Reconta Ernst & Young S.p.A.		Independent Auditors

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

Structure of the Group (as of 31 December 2005)



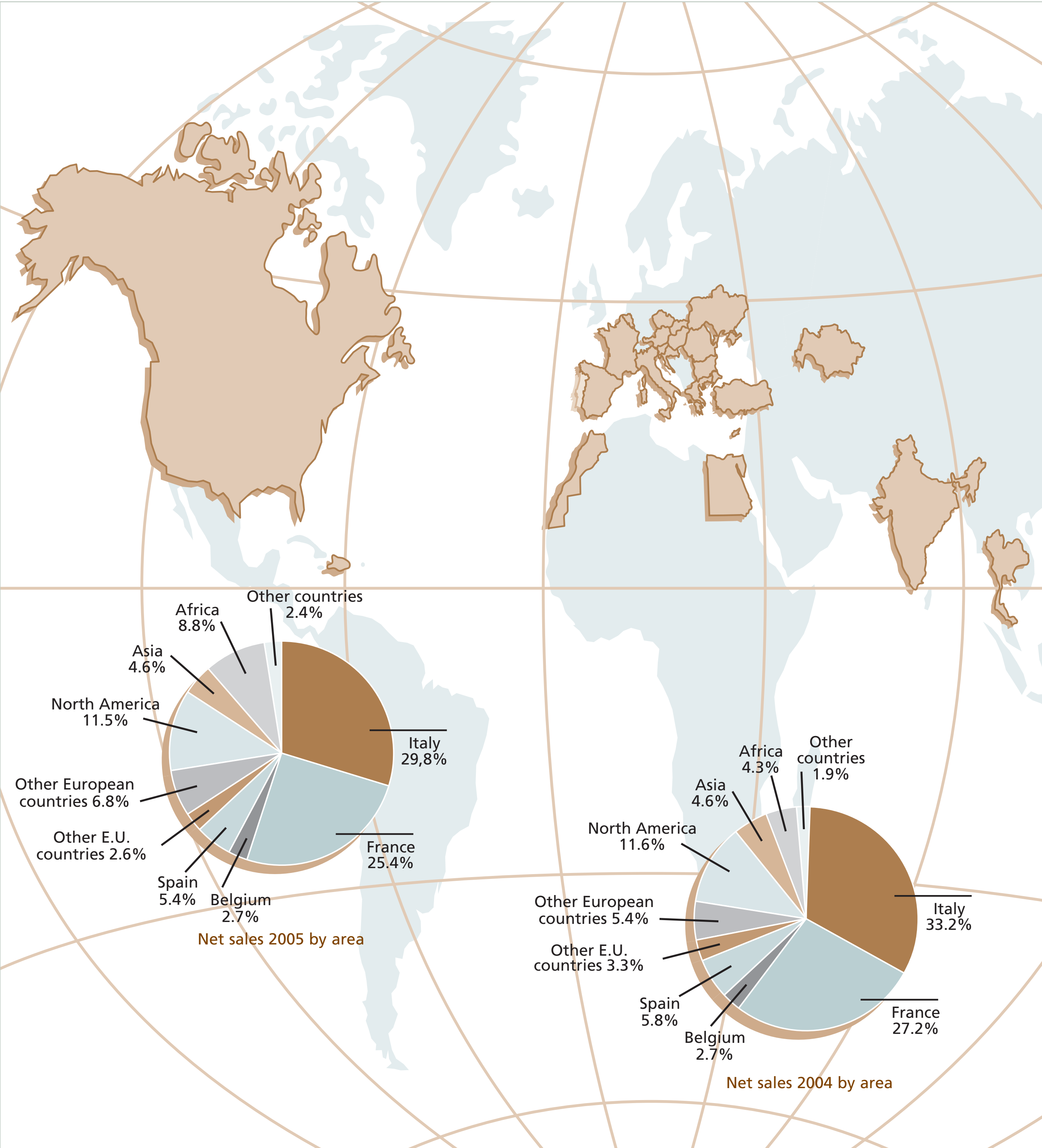

ITALMOBILIARE
FINTER BANK
UNICREDITO ITALIANO
MEDIOBANCA
BPU
CAPITALIA
MCC
RCS MEDIAGROUP
POLIGRAFICI EDITORIALE
SOCIETÀ EDITRICE SICILIANA
SESAAB
ITALMOBILIARE INTERNATIONAL FINANCE
SOC. PAR. FIN. ITALMOBILIARE
MITTEL
GEMINA
GIM
FINPRIV
CONSORTIUM
SIRAP GEMA
SIRAP GEMA INSULATION SYSTEM
SIRAP GEMA FRANCE
GRUPPO PETRUZALEK
CARTIERE BURGO
ASSOCIATES COMPANIES
LISTED ASSOCIATES COMPANIES
OTHERS
OTHERS LISTED

Financial highlights

Group financial highlights

(in millions of euro)	2005 IFRS	01.01.05*	2004 IFRS	2003	2002	2001
Net sales	5,265.7		4,773.0	4,397.1	4,365.3	4,206.7
Current gross operating profit	1,218.3		1,142.1	1,077.4	1,117.0	1,048.7
Gross operating profit**	1,203.9		1,154.3	1,077.4	1,117.0	1,048.7
Operating income	822.1		836.9	661.2	708.3	653.0
Net income before minority interest	606.1		526.4	442.0	376.2	353.3
Group net income	211.3		191.5	168.7	119.8	143.1
Capital expenditure	1,253.7		439.3	399.7	872.7	877.1
Total shareholders' equity	5,916.7	4,459.8	3,976.1	3,638.7	3,609.7	3,714.0
Group shareholders' equity	2,696.3	2,204.7	1,798.1	1,646.2	1,571.9	1,542.7
Net debt	1,896.1	1,470.3	1,312.5	1,606.2	1,913.1	1,701.9
Net debt/Shareholders' equity	32.05%	32.97%	33.01%			
Net debt/GOP before other income and charges	1.56	1.28	1.14			
(unit values)						
(Diluted) earnings per ordinary share	5.578		5.057			
(Diluted) earnings per savings share	5.656		5.135			
Earnings per share[1]	-		-	4.38	3.11	3.71
Shareholders' equity per share[2]	71.740	58.630	47.810	43.212	41.235	40.460
Dividend distributed per share						
ordinary	1.270		1.100	1.000	0.940	0.940
savings	1.348		1.178	1.078	1.018	1.018
Number of employees (units)	22,857		18,345	17,722	18,489	19,137

* including application of IAS 32 and 39
** includes, compared to current gross operating profit, extraordinary non recurring income and charges
1 Group net income divided by the total number of shares (ordinary and savings)
2 net of treasury shares



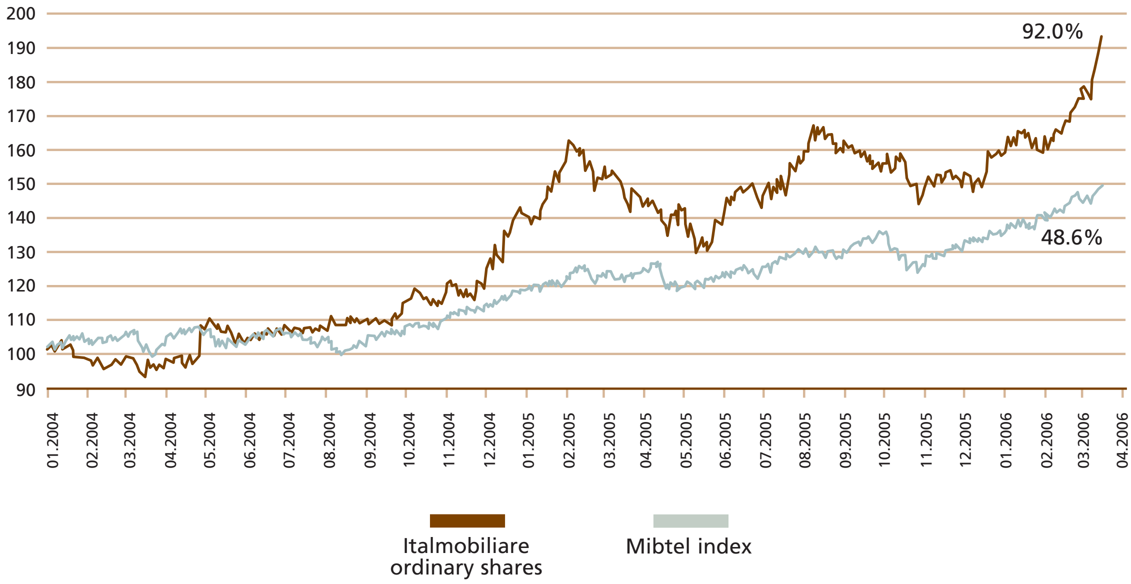
Net sales 2005 by area

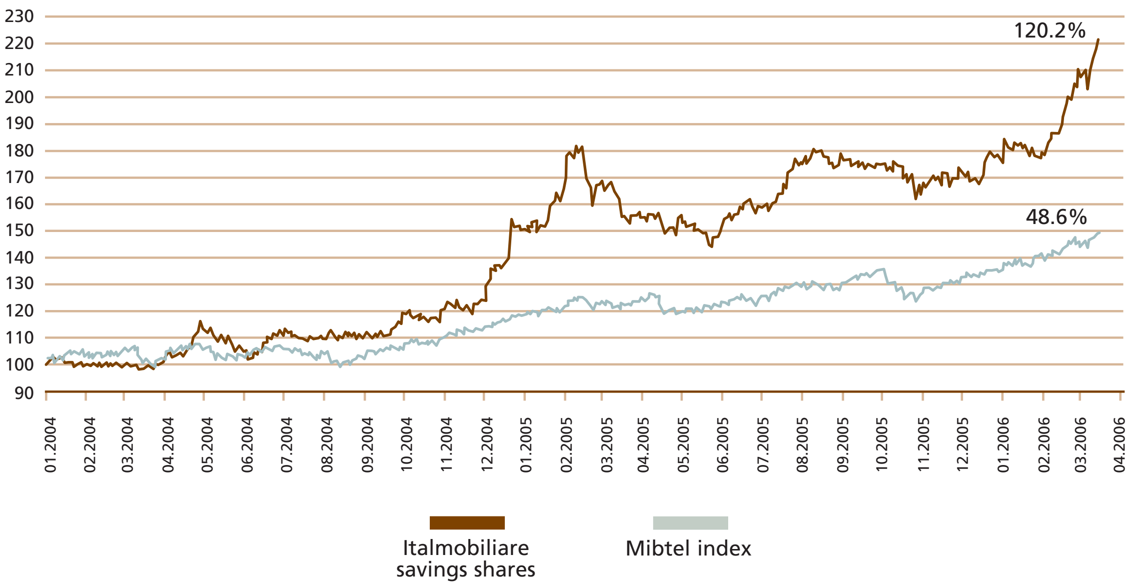
Net sales 2004 by area

Italmobiliare S.p.A. on the Stock Exchange

Italmobiliare share price from 01.02.2004 to 03.16.2006

(in euro)	maximum	minimum	01.02.04	03.16.06	performance
Ordinary shares	70.23 16.03.06	34.01 16.03.04	37.03	70.23	89.66%
Savings shares	55.33 16.03.06	24.61 12.03.04	25.15	55.33	120.00%
Mibtel index	29,601 16.03.06	19,778 22.03.04	20,245	29,601	46.21%





ITALMOBILIARE

Annual Report

Directors' report

Foreword

In 2002 the European Union adopted Regulation no. 1606 whereby companies whose shares are listed on a Member State's regulated market are required, from 2005 onwards, to publish consolidated financial statements drawn up in accordance with the International Accounting and Financial Reporting Standards (IAS/IFRS). The consolidated financial statements of Italmobiliare S.p.A. contained herein are, therefore, compliant with IAS/IFRS, as well as the comparatives for financial year 2004, with the sole permitted exception of IAS 32 and 39, which are applied to financial instruments as from January 1, 2005. The impact of adoption of IAS 32 and 39 is described in the explanatory notes.

The standards and interpretations adopted in these financial statements are those approved by the European Commission at December 31, 2005.

It should be noted that Italmobiliare S.p.A. had elected adoption of the measurement and presentation principles of the international standards as from its consolidated report for the quarter to March 31, 2005. In a separate annex to that report, it provided a transition report illustrating the options elected on first-time application and setting out the reconciliation of 2004 opening and closing shareholders' equity, of net income for 2004 and of the main adjustments in the statement of cash flows. The transition report, provided in a special section of the explanatory notes to these financial statements, was published together with the results of the full audit performed by the independent auditors, who issued an opinion certifying compliance with the principles and criteria established by art. 82 of the Issuers Regulation adopted by CONSOB (the Italian Stock Exchange Regulatory Agency) with Resolution no. 14990 of April 14, 2005.

As a result of the re-definition of the content of a number of items in the balance sheet and the income statement, the 2004 accounting schedules, published as comparatives with the consolidated financial statements as at and for the year to, December 31, 2005, present a number of reclassifications in respect of the schedules set out in the transition report. These reclassifications, and some changes in application of IAS 32 and 39, as from January 1, 2005, are described in detail in the explanatory notes.

General overview

In 2005, for the third year running, the world economy maintained solid growth, albeit with some differences between the various geographical areas. As in previous years, the expansion was driven by the United States, by emerging countries in Asia and by developing areas, while the euro zone saw poor results with some differences between its member states.

The boost in production and international trade was only in part restrained by the further increase in oil and raw material costs. Inflation remained under control thanks to the increase in productivity and competition from the emerging countries.

In the United States there was a tightening of monetary policy, but the rise in short-term interest rates, while it contributed to strengthening the dollar, had no effect on longer-term rates which stayed at fairly low levels, as did all the rates in the euro zone. This led to a further rise in the value of both financial and real assets.

Against this background, the Italmobiliare Group strengthened the construction materials sector with the development in emerging countries, increased its presence in East Europe also thanks to the Sirap Gema group in food packaging, managed to profit from its various investment and disinvestment activities in the financial sector and to take advantage of growth opportunities in the banking sector.

In 2005 the Italmobiliare Group recorded **net income before minority interest** of 606.1 million euro and Group net income of 211.3 million euro, compared to 526.4 million euro and 191.5 million euro respectively in 2004, so corresponding to a change of 15.1% and 10.3%.

The other main economic results for the year ended at December 31, 2005 were:

- **Net sales**: 5,265.7 million euro, compared with 4,773.0 million euro in 2004 (+10.3%);
- **Current gross operating profit**: 1,218.3 million euro, compared with 1,142.1 million euro in 2004 (+6.7%);
- **Gross operating profit**: 1,203.9 million euro, compared with 1,154.3 million euro in 2004 (+4.3%);
- **Operating income**: 822.1 million euro, compared with 836.9 million euro in 2004 (-1.8%);
- **Financial income and charges**: net charges of 35.7 million euro, compared with 65.9 million euro in 2004 (with an improvement of 45.9%);
- **Pre-tax income**: 807.1 million euro, compared with 793.3 million euro in 2004 (+1.7%).

At December 31, 2005 **total shareholders' equity** was 5,916.7 million euro, compared with 3,976.1 million euro at December 31, 2004 and 4,459.8 million euro at January 1, 2005 following the application of IAS 32 and 39.

In 2005 the Group made financial and industrial **investments** of 1,253.7 million euro, sharply up compared with 439.3 million euro in 2004.

Net debt at December 31, 2005 stood at 1,896.1 million euro, while at the end of December 2004 it was 1,312.5 million euro and, following the application of IAS 32 and 39, at January 1, 2005 was 1,470.3 million euro.

Following changes in shareholders' equity and debt, gearing was slightly down, falling from 33% at the end of December 2004 to 32.05% at the end of December 2005.

Group performance

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

- the **construction materials sector**, consisting of the Italcementi group (Italmobiliare's main industrial equity investment) operated in markets which continued to benefit from largely favorable conditions. Against this background, the group saw an increase of 10.4% in consolidated net sales in 2005, thanks to the growth in almost all the mature markets (except Italy and Greece), the sharp increase in emerging countries and the consolidation during the year of Suez Cement Company and Asec Cement Company in Egypt (on a constant size and exchange rate basis, the increase would have been 4.3%). With this progress in net sales, current gross operating profit and gross operating profit rose respectively by 5.7% and 3.7%, benefiting significantly from the consolidation of the businesses in Egypt, which more than offset the marked fall in Italia, where margins were badly affected by the increase in operating costs and by a negative effect on sales volumes and prices. Operating income fell compared with 2004 by 2.9% owing to the increase in amortization and depreciation, largely linked to the change in consolidation area. The improvement in financial and tax items helped to create group net income, after minority interest of 149.4 million euro (114.5 million euro in 2004), of 391.2 million euro, up by 11.5% compared with 2004 (350.9 million euro);
- the **packaging and insulation sector**, consisting of the Sirap Gema group, saw an increase in net sales of 7.8% on 2004, owing to the rise in sales prices and the solid performance of the subsidiary Petruzalek, which operates in East Europe. Operating income rose markedly from 15.0 to 17.1 million euro (+13.7%), while net income of 7.9 million euro decreased compared with 8.3 million euro in 2004 (-5.1%) owing to tax which totaled 7.5 million euro, compared to 5.3 million euro in 2004;
- the **financial sector**, which includes the parent company Italmobiliare and the wholly owned financial subsidiaries, in 2005 recorded net income of 91.9 million euro, up by 4.3% compared with 2004 (88.1 million euro) owing to increased income from the equity investments, which include receipt of the adjustment price of 6.2 million euro linked to the disposal of SAB Autoservizi in 2002;
- the **banking sector** brings together the business of Finter Bank Zürich and Crédit Mobilier de Monaco and no longer includes Finter Bank France (reclassified under the property, services and other business sector), because, as noted in previous reports, it voluntarily gave up its banking license as from June 30, 2005 and terminated all institutional activity. The sector saw net income for the year of 6.4 million euro, compared with 5.7 million euro in the previous year (+11.8%), on a constant size basis. This result is the sum of a significant improvement in commissions (+16.7%), partially offset by an increase in personnel costs linked to charges arising from an organizational restructuring program;
- the **property, services and other business sector** is not very significant in the global context of the Group. The results in this sector were down compared to 2004, which had benefited from the sale and related capital gain on a major property. Net sales fell from 5.7 million euro to 2.6 million euro and net income fell from 2.6 million euro to 0.4 million euro.

The parent company, **Italmobiliare S.p.A.**, which drew up its own financial statements for 2005 in accordance with Italian accounting standards, recorded net income for the year of 71.3 million euro, compared to 76.4 million euro in 2004. This result benefited, however, as often highlighted, from adjustments of 15.9 million euro, relating to the elimination of prior tax adjustments. Without these adjustments net income would have been 60.5 million euro, and therefore, on a comparable basis, 2005 recorded an increase of 17.8%.

Key consolidated figures

(in millions of euro)	2005	2004	% change
Net sales	**5,265.7**	**4,773.0**	*10.3*
Current gross operating profit	**1,218.3**	**1,142.1**	*6.7*
% of net sales	*23.1*	*23.9*	
Other income and charges	(14.4)	12.2	*n.s.*
Gross operating profit	**1,203.9**	**1,154.3**	*4.3*
% of net sales	*22.9*	*24.2*	
Amortization and depreciation	(379.2)	(315.4)	*(20.2)*
Impairment variations	(2.6)	(2.0)	*(26.3)*
Operating income	**822.1**	**836.9**	*(1.8)*
% of net sales	*15.6*	*17.5*	
Financial income and charges	(35.7)	(65.9)	*45.9*
Income from companies valued on equity basis	20.7	22.3	*(7.4)*
Pre-tax income	**807.1**	**793.3**	*1.7*
% of net sales	*15.3*	*16.6*	
Tax for the period	(201.0)	(266.9)	*24.7*
Net income	**606.1**	**526.4**	*15.1*
% of net sales	*11.5*	*11.0*	
Group net income	**211.3**	**191.5**	*10.3*
% of net sales	*4.0*	*4.0*	
Minority interest	394.8	334.9	*17.9*
Cash flow from operating actvities	792.1	736.5	
Capital expenditures	1,253.7	439.3	

n.s.: not significant

(in millions of euro)	12.31.2005	01.01.2005*	12.31.2004	Effect of IAS 32 and 39
Total shareholders' equity	5,916.7	4,459.8	3,976.1	483.7
Group shareholders' equity	2,696.3	2,204.7	1,798.1	406.6
Net debt	1,896.1	1,470.3	1,312.5	157.8

* including application of IAS 32 and 39

The overall situation of changes in the consolidation area is set out in the explanatory notes. The most important addition concerns the businesses in Egypt: the companies which make up the Suez Cement Company Group (previously valued on an equity basis) and Asec Cement Company, which were consoildiated on a line-by-line basis respectively as from April 1 and August 1, 2005. The recent acquisitions in Italy were also consolidated on a line-by-line basis: i.e. Cemill S.p.A. and Calcestruzzi Lamon Beton S.p.A., as from May and Cementificio di Montalto S.p.A. from July.

Quarterly performance

(in millions of euro)	2005	4th quarter 2005	3rd quarter 2005	2nd quarter 2005	1st quarter 2005
Net sales	**5,265.7**	**1,345.1**	**1,388.6**	**1,490.8**	**1,041.2**
% change on 2004	*10.3*	*15.3*	*13.6*	*12.2*	*(1.4)*
Current gross operating profit	**1,218.3**	**310.5**	**373.3**	**372.2**	**162.3**
% change on 2004	*6.7*	*23.6*	*13.6*	*2.3*	*(18.3)*
% of net sales	*23.1*	*23.1*	*26.9*	*24.9*	*15.6*
Other income and charges	(14.4)	(9.7)	(3.1)	(11.7)	10.1
Gross operating profit	**1,203.9**	**300.8**	**370.2**	**360.5**	**172.4**
% change on 2004	*4.3*	*11.3*	*13.5*	*0.8*	*(14.0)*
% of net sales	*22.9*	*22.4*	*26.7*	*24.1*	*16.6*
Amortization, depreciation and impairment variations	(381.8)	(106.9)	(102.8)	(93.4)	(78.7)
Operating income	**822.1**	**193.9**	**267.4**	**267.1**	**93.7**
% change on 2004	*(1.8)*	*3.8*	*7.9*	*(4.8)*	*(23.0)*
% of net sales	*15.6*	*14.4*	*19.3*	*17.8*	*9.0*
Financial income and charges	(35.7)	5.2	(17.7)	(6.5)	(16.6)
Income from companies valued on equity basis	20.7	2.6	3.7	9.0	5.3
Pre-tax income	**807.1**	**201.7**	**253.4**	**269.6**	**82.4**
% of net sales	*15.3*	*15.0*	*18.3*	*18.0*	*7.9*
Tax for the period	(201.0)	(19.1)	(80.4)	(76.1)	(25.5)
Net income	**606.1**	**182.6**	**173.0**	**193.5**	**56.9**
% of net sales	*11.5*	*13.6*	*12.5*	*12.9*	*5.5*
Group net income	**211.3**	**59.0**	**57.7**	**76.4**	**18.2**
% of net sales	*4.0*	*4.4*	*4.2*	*5.1*	*1.8*
Minority interest	394.8	123.7	115.3	117.1	38.7
Net debt at period end	**1,896.1**	**1,896.1**	**2,274.2**	**1,817.7**	**1,500.1**

The performance in the fourth quarter of 2005 was positive compared with the same period in the previous year. Net sales and current operating income grew by 15.3% and 23.6%, also owing to the contribution from the Egyptian companies in the construction materials sector which were consolidated on a line-by-line basis during 2005, and a recovery in profitability in Italy.

Gross operating profit and operating income in the quarter (respectively +11.3% and +3.8%) were affected by the provisions for restructuring charges in the French and Belgian units in the construction materials sector (22 million euro).

The profit levels in the food insulation and packaging sector were substantially unchanged.

Finally, the overall net income for the quarter improved by 47.3% compared with the fourth quarter of 2004, owing both to an improvement in overall financial income and to a lower tax charges linked to the application of new tax regulations in some countries where the Group operates.

Net sales and operating income

Contribution to consolidated net sales

	2005		2004		Change	
(in millions of euro)		%		%	% [1]	% [2]
Business sector						
Construction materials	4,995.1	*94.9*	4,523.3	*94.8*	*10.4*	*4.3*
Packaging and insulation	166.0	*3.2*	153.9	*3.2*	*7.8*	*6.9*
Financial	57.6	*1.1*	48.5	*1.0*	*18.8*	*18.8*
Banking [3]	45.5	*0.8*	42.5	*0.9*	*7.2*	*7.5*
Property, services and others	1.5	-	4.8	*0.1*	*(67.9)*	*(67.9)*
Total	**5,265.7**	***100.0***	**4,773.0**	***100.0***	***10.3***	***4.5***
Geographical area						
European Union	3,473.7	*65.9*	3,447.6	*72.2*	*0.8*	*0.9*
Other European countries	358.2	*6.8*	258.7	*5.4*	*38.5*	*24.1*
North America	603.1	*11.5*	553.6	*11.6*	*8.9*	*8.9*
Asia	242.4	*4.6*	218.7	*4.6*	*10.9*	*10.0*
Africa	462.3	*8.8*	203.7	*4.3*	*126.9*	*6.5*
Trading	126.0	*2.4*	90.7	*1.9*	*38.9*	*38.5*
Total	**5,265.7**	***100.0***	**4,773.0**	***100.0***	***10.3***	***4.5***

1 historic
2 at constant size and exchange rates
3 in 2004 the banking sector also includes Finter Bank France, reclassified in 2005 to the property, services and other sectors

Net sales and operating income by sector and geographical area

	Net sales		Current GOP		GOP		Operating income	
(in millions of euro)	2005	change %	2005	change %	2005	change %	2005	change %
Business sector								
Construction materials	4,999.6	*10.4*	1,152.8	*5.7*	1,136.6	*3.7*	765.8	*(2.9)*
Packaging and insulation	166.0	*7.8*	24.5	*14.1*	24.5	*10.4*	17.1	*13.7*
Financial	101.7	*6.7*	72.3	*5.3*	73.9	*(0.5)*	73.8	*(0.5)*
Banking [1]	45.5	*6.9*	11.4	*n.s.*	11.3	*n.s.*	8.4	*n.s.*
Property, services and others	2.5	*(55.7)*	(1.4)	*n.s.*	(1.1)	*n.s.*	(1.3)	*n.s.*
Inter-sector eliminations	(49.6)	*(4.6)*	(41.3)	*(6.7)*	(41.3)	*6.7*	(41.7)	*(5.8)*
Total	**5,265.7**	***10.3***	**1,218.3**	***6.7***	**1,203.9**	***4.3***	**822.1**	***1.8***
Geographical area								
European Union	3,553.2	*0.8*	731.6	*(11.1)*	731.7	*(12.4)*	511.0	*(18.6)*
Other European countries	379.4	*35.5*	95.4	*51.4*	96.5	*65.3*	68.2	*105.2*
North America	603.1	*8.9*	130.9	*8.9*	129.3	*7.3*	91.5	*12.7*
Asia	259.6	*11.1*	66.6	*(7.8)*	66.8	*(8.5)*	39.9	*(14.3)*
Africa	485.4	*n.s.*	220.2	*n.s.*	203.7	*115.6*	139.1	*77.6*
Trading and other	210.8	*47.1*	5.0	*82.6*	7.3	*95.4*	3.8	*n.s.*
Elimination of inter-area trading	(225.8)	*34.2*	(31.4)	*(6.6)*	(31.4)	*2.0*	(31.4)	*2.0*
Total	**5,265.7**	***10.3***	**1,218.3**	***6.7***	**1,203.9**	***4.3***	**822.1**	***(1.8)***

n.s.: not significant
1 in 2004 the banking sector also includes Finter Bank France, reclassified in 2005 to the property, services and other sectors

The increase in net sales of 10.3% compared with 2004 was due to:

- the positive business performance for 4.5%;
- changes in the consolidation area for 5.0%;
- the positive exchange rate effect, mainly due to the appreciation of the Turkish lira against the euro for 0.8%.

The construction materials sector recorded overall growth of 10.4% (+ 4.3% on a constant size and exchange rate basis), with increasing volumes both in the cement-clinker sector and that of ready mixed concrete.

The food packaging and thermal insulation sector improved by 7.8% (+6.9% on a constant size and exchange rate basis), helped by the trend in prices in the food sector and the increase in volumes, in the final part of the year, for the thermal insulation sector. The development of the Petruzalek group was positive.

The global development of the business was significantly boosted by all the geographical areas in which the Group operates, except for the European Union where the increase was modest following the slight fall recorded in Italy and a more marked fall in Greece.

The growth in net sales, owing to the enlargement of the consolidation area, was mainly due to the contribution from the businesses in Egypt (the Suez group and Asec Cement), while the impact from the new acquisitions in Italy was decidedly more limited. The trend in the Egyptian businesses was positive both in terms of volumes and sales prices.

The impact of exchange rates on net sales was positive for approximately 39.7 million euro, mainly due to Turkey (approximately 37 million euro). The exchange rate effect against the US dollar was insignificant.

Current gross operating profit and **gross operating profit**, up respectively by 76.2 million euro (+6.7%) and 49.5 million euro (+4.3%) compared with 2004, were significantly helped by the consolidation of the businesses in Egypt (the Suez Cement group as from April 1, 2005 and Asec Cement as from August 1, 2005). The contribution from the Egyptian companies more than offset the marked fall in Italy where margins were heavily conditioned by the increase in operating costs (in particular variable costs) and a negative impact on volumes and sales prices.

The ratio of current gross operating profit to net sales fell, compared to 2004, from 23.9% to 23.1%.

Gross operating profit was also affected by extraordinary charges of 37.5 million euro overall, for the plans to reorganize the construction materials sector (in France and Belgium) and a plan for voluntary redundancies in relation to the Egyptian company Tourah.

Operating income, following amortization and depreciation charges which were higher than those for 2004 mainly owing to the enlargement of the consolidation area (379.2 million euro compared with 315.4 million euro), fell compared with 2004 by 1.8%, with a reduction in the ratio to net sales from 17.5% to 15.6%.

Operating results saw marked growth in Turkey and, solid, but more limited, growth in North America and Bulgaria. A fall in operating income, compared with 2004, was, however, recorded in Italy, in France, in relation to extraordinary charges for restructuring, in Thailand and in Greece.

Financial charges and other items

Financial charges, net of income, fell markedly (-30.3 million euro) at a consolidated level, with a ratio to net sales that fell from 1.4% in 2004 to 0.7%.

Overall this fall was mainly due to the positive exchange rate effect, the dilution of the Group's equity investment in Suez Cement Company following the share capital increase at the end of December, capital gains on the disposal of equity investments, among which note should be made of the sale of Gemina by Italcementi (+7.0 million euro), and the increased flow of dividends.

Financial charges directly connected to the net debt totaled 83.4 million euro and were largely in line with those for 2004. They also include the impact of the acquisitions in Egypt (charges for the financing of operations and financial charges of the newly consolidated companies).

Income from companies valued on an equity basis, of 20.7 million euro (22.3 million euro), was largely due to the Suez Group, which was consolidated on an equity basis until March 31, 2005. Suez's results include 6.5 million euro from a positive tax impact, mainly due to the reduction of the local tax rate as from January 1, 2005.

Nex income for the year

Pre-tax income was 807.1 million euro, up by 1.7% compared with 2004.

The tax charge for 2005, of 201.0 million euro which was sharply down compared with 2004 (266.8 million euro), includes an extraordinary positive element of 42.8 million euro due to the application of the tax treatment for Floating Rate Subordinated Securities established in France in the "Loi de finances 2006". Tax charges also reflect the positive settlement of some tax disputes in Greece and Spain, with the recovery of provisions which had previously been set aside.

Group net income, after minority interest of 394.8 million euro (334.9 million euro in 2004), was 211.3 million euro, up by 10.3% compared with 2004 (191.5 million euro).

Reclassifed key financial highlights

(in millions of euro)	12.31.2005	01.01.2005*	2004
Net financial assets [1]	*1,643.8*	*1,481.7*	*994.8*
Net tangible and intangible assets	*5,920.2*	*4,208.4*	*4,208.4*
Net fixed assets	7,564.0	5,690.1	5,203.2
Working capital	1,135.7	1,015.2	867.4
Net invested capital	**8,699.7**	**6,705.3**	**6,070.6**
Group shareholders' equity	*2,696.3*	*2,204.7*	*1,798.1*
Minority interest	*3,220.4*	*2,255.1*	*2,178.0*
Total shareholders' equity	5,916.7	4,459.8	3,976.1
Reserves	886.9	775.2	782.0
Net debt	1,896.1	1,470.3	1,312.5
Total financing	**8,699.7**	**6,705.3**	**6,070.6**

* including application of IAS 32 and 39
[1] net of the part included in net debt

Net debt

The application of IAS 32 and 39 at January 1, 2005 produced, compared with December 31, 2004, a change in net debt from 1,312.5 million euro to 1,470.3 million euro, with an increase of 157.8 million euro, analyzed in the explanatory notes.

Net debt at December 31, 2005, of 1,896.1 million euro, grew by 425.7 million euro compared with January 1, 2005 (after application of the new standards IAS 32 and 39).

This increase, in the presence of high levels of cash flow from operations (792.1 million euro), largely arises from the significant investments made in 2005 (1,253.7 million euro in total) and from the consolidation of the debt of the companies acquired in the year (174.3 million euro).

Composition of net debt

(in millions of euro)	12.31.2005	01.01.2005*	12.31.2004
Cash, cash equivalents and current financial assets	(1,261.9)	(955.6)	(942.8)
Short-term financing	1,142.1	654.3	563.8
Medium/long-term financial assets	(375.3)	(342.7)	(329.6)
Medium/long-term financing	2,391.2	2,114.3	2,021.1
Net debt	**1,896.1**	**1,470.3**	**1,312.5**
Change compared to 01/01/2005	*425.8*		
Change compared to 12/31/2004 (IAS 32 and 39)		*157.8*	

* including application of IAS 32 and 39

Financial ratios

(absolute amounts in millions of euro)	12.31.2005	01.01.2005*
Net debt	1,896.1	1,470.3
Consolidated shareholders' equity	5,916.7	4,459.8
Gearing	**32.05%**	**32.97%**
Net debt	1,896.1	1,470.3
GOP before other income and expense	1,218.3	1,142.1
Leverage	**1.56**	**1.29**

* including application of IAS 32 and 39

Shareholders’ equity

As already indicated in previous interim reports and analyzed in the explanatory notes, the application of IAS 32 and 39 as from January 1, 2005 produced, compared with December 31, 2004, an increase in total shareholders’ equity of 483.7 million euro.

Overall shareholders’ equity at December 31, 2005, recorded, compared with January 1, 2005 and calculated following application of IAS 32 and 39, an increase of 1,456.9 million euro, 491.6 million euro due to Group shareholders’ equity and 965.3 million euro to minority interest. The main changes in overall shareholders’ equity, as set out in the “Statement of movements in consolidated shareholders’ equity”, concerned, in relation to the increases, net income for the year (606.1 million euro), the increase in the fair value reserve (348.5 million euro), the increase in the translation reserve (266.4 million euro) and the consolidation reserve (159.8 million euro) and the increase in the share capital of Suez (230.5 million euro). The main decreases were due to dividend pay-outs (153.5 million euro) and the treasury share purchase (0.9 million euro).

At December 31, 2005 Italmobiliare S.p.A. held 911,131 own ordinary shares (4.11% of the share capital represented by ordinary shares) and 28,500 own savings shares (0.17% of the share capital represented by savings shares).

Cash flow statement

(in millions of euro)	12.31.2005	12.31.2004
Net debt at 1.1.2004		**(1,600.0)**
Net debt at 12.31.2004	**(1,312.5)**	
Application of IAS 32 and 39	(157.8)	
Net debt at 1.1.2005	(1,470.3)	
Cash flows from operations	792.1	736.5
Investments:		
Tangible and intangible assets	*(479.9)*	*(333.8)*
Financial assets	*(773.8)*	*(105.5)*
Capital expenditures	(1,253.7)	(439.3)
Disposals of fixed assets	110.8	54.7
Dividends paid	(153.5)	(129.8)
Treasury share purchase [1]	(11.2)	
Net debt of acquisitions	(174.3)	(5.3)
Suez share capital increase (minority interest)	230.5	
Other	33.5	70.7
Change in net debt	**(425.8)**	**287.5**
Net debt at period end	**(1,896.1)**	**(1,312.5)**

[1] by Italmobiliare and Italcementi

Investments by business sector and geographical area

	Investments in financial assets		Investments in tangible assets		Investments in intangible assets		Total investments	
(in millions of euro)	2005	2004	2005	2004	2005	2004	2005	2004
Business sector								
Construction materials	746.3	57.9	450.5	326.8	11.8	15.8	1,208.6	400.5
Packaging and insulation	-	0.2	12.7	11.3	1.3	0.9	14.0	12.4
Financial	29.0	46.5	0.1	0.2	-	-	29.1	46.7
Banking [1]	-	-	0.4	1.7	0.6	-	1.0	1.7
Property, services and others	-	0.7	0.3	0.1	-	-	0.3	0.8
Total	**775.3**	**105.3**	**464.0**	**340.1**	**13.7**	**16.7**	**1,253.0**	**462.1**
Change in payables for assets	(1.5)	0.2	2.2	(23.0)	-	-	0.7	(22.8)
Total	**773.8**	**105.5**	**466.2**	**317.1**	**13.7**	**16.7**	**1,253.7**	**439.3**
Geographical area								
European Union	156.9	64.8	309.3	247.6	11.8	12.2	478.0	324.6
Other European countries	0.8	-	20.5	15.9	0.7	0.1	22.0	16.0
North America	-	-	71.0	40.6	-	-	71.0	40.6
Asia	1.3	1.1	16.9	13.7	-	0.1	18.2	14.9
Africa	487.0	0.5	32.0	15.8	-	-	519.0	16.3
Trading and other	129.3	38.9	14.3	6.5	1.2	4.3	144.8	49.7
Total	**775.3**	**105.3**	**464.0**	**340.1**	**13.7**	**16.7**	**1,253.0**	**462.1**
Change in payables for assets	(1.5)	0.2	2.2	(23.0)	-	-	0.7	(22.8)
Total	**773.8**	**105.5**	**466.2**	**317.1**	**13.7**	**16.7**	**1,253.7**	**439.3**

[1] in 2004 the banking sector also includes Finter Bank France, reclassified in 2005 to the property and services sector

The year was characterized by a level of financial and industrial investments which was particularly high. Overall investments were 1,253.7 million euro compared with 439.3 million euro in 2004.

Investments in tangible assets of 466.2 million euro (317.1 million euro in 2004), were aimed at enhancing and rationalizing the industrial structure and mainly concerned the European Union (in particular Italy, France and Spain), North America and Egypt, in particular in relation to the construction materials sector and, to a much lesser extent, to the packaging and insulation sector.

Investments in financial assets of 773.8 million euro (105.5 million euro in 2004), were mainly made in the construction materials sector with the acquisitions in Egypt and Italy. Other smaller investments were made in the financial sector.

Construction materials sector

This is the core industrial business of Italmobiliare and includes the activities of the Italcementi group in the cement, pre-packed ready mixed concrete and aggregates sectors.

(in millions of euro)	2005	2004	% change
Net sales	**4,999.6**	**4,527.5**	*10.4*
Current gross operating profit	**1,152.7**	**1,090.8**	*5.7*
% of net sales	*23.1*	*24.1*	
Other charges and income	(16.1)	5.4	n.s.
Gross operating profit	**1,136.6**	**1,096.2**	*3.7*
% of net sales	*22.7*	*24.2*	
Amortization, depreciation and impairment variations	(370.8)	(307.7)	*(20.5)*
Operating income	**765.8**	**788.5**	**(2.9)**
% of net sales	*15.3*	*17.4*	
Financial income and charges	(48.9)	(81.5)	*40.0*
Income from companies valued on equity basis	18.6	20.1	*(7.2)*
Pre-tax income	**735.5**	**727.0**	*1.2*
Tax for the period	(195.0)	(261.7)	*25.6*
Net income	**540.6**	**465.3**	*16.2*
Group net income	**391.2**	**350.9**	*11.5*
Minority interests	149.4	114.5	*30.5*
Cash flows from operating activities	722.9	704.7	*2.6*
Capital expenditures	1,209.4	377.7	*>100*

n.s.: not significant

(in millions of euro)	12.31.2005	01.01.2005*	12.31.2004	Effect of IAS 32 and 39
Total shareholders'equity	4,356	3,185	3,090	95
Group shareholders'equity	3,037	2,490	2,399	91
Net debt	2,215	1,736	1,569	167
Number of employees at year end	21,854	17,377	17,377	

* including application of IAS 32 and 39

The construction materials sector continued to benefit from the favorable conditions existing on the financial markets, recording another year of expansion in almost all the group’s most important markets.

In North America, despite widespread expectations of a cyclical downturn, 2005 was another year of record growth (touching 5%), albeit at more modest rates in the regional markets where the group operates.

In the euro zone, the differences in the cyclical positions of the individual national markets widened slightly with, on the one hand, robust growth continuing in France, Belgium and Spain, and, on the other, a slowdown in Greece, while construction operations in Italy were largely stable and close to peak values.

In the emerging nations covered by the group, the industry picture was healthy everywhere and in many cases reached exceptional levels, thanks to the current sustained economic growth throughout the whole area.

Sector performance

(sales volumes)	2005*	% change on 2004	
		historic	on constant size basis
Cement and clinker *(in millions of tons)*	56.3	*17.0*	*2.6*
Aggregates ** *(in millions of tons)*	53.8	*(5.1)*	*(3.0)*
Ready-mixed concrete *(in millions of m^3)*	21.0	*0.7*	*1.1*

* amounts refer to companies consolidated on a line-by-line basis and, pro-quota, to companies consolidated on a proportionate basis
** excluding outgoes on work-in-progress account

In 2005, on a constant size basis, group sales volumes, including exports, rose in the cement-clinker and ready mixed concrete segments, while sales of aggregates fell.

Growth, compared with 2004, in the **cement/clinker** segment was caused by a positive trend in all the emerging markets and in the trading business. There was marginal progress in the European Union and a slight fall in North America.

The improvement in sales volumes in **ready mixed concrete** was helped by the emerging countries, while an overall fall was recorded in the European Union, as also for the **aggregates** segment.

Global **net sales** recorded an increase of 10.4% compared with the previous year. This increase was due for 4.3% to the positive business trend, 5.3% to changes in the consolidation area, while the change in exchange rates had a positive effect of 0.8%, mainly due to Turkey, while the effect of exchange rates with the US dollar was insignificant.

Current gross operating profit and **gross operating profit**, up by 5.6% and 3.6% respectively compared with 2004, benefited significantly from the consolidation of the businesses in Egypt (the Suez Cement group as from April 1, 2005 and Asec Cement as from August 1, 2005). The contribution from the Egyptian companies more than made up for the marked fall in Italy, where margins were badly affected by the increase in operating costs (in particular variable costs) and by a negative impact on sales volumes and prices. Excluding the contribution from the Egyptian companies, current gross operating profit and gross operating profit would have fallen by 5.7% and 6.1% respectively compared to 2004. Both were affected in 2005 by the provisions made at the year-end of approximately 14.5 million euro, following CO_2 emissions that were higher than the allocations in application of the relevant European directive. Gross operating profit was also affected by extraordinary charges for a total of 37.5 million euro, in relation to reorganization plans in France and Belgium and a redundancy incentive plan for the Egyptian company in Tourah.

Operating income, following amortization and depreciation charges greater than those for 2004 largely following the enlargement of the consolidation area, fell, compared with 2004, by 2.9%, with a reduction in the ratio to net sales from 17.4% to 15.3%.

Operating results saw marked growth in Turkey and, to a significant but lesser extent in North America, Bulgaria and in the cement and clinker trading business. Besides the trend already indicated for Italy, a fall in operating income, compared with 2004, was recorded in France, again in relation to extraordinary restructuring charges, as well as in Thailand and Greece.

Pre-tax income, which was 735.5 million euro (up by 1.2% compared with 2004), benefited from a sharp fall in finance charges at the consolidated level (-32.6 million euro or a fall of 40.0%), with a ratio to net sales that fell from 1.8% to 1%.

Income tax for 2005 of 195.0 million euro, sharply down compared with the figure for 2004 (261.7 million euro), included an extraordinary positive impact of 42.8 million euro due to the application of the tax treatment of the Floating Rate Subordinated Securities defined in France in the "Loi de finances 2006" and the positive settlement of some tax disputes in Greece and Spain, with the recovery of provisions which had been previously set aside.

Group net income, following minority interest of 149.4 million euro (114.5 million euro in 2004), was 391.2 million euro, up by 11.5% compared with 2004 (350.9 million euro).

Total **investments in fixed assets** were particularly high at 1,209.4 million euro, compared with 377.7 million euro in 2004.

Investments in tangible assets of 452.7 million euro (303.8 million euro in 2004), were aimed at enhancing and rationalizing the industrial structure and mainly concerned the European Union (in particular Italy, France and Spain), North America and Egypt.

Investments in financial assets of 744.9 million euro mainly concerned acquisitions, illustrated hereafter in the section on significant events in the year, in Egypt and which concerned the Suez Cement Company for 106 million euro and Asec Cement for 491 million euro. The purchase of equity investments in Italy in the cement and ready mixed concrete segment (Cemill S.p.A., Lamon Beton S.p.A. and Cementificio di Montalto S.p.A.) led to overall investment of 69.8 million euro, while the acquisition of a further stake of 1.25% in the share capital of Ciments Français cost 53.6 million euro.

The significant investments and debt of the companies acquired in the year led to an increase in **net debt** of 479.2 million euro compared with the situation at January 1, 2005 (a situation obtained by applying IAS 32 and 39 to the situation at December 31, 2004).

Overall **shareholders' equity** at December 31, 2005, compared with January 1, 2005, and including the application of IAS 32 and 39, rose by 1,171.0 million euro, 547.5 million euro to group shareholders' equity and 623.5 million euro for minority interest.

Quarterly performance

(in millions of euro)	2005	4th quarter 2005	3rd quarter 2005	2nd quarter 2005	1st quarter 2005
Net sales	**4,999.6**	**1,278.8**	**1,322.9**	**1,407.7**	**990.2**
% change compared to 2004	*10.4*	*16.2*	*13.2*	*12.4*	*(1.6)*
Current gross operating profit	**1,152.7**	**302.8**	**353.2**	**341.2**	**155.6**
% change compared to 2004	*5.7*	*24.7*	*10.0*	*1.6*	*(18.5)*
% of net sales	*23.1*	*23.7*	*26.7*	*24.2*	*15.7*
Gross operating profit	**1,136.6**	**288.2**	**353.1**	**328.7**	**166.5**
% change compared to 2004	*3.7*	*13.5*	*10.5*	*-*	*(14.2)*
% of net sales	*22.7*	*22.5*	*26.7*	*23.4*	*16.8*
Operating income	**765.8**	**184.5**	**253.1**	**238.0**	**90.1**
% change compared to 2004	*(2.9)*	*7.0*	*3.8*	*(6.4)*	*(23.5)*
% of net sales	*15.3*	*14.4*	*19.1*	*16.9*	*9.1*
Group net income	**391.2**	**126.0**	**111.5**	**120.0**	**33.8**
% of net sales	*7.8*	*60.2*	*0.6*	*8.6*	*(33.6)*
Net debt at period end	2,215.0	2,215.0	2,556.3	2,103.2	1,770.8

The 4th quarter of 2005 saw a more positive trend compared to the previous quarters thanks also to the full impact of the consolidation of the businesses in Egypt.

Cement and clinker sales saw an increase of 4.8%, on a constant size basis, compared with the fourth quarter of 2004, despite the strikes which in December hit business in Spain. The trend in sales prices was also generally positive; in Italy, in particular, the recovery in net unit sales, which had emerged in the previous quarter, was confirmed. Excluding the contribution from the Egyptian companies, consolidated group net sales would have grown by 6.5% compared with the same period in the previous year (+5.9% in the third quarter).

Despite the continuing growth in operating costs (above all fuel and energy costs) and a negative impact of over 14 million euro for provisions relating to CO_2 emissions higher than the rights allocations (in particular in Italy), current gross operating profit in the 4th quarter grew markedly thanks to the contribution from the Egyptian companies (48 million euro) and the important contribution from the group of emerging countries.

The growth in gross operating profit and operating income was partially reduced in the last quarter by restructuring charges (of approximately 20 million euro) relating to the aforementioned reorganization and rationalization plan for the administrative and commercial activities in France and Belgium.

Significant events in the year

The significant events of the year are set out below, some of which have already been commented on in details in the interim reports for 2005.

Since April 2005 the Group, by means of the acquisition of a further equity investment, has had control of the Suez Cement Company, which, with the contribution from the subsidiary Tourah Cement Company, is the leading cement operator in Egypt. Since 2001, the Group's overall investment to gain control of Suez Cement has been approximately 454 million euro.

The start of August saw the finalization of the agreement for the acquisition of the controlling equity investment (68.7%) in Asec Cement Company (the fifth largest cement producer in Egypt and the second largest in terms of exports). The acquisition was completed by Suez Cement Company which subsequently launched a complete public tender offer, at the end of which Suez held 98.64% of the share capital of Asec Cement. The transaction carried out by Suez Cement Company corresponds to an investment of approximately 491 million euro and was undertaken with the use of locally available financial resources, bank loans and payments for the subsequent share capital increase in Suez Cement Company, supplied by local and foreign investors and by Ciments Français S.A.

Following the aforementioned share capital increase in Suez Cement Company, of somewhere over 356 million euro, the group's controlling equity investment in Suez Cement stood at approximately 51% at the end of December 2005.

The group signed a framework agreement with **Arabian Cement Company**, a cement producer in Saudi Arabia with a 12% market share, for the joint development of new projects. The five-year agreement provides that, besides technical collaboration and training protocols, which had already started at the end of 2005, a technical and business feasibility study be carried out in order to build a new cement facility in that country, as well as the establishment of possible further joint development programs in the Middle East.

During the year various acquisitions were also made in **Italy** in the **cement and ready mixed concrete** segments (Cemill S.p.A., Lamon Beton S.p.A. and Cementificio di Montalto S.p.A.), which led to an overall investment of 69.8 million euro; in July, the agreement was signed for the acquisition of a **grinding centre** in Novi Ligure (AL).

In December 2005, Italcementi S.p.A. sold all of its equity investment in **Gemina S.p.A.**, equal to 2.062% of the ordinary share capital, for an overall amount of approximately 15 million euro, realizing a capital gain of approximately 7 million euro.

During the year, **Société Internationale Italcementi France S.A.** bought on the open market 610,687 Ciments Français shares with an investment of approximately 53.6 million euro, increasing its own equity investment from 74.51% to 75.76% (86.54% of voting rights) of the company's share capital.

In 2005, Italcementi S.p.A., under the authorization given to the Board of Directors by the shareholders' meeting, arranged to buy, to service stock option plans, 827,902 **ordinary treasury shares**, approximately 0.5% of the ordinary share capital, for an overall amount of approximately 10.2 million euro. At December 31, 2005, the ordinary treasury shares numbered 3,945,102, approximately 2.23% of the ordinary share capital.

Performance by geographical area

	Net sales		Operating income		Capital expenditure	
(in millions of euro)	2005	% change vs. 2004	2005	% change vs. 2004	2005	2004
European Union	3,303.1	*0.6*	432.1	*(22.8)*	435.0	264.9
North America	603.1	*8.9*	91.5	*12.7*	71.0	40.6
Asia	259.6	*11.1*	39.9	*(14.3)*	18.2	14.9
Mediterranean-Emerging countries	805.6	*84.0*	197.7	*96.8*	539.6	30.4
Trading	210.8	*47.1*	12.8	*58.2*	13.1	8.2
Other and inter-area eliminations	(182.6)	*n.s.*	(8.2)	*n.s.*	131.7	41.5
Total	**4,999.6**	*10.4*	**765.8**	**(2.9)**	**1,208.6**	**400.5**
Change in payables for fixed assets					0.8	(22.8)
Total					**1,209.4**	**377.7**

European Union: Italy, France, Belgium, Spain, Greece North America: U.S.A., Canada Asia: India, Thailand, Kazakhstan,
Mediterranean - Emerging countries: Egypt (Suez Cement as from April 2005 and Asec Cement as from August 2005), Turkey, Morocco, Bulgaria
n.s.: not significant

European Union

In the European Union net sales saw a modest increase (+0.6%) as a result of solid growth in Belgium, a more limited rise in France and Spain, a slight fall in Italy and a significant fall in Greece due to the ending of the investments linked to the Olympic Games.

Operating income fell markedly (-22.8%) owing to the sharp increase, in the whole area, of fixed and variable costs, in addition to some particular situations in individual countries: in Italy the unfavorable trend in prices, albeit improving in the second part of the year, and the recording of charges relating to the deficit in CO_2 emissions; in France and Belgium there were extraordinary charges linked to the administrative and commercial restructuring plan.

North America

In 2005 the construction sector in the United States reported healthy progress, driven above all by public works and non-residential private building, recording solid growth in national cement consumption; market demand in the business areas in which the group operates fell slightly from 2004.

Group net sales increased by 8.9% compared with 2004, despite the fall in sales volumes, thanks to the marked progress in sales prices, which, at the level of operating income (+12.7%), more than offset the negative impact of the sharp rise in energy costs, personnel costs, maintenance expense and higher imports of cement and clinker.

Asia

In the Asiatic countries where the group operates there were varying trends with growth in volumes and prices in India and Kazakhstan, while in Thailand, albeit there was a rise in volumes, prices fell owing to competitive pressures. Overall net sales in the area rose by 11.1%.

The increase in some operating costs, in particular fuel and raw materials, nonetheless had an impact on operating results, and so overall operating income in the area fell by 14.3%.

Mediterranean - Emerging countries

This area saw the highest growth rates in the group in terms of net sales (+84%) and operating income (+96.8%), also owing to the consolidation effect.

Against this background Egypt was a particular case. With control of Suez Cement Company at the end of the 1st quarter of 2005 and the acquisition, by Suez Cement Company, of Asec Cement Company in August 2005, the group holds approximately 30% of the national market and of grey cement exports and approximately 50% of white cement. In 2005 the country's economic situation improved with a positive impact on the performance of the local currency, which appreciated compared to the euro, and on cement consumption which grew strongly. On a constant size basis, group sales volumes on the national market grew by 22.1%. The increase in volumes and the marked improvement in sales prices had a positive impact on net sales and on operating results, which stood at decidedly healthy levels, despite the restructuring costs connected to a staff redundancy incentive scheme.

In the other countries in the area (Turkey, Morocco and Bulgaria) sales volumes and prices rose, thus contributing to the significant increase in net sales, which more than made up for the increase in some cost items.

Trading

In 2005 trading volumes among the group companies and with third parties rose sharply (21.3%) which, accompanied by the marked increase in sales prices in dollars, led to significant growth in net sales (+47.1%). The effects of volumes and prices and the containment of operating costs led to notable progress in operating results (operating income +58.2%).

Note should be made of the acquisition of two ships for the transport of cement, clinker and solid fuel which was completed in the year by the joint venture Medcem S.r.l., in which the Italcementi group has invested 23 million dollars. The two ships can transport 450 million tons of goods and semi-finished goods in 2006, or 8% of the volume shipped by the group.

E-business initiatives

For BravoSolution S.p.A. and its subsidiaries (present in Italy, France and Spain) 2005 saw further revenue growth, consolidation of gross operating breakeven and the successful continuation and expansion of business in the United Kingdom, now conducted through BravoSolution UK Ltd.

At a consolidated level, the BravoSolution group, with the application of the new IFRS standards, saw overall net sales of 18.5 million euro (16.6 million euro in 2004), gross operating profit of 0.6 million euro, slightly up on 2004, and a loss of 1.7 million euro (1.9 million euro in 2004).

Energy project

In 2005 further progress was made toward achieving authorization for construction of the new thermoelectric plants run by Italgen S.p.A.

With regard to the Villa di Serio plant project (190 MW), a ruling is due from the Lombardy regional authority acknowledging fulfillment of the conditions required by the authority. Subsequently, the authorization procedure will be completed as and when indicated by the Ministry of Production Activities. In June 2005 the documentation required for the "Integrated Environmental Approval" pursuant to Legislative Decree 59/05 was filed. Authorization is expected within the first half of 2006.

The projects for the plants at Modugno, Matera and Colleferro are still going through the authorization process, and are at different stages of completion.

Italgen S.p.A. closed 2005 with net sales of 53.0 million euro (44.6 million euro in 2004) and income of 2.1 million euro (2.4 million euro in 2004). During the year it consolidated energy sales volumes (+3.1%), boosted net sales and made a sharp increase in energy purchases, in part owing to the rise in fuel prices and the introduction of the European Directive on Emission Trading (CO_2).

Disputes

With regard to the action taken by the Competition and Market Authority against eleven companies operating on the **ready mixed concrete sector** in Italy, on March 23, 2005 the administrative tribunal of the region of Lazio (TAR) issued its formal decision. This upholds in part the appeal presented by Calcestruzzi S.p.A. and Cemencal S.p.A., and overturns the ruling *"in the section in which the fines imposed [by the Authority] are not proportionate to the limited effects of the agreement"*. The TAR also upheld in part the appeals of the companies regarding application of repeat offence penalties, but rejected all other questions. The companies consider they have grounds to appeal against all the main parts of the ruling that overturned the appeal and have instructed their lawyers to present an appeal to the Consiglio di Stato. The expiry date is April 1, 2006; by that date the Authority may also appeal against the sections of the TAR ruling not in its favor.

Results of Italcementi S.p.A.

(in millions of euro)	2005	2004	% change
Net sales	**923.1**	**952.8**	*(3.1)*
Current gross operating profit	**138.9**	**240.3**	*(42.2)*
% of net sales	*15.0*	*25.2*	
Other charges and income	7.4	21.5	*(65.6)*
Gross operating profit	**146.3**	**261.8**	*(44.1)*
% of net sales	*15.8*	*27.5*	
Amortization and depreciation	(66.8)	(65.8)	*(1.6)*
Operating income	**79.5**	**196.1**	*(59.5)*
% of net sales	*8.6*	*20.6*	
Financial income and charges	49.8	39.7	*25.3*
Pre-tax income	**129.3**	**235.8**	*(45.2)*
Tax for the period	(33.4)	(76.2)	*56.2*
Net income	**95.9**	**159.6**	*(39.9)*
Cash flows from operations	132.8	162.7	*(18.0)*
Capital expenditures	411.0	111.3	*269.3*

(in millions of euro)	12.31.2005	01.01.2005*	12.31.2004	Effect of IAS 32 and 39
Shareholders'equity	2,162.7	2,119.6	2,040.3	79.3
Net debt	556.9	445.6	444.0	1.6

* including application of IAS 32 and 39

As from 2005 Italcementi financial statements are prepared in accordance with the IAS/IFRS international accounting standards. The comparative figures for 2004 have also been restated on the basis of these standards.

At the shareholders' meeting to approve the financial statements it will be proposed to distribute a dividend of 0.33 euro per share for ordinary shares and 0.36 euro per share for savings shares (0.30 euro and 0.33 euro respectively in 2004).

Significant post balance-sheet events

No significant events have taken place since closure of the financial year.

Outlook

The international economy is expected to make further progress, although growth will be slower than in 2005; against this background, trends in the construction sector, which as a whole has experienced significant growth over the last few years, will be mixed.

In the regions with mature markets - North America and the European Union - demand is stabilizing and growth is therefore slowing; conversely, in the emerging countries demand is expected to continue expanding strongly, so that performance in the construction sector should continue to be lively in 2006.

Despite the risk of renewed pressure on the prices of raw materials and energy products, which could lead to further increases in operating expense and logistic costs, a number of favorable trends are expected: an improvement in sales prices in Italy, the USA and other countries, as well as a higher contribution from the emerging countries, due in part to the effect of consolidation of operations in Egypt over the entire year. Consequently, subject to currently unforeseeable events, the group expects to report an improvement in 2006 operating income.

Packaging and insulation sector

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

(in millions of euro)	2005	2004	% change
Net sales	**166.0**	**153.9**	*7.8*
Current gross operating profit	**24.5**	**21.5**	***14.1***
% of net sales	*14.8*	*14.0*	
Other charges and income	-	0.7	n.s.
Gross operating profit	**24.5**	**22.2**	***10.4***
% of net sales	*14.8*	*14.4*	
Amortization, depreciation and impairment variations	(7.4)	(7.2)	*3.3*
Operating income	**17.1**	**15.0**	***13.7***
% of net sales	*10.3*	*9.7*	
Financial income and charges	(1.7)	(1.4)	*(20.0)*
Pre-tax income	**15.4**	**13.6**	***13.0***
% of net sales	*9.3*	*8.8*	
Tax for the period	(7.5)	(5.3)	*(41.5)*
Net income	**7.9**	**8.3**	***5.1***
% of net sales	*4.8*	*5.4*	
Total capital expenditures	14.0	12.4	*12.9*

n.s.: not significant

(in millions of euro)	12.31.2005	01.01.2005*	12.31.2004
Total shareholders'equity	45.1	40.2	40.2
Net debt	49.8	44.8	44.8
Number of employees (heads)	799	747	747

* including application of IAS 32 and 39

2005 saw an improvement in operational indicators:

- net sales grew by 7.8% thanks to the positive impact of prices for packaging and volumes for insulation;
- operating income rose by 13.7% owing to the significant contribution of the packaging sector and despite the cost of raw materials still being characterized by a trend which stayed at fairly high levels. Generally there was confirmation of great instability in prices, as a consequence of tensions in prices for fuel and semi-finished products (such as polymers), which drove the search for greater flexibility and efficiency.

The improvement in operating income, however, was not reflected in net income owing to the increase in finance charges and above all the tax burden; 2004 in fact benefited from extraordinary events such as tax related windfall gains and a slight rise in taxable income absorbed by prior tax losses.

Debt improved sharply (+11.6%) compared with the previous year, mainly owing to the increase in working capital (largely in insulation), partly following the restoration of inventories, which in December 2004 stood at low quantities and values, and partly due to the lengthening of payment times on the part of some customers.

March 2, 2005 saw the completion of the contract, signed at the end of 2004, for the purchase of a company branch located in Hungary for the production of meat packaging trays with an overall investment of approximately 1.5 million euro. The acquisition will enable the group in the future to serve the important markets of East Europe, which are dominated by the Petruzalek group and which has been under Sirap since December 2003, with greater speed and efficiency.

Quarterly performance

(in millions of euro)	2005	4th quarter 2005	3rd quarter 2005	2nd quarter 2005	1st quarter 2005
Net sales	166.0	43.0	42.7	43.1	37.1
% change on 2004	*7.8*	*5.3*	*9.3*	*8.1*	*8.7*
Current gross operating profit	24.5	5.3	6.8	7.0	5.4
% change on 2004	*14.1*	*(7.6)*	*61.6*	*17.5*	*(3.0)*
% of net sales	*14.8*	*12.3*	*15.9*	*16.2*	*14.6*
Gross operating profit	24.5	5.5	6.8	6.8	5.4
% change on 2004	*10.4*	*(5.8)*	*46.6*	*9.2*	*(1.5)*
% of net sales	*14.8*	*12.8*	*15.9*	*15.8*	*14.6*
Operating income	17.1	3.6	4.8	5.0	3.6
% change on 2004	*13.7*	*(10.8)*	*73.2*	*7.8*	*2.5*
% of net sales	*10.3*	*8.4*	*11.2*	*11.6*	*9.7*
Net income	7.9	1.4	3.3	1.0	2.2
% of net sales	*4.8*	*3.3*	*7.7*	*2.3*	*5.9*
Net debt at period end	49.8	49.8	49.2	52.0	45.1

The last quarter of the year saw a positive trend overall, although there were emerging signs of slowdown and a level of competition which in general led to a contraction on volumes and sales prices.

In particular packaging was affected by a health scare which hit the poultry sector in France and Italy and on these markets led to a fall in white meat consumption which partially returned to normal before the end of the year.

Performance by business division and geographical area

	Net sales		Operating income		Capital expenditure	
(in millions of euro)	2005	% change	2005	% change	2005	2004
Food packaging	**128.9**	***8.8***	**14.4**	***35.2***	**10.0**	**9.2**
- Italy	64.6	*9.1*	9.5	*30.5*	4.8	6.8
- France	26.4	*1.2*	2.4	*48.3*	1.4	2.0
- Other European Union countries	38.0	*8.8*	1.4	*46.8*	3.4	0.3
- Other non-EU countries	14.9	*50.0*	1.1	*42.6*	0.4	0.1
Eliminations	(15.0)		-		-	-
Thermal insulation	**43.2**	***2.9***	**2.7**	***(40.2)***	**4.0**	**3.2**
Eliminations	(6.1)		-		-	-
Total	**166.0**	***7.8***	**17.1**	***13.7***	**14.0**	**12.4**

Food packaging

Despite the complex market situation (fall in consumption in France and Italy and increased competition), the division saw an improvement in net sales (+8.8%) and operating income (+35.2%). On its traditional markets the group benefited from an upward adjustment to sales prices which was more marked in Italy; volumes saw modest changes, above all in the last quarter owing to a level of competition which became even fiercer above all in France. In addition, note should be taken of the progress made by the Petruzalek group thanks to the improvement in volumes, the increase in prices and the repositioning of the mix: in particular very positive signals came not only from the countries whose economies have most recently liberalized, such as Ukraine, but also from more consolidated countries, such as the Czech Republic. In addition a reorganization project was approved which grouped together eleven countries under Austria, in three areas overseen by regional managers, in order to create synergies within the areas and enable a more effective and efficient approach to the needs of the markets.

Investments in fixed assets, besides the acquisition of the production facilities in Hungary, mainly concerned technological improvements in order to guarantee a reduction in logistical and manufacturing costs.

As for the development of new products, it should be noted that the request for a European patent has been deposited for a new technical and manufacturing solution for absorbent trays for packaging in a modified atmosphere and new agreements were entered into on foreign markets for the applied testing of biodegradable trays for fruit and vegetables.

Thermal insulation

Compared with the same period in 2004, thermal insulation net sales grew slightly (+2.9%) thanks to higher sales volumes recorded above all in the second part of the year by extruded polystyrene sheets, mainly used for coverings and insulation of roofs and under-flooring.

The year was, however, marked by the joint effect of a reduction in sales prices, owing to a fairly fierce competitive situation, and a sharp increase in the cost of raw materials compared with 2004. In addition, in the division, the launch of the new line for the production of single layer sheets started in April (with a subsequent gradual disposal of the multilayer facilities) and enabled the achievement of the expected level of manufacturing efficiency only in the second half. Operating income thus fell significantly.

Capital expenditures were above all targeted at completing the new line, automating some manufacturing processes and the rationalization and improvement of storage areas.

Results of Sirap Gema S.p.A.

Sirap Gema S.p.A. ended the year with operating income of 9.7 million euro (7.1 million euro in 2004) and net income of 5.3 million euro, down compared with 2004 (9.4 million euro) which benefited from extraordinary income (4.3 million euro) mainly for the elimination of prior tax losses.

Significant post-balance sheet events

In the second half of 2005 a complex negotiation was started with the aim of evaluating the acquisition of a group of companies operating on national and foreign markets in a segment of food packaging. In February 2006 a negotiating agreement was reached, the completion of which is dependent on some closing conditions. The positive realization of these conditions may lead to the completion of the acquisition by the end of the first half of 2006.

Outlook

The prospects for 2006 seem characterized by a slightly falling trend in food consumption, while a modest recovery in demand is expected in the non-residential and restructuring sectors.

In particular in packaging the traditional markets of France and Italy will be affected, at least in the first part of the year, by the fall in the consumption of white meat caused by the health scare relating to the spread of avian flu which was once again evident in the first months of 2006. Nonetheless, the group believes it can face the situation thanks to a product mix with a higher added value and the development of the Petruzalek markets.

Therefore, on the basis of the estimates so far available on the trend in the current year for the two business areas and on a constant size basis, it is felt that, subject to unforeseen and unquantifiable events, the operating result will be in line with that of 2005.

Financial sector

The financial sector includes the parent company Italmobiliare and its wholly owned financial subsidiaries. The main ones are:

- Italmobiliare International Finance Limited (Dublin);
- Société de Participation Financière Italmobiliare S.A. (Luxembourg);
- Fincomind A.G. (Switzerland).

(in millions of euro)	2005	2004	% change
Net sales	101.7	95.3	*6.7*
Operating income	73.8	74.2	*(0.5)*
Net income	**91.9**	**88.1**	*4.3*

(in millions of euro)	12.31.2005	01.01.2005*	12. 31.2004	Effect of IAS 32 and 39
Net financial position	303.4	268.2	257.4	10.8
Shareholders' equity	1,822.4	1,547.0	1,186.8	360.2
Employees	41	37	37	

* including application of IAS 32 and 39

Quarterly performance

(in millions of euro)	2005	4th quarter 2005	3rd quarter 2005	2nd quarter 2005	1st quarter 2005
Net sales	**101.7**	**11.8**	**12.8**	**68.1**	**9.0**
% change on 2004	*6.7*	*(5.4)*	*7.0*	*2.7*	*(15.4)*
Operating income	**73.8**	**3.4**	**7.9**	**60.6**	**2.0**
% change on 2004	*(0.5)*	*(46.4)*	*8.0*	*(5.9)*	*(42.2)*
Net income	**91.9**	**7.9**	**11.4**	**66.7**	**5.9**
% change on 2004	*4.3*	*(47.6)*	*6.7*	*7.1*	*(1.7)*
Net debt	**303.4**	**303.4**	**299.3**	**292.5**	**253.3**

Results according to financial scheme

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

(in millions of euro)	4th quarter 2005	4th quarter 2004	Change	2005	2004	Change
Net income from equity investments	7.2	4.3	*2.9*	82.3	67.0	*15.3*
Net income from cash investments	5.4	13.2	*(7.8)*	28.6	36.7	*(8.1)*
Net debt charges	(2.8)	(2.5)	*(0.3)*	(10.5)	(9.4)	*(1.1)*
Total financial income and charges	9.8	15.0	*(5.2)*	100.4	94.3	*6.1*
Miscellaneous income and costs	(3.3)	(2.0)	*(1.3)*	(11.5)	(7.6)	*(3.9)*
Income tax for the period	1.4	2.1	*(0.7)*	3.0	1.4	*1.6*
Net income	**7.9**	**15.1**	***(7.2)***	**91.9**	**88.1**	***3.8***

Net income from equity investments grew signifcantly owing to the increase in dividends received and the receipt of the price adjustment on the sale of Sab Autoservizi. Net income from cash investments, on the other hand, fell owing to the lower revaluations applied to trading shares, which were of significant value at the end of 2004, the negative trend on the bond market and the unsatsifactory contribution from portfolios handled by external traditional managers, while alternative investments saw a positive result with a solid recovery in the second part of the year. Higher net debt charges reflect the increase in average net debt, while miscellaneous income and costs were affected by the different use of funds adopted in the two periods. The tax component was positive owing to the impact of the national tax consolidation.

It should be noted that the performance in the fourth quarter, albeit less positive than the same period in 2004, was markedly better than forecast owing to significant earnings on some investments and the aforementioned recovery of the funds of hedge alternative funds. This enabled the recording for 2005 of an income for the year in the financial sector higher than that for 2004.

Significant events in the year

Among the significant events, largely already described in previous reports, concerning the parent company Italmobiliare and the other financial subsidiaries were the following.

In January Italmobiliare took part in the share capital increase in **Mittel** by investing 8.7 million euro and thus maintaining unchanged the percentage of its equity investment in this company (12.91%).

In February Italmobiliare took part in the share capital increase in **GIM** by investing the sum of 6.3 million euro. Italmobiliare also committed itself to further underwriting up to a maximum of 4.2 million euro as part of a guarantee consortium. Italmobiliare subsequently transferred this commitment to its own subsidiary Société de Participation Financière Italmobiliare S.A. Since the whole share capital increase was entirely underwritten, no action was necessary on the part of the guarantee consortium. Following this transaction Italmobiliare's equity investment in GIM remained practically unchanged at 4.2%.

In May Société de Participation Financière Italmobiliare S.A., in order to concentrate within the parent company all the shares allocated to the **RCS MediaGroup** shareholders' pact, sold to Italmobiliare S.p.A. 5,514,645 RCS MediaGroup shares at a price corresponding to the average official stock market price for the previous month, for a total of 27.6 million euro. Following this transaction and following the free allocation of 1% of the shares owned, Société de Participation Financière Italmobiliare S.A. holds 1,343,658 RCS MediaGroup shares not bound to the pact, or 0.18% of all the ordinary shares issued.

Again following this operation and the allocation of the free shares, Italmobiliare S.p.A. holds 35,049,986 RCS MediaGroup shares, bound to the pact, or 4.78% of all the ordinary shares issued. Together with the shares held by Italcementi S.p.A. the Group holds ordinary shares linked to the pact that are equivalent to 7.07% of the share capital.

In June Intermobiliare (now Franco Tosi) sold to Société de Participation Financière Italmobiliare S.A. 996,750 **Banche Popolari Unite** shares at a price corresponding to the average official stock market price for the previous month for a total of 16.5 million euro. Following this transaction Société de Participation Financière Italmobiliare S.A. holds 1,607,755 Banche Popolari Unite shares.

In July 2005 Italmobiliare received from Arriva International 6.2 million euro as the price adjustment for the sale of **Sab Autoservizi**, which occurred in 2002, determined on the basis of the contract provisions, and on the basis of some business results achieved at the end of 2004.

In July Société de Participation Financière Italmobiliare invested approximately 6.2 million euro to acquire 1.4 million **Unicredito** shares for trading purposes. Following this acquisition the total of Unicredito shares owned by the Group is 87,026,509 shares, corresponding to 0.839% of the ordinary share capital.

As part of the business plan of the Capitalia group, Italmobiliare received a proposal, which it accepted, to exchange its equity investment in **MCC** with Capitalia shares, in the ratio of 11 newly issued Capitalia shares for every 3 MCC shares.

During the second half of 2005, Italmobiliare considered it appropriate to acquire 2,971,994 Capitalia shares, with an investment of approximately 13.7 million euro, in order to be able to build up, together with the shares from the previous transaction, a more significant equity investment in **Capitalia**.

In January Italmobiliare, following the exchange with MCC, received 3,484,349 Capitalia shares and contributed the whole equity investment of 0.25% of the Capitalia share capital to the shareholders' pact.

In September Société de Participation Financière Italmobiliare sold approximately 3.65 million **Poligrafici Editoriale** shares, earning approximately 8 million euro. After this transaction, Société de Participation Financière Italmobiliare holds 2,641,500 Poligrafici Editoriale shares, or 2% of the share capital.

In September 2005, following market transactions, Italmobiliare acquired 11 thousand **Italcementi** ordinary shares, with an outlay of 141 thousand euro. Following this transaction Italmobiliare holds 104,034,000 Italcementi ordinary shares, or 58.74% of the ordinary share capital.

In December Italmobiliare informed the Gemina shareholders' pact of its intention to sell its equity investment in Gemina at a price pf 2 euro per share. The transaction was completed in January 2006 with receipts of 16.9 million euro and the realization of a capital gain of 7.9 million euro.

During 2005 Italmobiliare, as part of the specific shareholders' meeting authorization, bought 18,785 **treasury shares** for an outlay of 983.6 thousand euro.

Following these purchases Italmobiliare holds 911,131 ordinary treasury shares (4.107% of all ordinary shares) and 28,500 savings treasury shares (0.174% of total savings shares).

Italmobiliare International Finance Limited (Dublin)

The company is the main financial company of Italmobiliare operates in international capital markets and provides financial support to Group's companies.

2005 ended with net income of 13.2 million euro, down compared with 2004 (14.6 million euro). The result was affected by the performance of the bond markets, conditioned by interest rates and credit spreads, which reduced the portfolio yield. The results of the portfolios handled by traditional external managers were particularly disappointing, while alternative investments produced positive rising yields, thanks to the sharp recovery in the second part of the year.

The positive financial position at December 31, 2005 was up at 612 million euro from 599 million euro at January 1, 2005, and practically corresponds to shareholders' equity, respectively at 611.2 million euro and 598.1 million euro.

Société de Participation Financière Italmobiliare S.A. (Luxembourg)

The company holds equity investments in listed and unlisted companies.

In 2005 it recorded net income of 14.9 million euro, down compared with 20 million euro in 2004, which had benefited from significant value recoveries of equity investments. Albeit lower than the previous year, the result achieved is particularly noteworthy and above forecast thanks to capital gains on the sale of some equity investments and the revaluation of listed shares in the trading portfolio.

Also the shares in the "Available For Sale" portfolio were significantly revalued, but in accordance with international accounting standards this was recorded directly in shareholders' equity in the AFS reserve, which rose from 1.5 million euro at January 1, 2005 to 49.7 million euro at December 31,

2005. As a consequence of this revaluation and the income for the year shareholders' equity rose from 148.3 million euro, at January 1, 2005, to 211.4 million euro at December 31, 2005.

The net financial position (which also includes shares in the trading portfolio) stood positive at 99.1 million euro, up compared with January 1, 2005 (60.5 million euro).

At the end of December 2005 Société de Participation Financière Italmobiliare held the following equity investments in listed companies: 1.3 million shares in RCS MediaGroup (0.183% of the share capital), 2.6 million shares in Poligrafici Editoriale (2.001%), 1.6 million shares in BPU (0.467%) and 1.4 million Unicredito shares (0.014%).

In addition, among the equity investments in unlisted companies, note should be made of the holding of 11.682% of Cartiere Burgo S.p.A. and 2.764% of Consortium S.r.l.:

- **Cartiere Burgo S.p.A.** is an industrial group specialized in the production of graphic papers, which as from May 2004 merged with the Marchi group. The consolidated financial statements have still not been approved by the company's competent boards, however, on the basis of the results in the first part of the year and the information available, net sales are expected to grow as are also operating results, which show the justification of the merger project and its rapid implementation, despite being affected by the sharp rise in costs, especially for energy.
  In the financial statements of Société de Participation Financière Italmobiliare, prepared in accordance with international accounting standards, the equity investment, which has so far been recorded at cost was brought to the value that corresponds to the share of adjusted shareholders' equity, considered representative of the fair value, by recording a revaluation (accounted for under shareholders' equity in the AFS reserve) of 36.1 million euro.
- **Consortium S.r.l.** is a company which at the end of December 2005 owned 7.82% of Mediobanca and 0.47% of Generali shares. The 2005 financial statements have still not been approved, but on the basis of the information available, connected to the market disposal of Mediobanca shares during 2005, the result for the year is expected to show a significant profit owing to the realized capital gains.
  In the financial statements of Société de Participation Financière Italmobiliare, prepared in accordance with international accounting standards, the equity investment was recorded at the value, considered representative of the fair value, determined in terms of transparency on the basis of the prices at the period end of the portfolio listed shares. At the end of 2005, on the basis of the updated prices, an increase in value of 10.1 million was calculated and recorded under shareholders' equity in the AFS reserve.

Fincomind A.G. (Switzerland)

The company's main equity investment consists of the complete ownership of Finter Bank Zürich.

In 2005 Fincomind A.G. had net income of 9.9 million Swiss francs with a significant increase compared with 1.2 million Swiss francs recorded in 2004. This change is largely justified by value recoveries of the subsidiaries Soparfinter S.A. and Finter Bank France (now Terfin S.A.), as a consequence of the positive results in the liquidation process of the latter.

The business of the parent company **Italmobiliare S.p.A.** is covered in a separate section.

Net financial position of Italmobiliare and of the financial sector

The following table sets out the levels and elements of the net financial positions of the parent company Italmobiliare S.p.A. and of the consolidated financial sector, uniformly applying the international accounting standards (IFRS).

(in thousands of euro)	12.31.2005		01.01.2005*		12.31.2004	
	Italmobiliare	Financial sector[1]	Italmobiliare	Financial sector[1]	Italmobiliare	Financial sector[1]
Cash commitments and short-term loans	65,365	761,735	22,101	661,307	18,045	650,315
Short-term financing	(154,479)	(159,393)	(116,991)	(119,410)	(116,991)	(118,848)
Short-term net financial position	**(89,114)**	**602,342**	**(94,890)**	**541,897**	**(98,946)**	**531,467**
Medium/long-term financial assets	6,565	17,062	11,194	11,291	10,885	10,921
Medium/long-term net financial position	(316,018)	(316,018)	(285,010)	(285,010)	(285,010)	(285,010)
Medium/long-term financial position	**(309,453)**	**(298,956)**	**(273,816)**	**(273,719)**	**(274,125)**	**(274,089)**
Net financial position	**(398,567)**	**303,386**	**(368,706)**	**268,178**	**(373,071)**	**257,378**

* including application of IAS 32 and 39
[1] comprised of: Italmobiliare S.p.A. - Italmobiliare International Finance Ltd - Italmobiliare International BV - Société de Participation Financière Italmobiliare S.A. - Fincomind A.G. - Franco Tosi S.r.l. - Soparfinter S.A.

The net debt of Italmobiliare was 398.6 million euro (368.7 million euro at January 1, 2005), up by 29.9 million euro, owing to the investments in equity, while that which includes the controlled the financial companies was a positive balance of 303.4 million euro (268.2 million euro at January 1, 2005), an increase of 35.2 million euro, as a consequence of the improvement in the position of the main financial companies as indicated above.

(in millions of euro)	Italmobiliare	Financial sector
Sale of equity investments	7.7	14.7
Equity investments made	(57.7)	(29.4)
Dividends paid	(42.6)	(42.6)
Dividends received	66.0	70.4
Operations and extraordinary items	(3.3)	22.1
Total	**(29.9)**	**35.2**

Significant events after the end of the period

Besides the indications in significant events for the year, there were no significant events occurring after the end of the year such as to require reporting.

Outlook

Results in the financial sector depend on the flow of dividends and the trend in the financial markets. While the flow of dividends is fairly predictable and therefore represents a practically certain basis for the result of the sector, the future trend in interest rates, the performance of the stock market and the opportunities for the acquisition and disposal of equity investments introduce elements of uncertainty which make it difficult to make a reliable forecast of the overall results for the year.

Banking sector

The banking sector includes two wholly owned banks, i.e. Finter Bank Zürich and Crédit Mobilier de Monaco. As mentioned Finter Bank France as from June 2005 ended its banking activity, therefore, it is no longer consolidated in this sector; the figures for 2004 have been restated for the sake of comparison.

(in millions of euro)	2005	2004 proforma	%change
Net sales	45.5	39.8	*14.2*
Operating income	8.4	6.9	*21.0*
Net income	**6.4**	**5.7**	***11.8***

(in millions of euro)	12.31.2005	01.01.2005*	12.31.2004
Net financial position	58.6	44.3	44.3
Shareholders' equity	91.2	87.4	87.4
Employees	143	146	146

* including application of IAS 32 and 39

Quarterly performance

(in millions of euro)	2005	4th quarter 2005	3rd quarter 2005	2nd quarter 2005	1st quarter 2005
Net sales	**45.5**	**13.2**	**11.6**	**10.5**	**10.2**
% change on 2004	*14.2*	*16.0*	*2.2*	*13.1*	*(0.3)*
Operating income	**8.4**	**3.1**	**1.4**	**2.0**	**1.9**
% change on 2004	*21.0*	*125.5*	*0.1*	*39.9*	*(16.5)*
Net income	**6.4**	**2.2**	**0.9**	**1.6**	**1.6**
% change on 2004	*11.8*	*52.2*	*(0.2)*	*15.0*	-
Net financial position	**58.6**	**58.6**	**31.4**	**44.4**	**59.4**

Results according to the banking sckeme

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

(in millions of euro)	4th quarter 2005	4th quarter 2004	Change	2005	2004	Change
Net interest income	1.4	1.1	*0.3*	5.2	4.7	*0.5*
Commissions	13.0	10.4	*2.6*	42.5	36.4	*6.1*
Gross operating profit	4.8	2.4	*2.4*	11.5	8.6	*2.9*
Income from operations	2.6	1.9	*0.7*	7.5	6.6	*0.9*
Net income	**2.2**	**1.6**	**0.6**	**6.4**	**5.7**	**0.7**

The income in the sector is almost all from the results of Finter Bank Zürich.

Finter Bank Zürich

The Finter Bank Zürich Zürich group in 2005 managed to profit from some positive circumstances on the financial markets, achieving consolidated net sales of 68.6 million Swiss francs, sharply up (+15.4%) compared with 2004 (59.4 million Swiss francs). This growth was achieved thanks to a recovery in commissions and above all to the increase in fixed commissions linked to the winning of new orders. Despite the overall rise in operating costs, mainly owing to higher charges for personnel linked to significant provisions made for early retirement payments, and higher amortization, operating income grew by 22.9%, going from 10,121 million Swiss francs in 2004 to 12,442 million Swiss francs in 2005.

A negative contribution from the companies valued at equity and a greater tax burden caused the net income for the year to rise, albeit still significantly, by 12.9% to stand at 9,557 million Swiss francs compared to 8,464 in the previous year.

Consolidated shareholders' equity rose from 125.9 million Swiss francs at December 31, 2004 to 133.0 million Swiss francs at December 31, 2005.

Assets under administration at the end of 2005 exceeded 5.2 billion Swiss francs.

The results achieved are the direct consequence of a clear effort to reorganize the existing human resources and their effective integration with new talents, in accordance with a program of insertions that has only been realized in part so far. The success obtained in developing business with institutional and semi-institutional customers highlights the strong validity of the bank's products, whose level of awareness and focus are the basis for being able to realize its future growth target, albeit in a volatile and very competitive environment.

Crédit Mobilier de Monaco

Crédit Mobilier de Monaco is a bank in Monaco which mainly operates in guarantee backed loans. In the year it recorded a slight fall in net interest income offset only in part by lower costs for personnel and tax.

Net income of 200 thousand euro was, therefore, lower than that recorded in the previous year (250 thousand euro).

Outlook

Despite the uncertainty which is a feature of the financial markets, the results achieved in the first few months of 2006 and the plans in place make it likely that the result for the year in this sector might be better than that for 2005, subject to any unforeseen events.

Property sector, services and others

This sector includes some companies that own property and land and some service companies.

As for the property companies it includes both rented property and property and land for sale.

Service companies basically carry out their business within the Group.

This sector also includes Terfin S.A. (formerly Finter Bank France), the termination program for which is continuing in accordance with the agreed ways and timetable.

Net sales and net income for the sector were respectively 2.6 million euro and 0.4 million euro, clearly down compared with 2004 which reported net sales of 5.7 million euro and net income of 2.6 million euro. The sharp decline is linked to the sale of an important property in 2004 by a company in the sector, with the consequent recording of a significant capital gain.

The importance of the sector is marginal in relation to the overall results of the Group.

Other equity investments

At a consolidated level this heading includes:

- equity investments in the banking-finance sector;
- equity investments in important Italian industrial groups.

	12.31.2005		01.01.2005*		12.31.2004	
(in millions of euro)	%	Carrying value	%	Carrying value	%	Carrying value
Banking-finance sector						
Mediobanca	2.59	331,523	2.63	245,457	2.63	137,831
Unicredito Italiano	0.84	506,408	1.36	361,772	1.36	98,296
Banche Popolari Unite	1.39	88,976	1.40	71,624	1.40	60,436
Mittel	12.91	35,070	12.91	24,773	12.91	24,773
Consortium	2.76	26,703	2.62	16,602	2.62	15,092
Fin.Priv.	14.28	31,563	14.28	24,749	14.28	14,354
MCC	1.00	17,028	1.00	12,006	1.00	12,006
Capitalia	0.13	14,524		-		-
Total		**1,051,795**		**756,983**		**362,788**
Industrial groups and holding companies for industrial equity investments						
RCS MediaGroup	7.25	214,380	7.18	224,067	7.18	136,734
Cartiere Burgo	11.68	64,169	11.68	28,030	11.68	28,030
Gemina	2.32	16,938	4.38	14,461	4.38	17,002
Gim	4.17	7,718	4.33	2,643	4.33	2,485
Poligrafici Editoriale	2.00	4,065	4.77	10,766	4.77	4,409
Società Editrice Siciliana	33.00	16,488	33.00	16,248	33.00	15,468
Sesaab	10.00	9,325	10.00	9,325	10.00	9,325
Total		**333,083**		**305,540**		**213,453**

* including application of IAS 32 and 39

Dividends received in the year from the above equity investments totaled 35.9 million euro.

Human resources

The number of employees at December 31, 2005 was 22,857 heads compared with 18,345 at December 31, 2004.

The breakdown of personnel by business sector and geographical area is as follows:

	12.31.2005		12.31.2004	
	heads*	%	heads*	%
Business sector				
Construction materials	21,854	*95.6*	17,377	*94.7*
Packaging and insulation	799	*3.5*	747	*4.1*
Financial	41	*0.2*	37	*0.2*
Banking	143	*0.6*	164	*0.9*
Property, services and others	20	*0.1*	20	*0.1*
Total	**22,857**	***100.0***	**18,345**	***100.0***
Geographical area				
European Union	11,636	*50.9*	11,593	*63.2*
Other European countries	1,589	*6.9*	1,604	*8.7*
North America	1,727	*7.6*	1,743	*9.5*
Asia	2,013	*8.8*	2,068	*11.3*
Africa	5.568	*24.4*	1,038	*5.7*
Other countries [1]	324	*1.4*	299	*1.6*
Total	**22,857**	***100.0***	**18,345**	***100.0***

* includes employees of companies consolidated on a line-by-line and proportional basis. In this case the number indicated is in line with the consolidation proportion

1 includes employees of the construction materials sector involved in trading activity and Bravo Solution UK

The overall number of personnel at December 31, 2005, compared with December 31, 2004, mainly reflects the inclusion in the consolidation area of the Suez Cement group (Egypt).

Dealings with related parties

Regarding the Italmobiliare Group's dealings with related parties, there were no atypical or unusual transactions.

For the purposes of the consolidated report dealings with related parties regarded those with:

- subsidiary companies that are valued with the equity method or stated at cost;
- associated companies;
- other related parties.

Among the companies in the construction materials division, dealings with related parties reflect the Group's interest in leveraging the synergies in the sector to enhance production and commercial integration, employ competencies efficiently, and rationalize use of corporate divisions and financial resources. All dealings are of a business and/or financial nature.

Italmobiliare provides an administration service to some associated companies which is regulated according to the costs attributable to providing the service.

Dealings with other related parties concern:

- administrative, financial, fiscal and corporate consultancy services, as well as support services for the organization of company restructuring operations for the Italcementi Group provided by Finsise S.p.A., a company whose majority shareholder is Italo Lucchini, Deputy Chairman of Italmobiliare. The Italmobiliare Group also uses the services of Professional Auditing S.p.A., a trust company whose main shareholder is also Mr Lucchini;
- legal consultancy, judicial and extrajudicial assistance provided to Italmobiliare and to Group companies by the associate professional studio Dewey Ballantine LLP, of which the Italmobiliare director Luca Minoli is part;
- extrajudicial assistance provided to Group companies by Giorgio Bonomi, a director of Italmobiliare;
- consultancy services provided by Stefania Giavazzi, a second degree relative of the Italcementi Deputy Chairman Giovanni Giavazzi;
- consultancy services for the senior management of Italmobiliare in relation to the processes to rationalize and develop the Group's activities provided by Piergiorgio Barlassina, a director of Italmobiliare.

All the dealings set out above, including for the exchange of goods and services, including financial services, are conducted at normal market conditions.

In February the Fondazione Italcementi Cav. Lav. Carlo Pesenti supplemented its business purpose with the goal of undertaking humanitarian initiatives to help populations hit by natural disasters, or in emergency situations, by promoting the direct or indirect collection of funds in favor of projects to these ends. Therefore, during 2005 Italmobiliare and Italcementi each promised 100 thousand dollars to the initiative promoted by the Fondazione Italcementi Cav. Lav. Carlo Pesenti for the building in Sri Lanka of a school with living quarters for students and teachers. The work should start at the end of the 1st half of 2006. Other Group companies adhered to the same initiative with an overall contribution of approximately 1,169 thousand euro.

Italmobiliare and Italcementi provided 1,200 thousand euro to cover the operating costs and the realization of other initiatives falling within the aims of Foundation. In addition, Italcementi signed a contract with the Foundation for the supply of administrative and corporate services, for which it charged the sum of 63 thousand euro; Italcementi also charged the Foundation 91 thousand euro for costs incurred for various initiatives.

Key figures at December 31, 2005 for dealings with related parties are set out in the table below. Full information on the parent company Italmobiliare's dealings with related parties is provided in the Directors' report and the explanatory notes for the company.

(in thousands of euro)	Revenues (purchases) goods & services	Other income (expense)	Interest income (expense)	Trade (payables) receivables	Financial (payables) receivables
Subsidiaries and related companies*	19,931 (34,435)	552 (50)	282 (60)	9,720 (2,637)	6,919 (2,180)
Other related parties	63 (1,122)	91 (2,427)	- -	132 (309)	- -

* companies consolidated on a proportional base, at equity and at cost

Disputes

Regarding the legal and tax disputes in which various Group companies are involved, appropriate provisions have been made in the relevant periods where, on the basis of the risks that have emerged and assessment of the connected risks, potential liabilities are considered likely and assessable.

Details of the main disputes have already been given in the sections on the individual sectors.

Outlook

The world economy is still expected to grow in 2006, albeit at a less dynamic rate than in 2005. The sectors in which the Group operates should gain advantage from the presence in emerging countries, which may record higher growth rates, and from the improvement in some market conditions in the more mature markets. The performance of the financial market, although outstanding in the stock sector over the last months, overall is showing some uncertain factors, which are influenced by the rise in interest rates.

The Italcementi group, in the construction materials sector, should achieve better operating income thanks to the consolidation over the whole year of the Egyptian businesses, the growth in some markets and the improvement in sales prices in Italy, the United States and in other countries, but it could be affected by possible further tensions over raw material and energy prices.

In the packaging sector, the fall in food consumption in some traditional markets, also owing to the health scare over the spread of avian flu, may be offset by a better product mix and by the development in Eastern Europe. Demand in the insulation sector is expected to grow slightly owing to a modest recovery in residential construction and restructuring works. Overall therefore operating income of the Sirap Gema group is expected to be in line with that for 2005.

Among the other Group sectors, the banking sector forecasts an increase in its results, buoyed also by the results achieved so far in the first part of the year; for the financial sector, owing to the uncertainty over the values of some financial assets held in the portfolio, which depend on market performance, it is impossible at the moment to make a reliable forecast.

Overall, taking account of the different outlook in the various sectors which make up the Group and their relative weights, the consolidated operating income, subject to any unforeseeable events, should rise compared to 2005.

As for the parent company Italmobiliare S.p.A., in making forecasts, it is necessary to recall that, as from 2006, also for the individual financial statements the IAS/IFRS international accounting standards will be applied. It follows that also the financial statements for 2005 will have to be duly restated for comparative purposes, On the basis of the new accounting principles, the information currently available, and subject to any unforeseen events, the individual result for Italmobiliare S.p.A. is forecast to rise compared with the same figure in 2005.

Milan, March 21, 2006 — The Board of Directors

2005 Consolidated financial statements

Financial statements

Balance sheet

(in thousands of euro)	Notes	12.31.2005	12.31.2004	01.01.2005
Non-current assets				
Property, plant and equipment	1	3,982,450	2,939,897	2,939,897
Investment property	2	29,293	28,231	28,231
Goodwill	3	1,840,198	1,180,935	1,180,935
Intangible assets	4	51,678	43,012	43,012
Investments in associates	5	183,804	332,913	333,692
Investments others	6	1,375,787	601,216	1,087,289
Receivables and other non-current assets	7	475,593	406,179	419,376
Deferred tax assets	20	31,042	34,045	34,583
Non-current receivables due from employees		1,167	608	608
Total non-current assets		**7,971,012**	**5,567,036**	**6,067,623**
Current assets				
Inventories	8	720,280	545,888	545,888
Trade receivables	9	1,333,421	1,062,664	1,241,993
Other assets	10	311,919	324,978	292,599
Income tax assets		69,391	67,298	67,382
Investments and financial receivables	11	829,272	670,960	683,847
Cash and cash equivalents	12	518,170	373,280	373,293
Total current assets		**3,782,453**	**3,045,068**	**3,205,002**
Total assets		**11,753,465**	**8,612,104**	**9,272,625**
Shareholders' equity				
Share capital	13	100,167	100,167	100,167
Reserves	14	896,494	234,445	645,881
Treasury shares, at cost	15	(22,176)	-	(21,192)
Retained earnings		1,721,804	1,463,461	1,479,801
Total		**2,696,289**	**1,798,073**	**2,204,657**
Minority interest	16	3,220,459	2,178,063	2,255,132
Total shareholders' equity		**5,916,748**	**3,976,136**	**4,459,789**
Non-current liabilities				
Financial payables	18	2,375,059	2,020,256	2,094,396
Employee benefits liabilities	17	216,240	201,008	201,008
Provisions	19	322,708	250,132	250,132
Payables and other non-current liabilities		16,339	182	19,244
Deferred tax liabilities	20	346,551	329,110	322,286
Totale passività non correnti		**3,276,897**	**2,800,688**	**2,887,066**
Current liabilities				
Bank overdrafts and short-term borrowings	18	976,157	438,874	508,789
Interest-bearing loans and short-term borrowings	18	164,338	124,952	124,953
Trade payables	21	745,365	680,455	680,455
Provisions	19	1,342	1,760	1,760
Income tax liabilities	22	63,288	39,696	39,778
Other liabilities	23	609,330	549,543	570,035
Total current liabilities		**2,559,820**	**1,835,280**	**1,925,770**
Total liabilities		**5,836,717**	**4,635,968**	**4,812,836**
Total shareholders' equity and liabilities		**11,753,465**	**8,612,104**	**9,272,625**

Income statement

(in thousands of euro)	Notes	12.31.2005	%	12.31.2004	%	Change	%
Net sales	**24**	**5,265,696**	**100.0%**	**4,772,954**	**100.0%**	**492,742**	**10.3%**
Other revenues		58,869		48,080		10,789	
Change in inventories		22,427		(878)		23,305	
Internal work capitalized		27,021		13,544		13,477	
Raw, ancillary and consumable materials and supplies	25	(1,819,620)		(1,540,377)		(279,243)	
Services expense	26	(1,261,064)		(1,166,267)		(94,797)	
Employee benefits expense	27	(910,501)		(840,499)		(70,002)	
Other operating income/(expense)	28	(164,572)		(144,485)		(20,087)	
Current gross operating profit		**1,218,256**	**23.1%**	**1,142,072**	**23.9%**	**76,184**	**6.7%**
Other income and charges	29	(14,386)		12,276		(26,662)	
Gross operating profit		**1,203,870**	**22.9%**	**1,154,348**	**24.2%**	**49,522**	**4.3%**
Amortization and depreciation	30	(379,226)		(315,446)		(63,780)	
Impairment variation		(2,579)		(2,042)		(537)	
Pre-tax income		**822,065**	**15.6%**	**836,860**	**17.5%**	**(14,795)**	**-1.8%**
Finance costs, net	31	(35,666)		(65,922)		30,256	
Share of results of associates	32	20,678		22,321		(1,643)	
Pre-tax income		**807,077**	**15.3%**	**793,259**	**16.6%**	**13,818**	**1.7%**
Income tax expense	33	(201,015)		(266,824)		65,809	
Income/(expense) from discontinued operations							
Net income for the year		**606,062**	**11.5%**	**526,435**	**11.0%**	**79,627**	**15.1%**
Attributable to:							
Group		211,290	4.0%	191,510	4.0%	19,780	10.3%
Minority interest		394,772	7.5%	334,925	7.0%	59,847	17.9%
Earnings per share:	34						
Basic							
ordinary share		5,586		5,059			
savings share		5,664		5,137			
Diluted							
ordinary share		5,578		5,057			
savings share		5,656		5,137			

Table of changes in total consolidated shareholders' equity

(in thousands of euro)	Allocation to Parent company shareholders										Minority interest	Total shareholders' equity
	Reserves											
	Share capital	Share premium reserve	Reserve for general banking risks	Fair value reserve for AFS	Derivatives reserve	Other reserves	Treasury shares, at cost	Translation reserves	Retained earnings	Total capital reserves		
Balances at January 1, 2004	100,167	177,191	16,689	-	(214)	18,631	-	-	1,349,615	1,662,079	1,968,713	3,630,792
Fair value adjustments to: financial assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-
derivatives	-	-	-	-	-	-	-	-	-	-	-	-
other	-	-	-	-	-	794	-	-	-	794	1,093	1,887
Currency translation differences	-	-	162	-	-	-	-	(14,688)	-	(14,526)	(46,461)	(60,987)
Net gains/(losses) recorded directly under shareholders' equity	-	-	**162**	-	-	**794**	-	**(14,688)**	-	**(13,732)**	**(45,368)**	**(59,100)**
Net income for the year	-	-	-	-	-	-	-	-	191,510	191,510	334,925	526,435
Total income and (losses) for the year	-	-	**162**	-	-	**794**		**(14,688)**	**191,510**	**177,778**	**289,557**	**467,335**
Distribution of result: Dividends	-	-	-	-	-	-	-	-	(38,877)	(38,877)	(87,700)	(126,577)
Other	-	-	-	-	-	-	-	-	(533)	(533)	(3,200)	(3,733)
Share capital increases	-	-	-	-	-	-	-	-	-	-	-	-
Exercise of stock options	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-
Change in consolidation area	-	-	-	-	-	-		-	(2,374)	(2,374)	10,693	8,319
Balances at December 31, 2004	**100,167**	**177,191**	**16,851**	**-**	**(214)**	**19,425**		**(14,688)**	**1,499,341**	**1,798,073**	**2,178,063**	**3,976,136**
Application of IAS 32-39	-	-	-	429,832	(4,267)	7,063	(21,192)		(4,852)	406,584	77,069	483,653
Balances at January 1, 2005	**100,167**	**177,191**	**16,851**	**429,832**	**(4,481)**	**26,488**	**(21,192)**	**(14,688)**	**1,494,489**	**2,204,657**	**2,255,132**	**4,459,789**
Fair value adjustments to: Available for sale investments	-	-	-	245,738	-	-	-	-	-	245,738	36,261	281,999
Hedging derivatives	-	-	-	-	3,537	-	-	-	-	3,537	4,529	8,066
Other	-	-	-	-	-	17,726	-	-	-	17,726	40,864	58,590
Currency translation differences	-	-	(132)	-	-	-	-	61,482	-	61,350	205,015	266,365
Net gains/(losses) recorded directly under shareholders' equity	-	-	**(132)**	**245,738**	**3,537**	**17,726**	-	**61,482**	-	**328,351**	**286,669**	**615,020**
Net income for the year	-	-	-	-	-	-	-	-	211,290	211,290	394,772	606,062
Total income and (losses) for the year	-	-	(132)	245,738	3,537	17,726		61,482	211,290	539,641	681,441	1,221,082
Distribution of result: Dividends	-	-	-	-	-	-	-	-	(42,638)	(42,638)	(110,831)	(153,469)
Other	-	-	-	-	-	-	-	-	-	-	-	-
Share capital increases	-	-	-	-	-	-	-	-	-	-	-	-
Exercise of stock options	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	-	(984)	-	-	(984)	-	(984)
Sale of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	(16,256)	-	-	16,256	-	-	-
Change in consolidation area	-	-	-	-	-	-	-	-	(4,387)	(4,387)	394,717	390,330
Balances at December 31, 2005	**100,167**	**177,191**	**16,719**	**675,570**	**(944)**	**27,958**	**(22,176)**	**46,794**	**1,675,010**	**2,696,289**	**3,220,459**	**5,916,748**

Reconciliation between shareholders' equity and income for the year of the parent company and shareholders' equity and income for the year on a consolidated basis

(in thousands of euro)	12.31.2005
A) Net profit for the year of Italmobiliare S.p.A.	71.320
Consolidation adjustments:	
- Net income of the consolidated companies (Group share)	197,877
- Adjustment to Group accounting standards (Group share)	(17,673)
- Adjustment of the value of investments valued at equity	2,063
- Elimination of dividends received in the year	(42,740)
- Cancellation of the writedowns made in consolidated equity investments	443
Group net income for the year	**211,290**

(in thousands of euro)		12.31.2005
Shareholders' equity		
B) Shareholders' equity of italmobiliare S.p.A.		1,035,453
Consolidated adjustments:		
- Adjustments to Group accounting standards		508,505
- Elimination of carrying value of consolidated equity investments		(1,065,668)
- in subsidiaries consolidated on a line-by-line basis	(1,028,826)	
- in associated companies and companies consolidated on an equity basis	(36,842)	
- Elimination of the shareholders' equity of consolidated equity investments		2,186,978
- in subsidiaries consolidated on a line-by-line basis	2,149,894	
- in associated companies and companies consolidated on an equity basis	37,084	
- Capital gains allocated to shareholders' equity of subsidiaries and associated companies		31,235
- Elimination of the effects on infragroup transactions		(214)
Group consolidated shareholders' equity		**2,696,289**

Cash flow statement

(in thousands of euro)	12.31.2005	12.31.2004
Cash flow from operations		
Profit before tax	807,077	793,259
Adjustments for:		
Amortization, depreciation and writedowns	380,970	314,722
Cancellation of income from investments valued at equity	(17,482)	(10,601)
Capital (gains)/losses from sales of tangible and intangible assets	(42,812)	(24,299)
Change in employee benefit reserves and other reserves	33,151	5,880
Stock options	3,760	1,134
Accrued interest	38,134	43,007
Operating income prior to changes in net current assets	1,202,798	1,123,102
Changes in current assets:		
Inventories	(35,439)	(39,039)
Trade receivables	(59,395)	(2,739)
Trade payables	1,148	6,687
Other receivables/payables (accruals and deferrals)	38,979	(59,962)
	(54,707)	**(95,053)**
Cash flow from operations	1,148,091	1,028,049
Net interest	(112,158)	(111,962)
Dividends received	41,015	35,925
Tax payment and repayments	(283,967)	(217,036)
Income from derivatives	(841)	1,493
	(355,951)	**(291,580)**
Total	**792,140**	**736,469**
Cash flow from financial activities		
Investments in fixed assets:		
Tangible	(466,209)	(317,036)
Intangible	(13,756)	(16,742)
Financial (equity investments)	(773,761)	(105,504)
Cash and cash equivalents of companies acquired and consolidated	64,495	726
Total investments	**(1,189,231)**	**(438,556)**
Income from disinvestments for fixed asset disposals and repayment of loans	86,014	55,762
Total disinvestments	**86,014**	**55,762**
Total	**(1,103,217)**	**(382,794)**
Cash flow from financial activities		
New medium/long-term financial payables	485,366	(237,097)
Changes in financial receivables	(103,771)	7,475
Changes in financial receivables not included in net financial position	(33,408)	3,312
Changes in current equity investments	(22,010)	15,068
Purchase of own shares	(11,211)	
Share capital increases	231,429	
Dividends paid	(153,469)	(129,761)
Other movements	17,170	5,796
Totale	**410,096**	**(335,207)**
Translation differences and other changes	**45,858**	**(4,322)**
Change in cash and cash equivalents	**144,877**	**14,146**
Opening cash and cash equivalents	**373,293**	**359,134**
Closing cash and cash equivalents (note 12)	**518,170**	**373,280**

Explanatory notes

The consolidated financial statements of Italmobiliare S.p.A. for the year ended at December 31, 2005 were examined by the Board of Directors on March 21, 2006, which authorized publication.
In accordance with the provisions of IAS 10, it should be noted that these consolidated financial statements can be modified by the shareholders' meeting.

Accounting policies

Italmobiliare S.p.A. and its subsidiaries represent the "Italmobiliare Group" which operates internationally in the sectors of construction materials, food packaging and thermal insulation, finance, banking, and other lesser activities.
The preparation of the consolidated financial statements at December 31, 2005 in accordance with the IFRS has led to a change in the accounting standards compared to the previous statements drawn up in accordance with Italian accounting standards. As envisaged by IFRS 1 (first-time adoption of the IFRS), the statements include (Annex 2) the "Transition to IFRS Document" which contains the reconciliation of shareholders' equity at the start and end of 2004, as well as the income for the year and the most important changes made to the cash flow statement.

Declaration of compliance with the IFRS

These consolidated financial statements have been drawn up in compliance with the international accounting standards (IFRS) applicable at December 31, 2005 as adopted by the European Union Commission.
In application of the EU Regulation no. 1606 of July 19, 2002, the standards adopted do not consider the regulations and interpretations published by the IASB and the IFRIC at December 31, 2005, but which had not yet been approved by the European Union at that date. On the other hand, for the standards and interpretations which have been approved but come into effect after the balance sheet date, no retrospective adoption has been effected.
The comparative amounts have been re-computed using the same standards.
The IFRS principles have been applied to the assets and liabilities that qualify for recognition at the transition date of January 1, 2004, with the exception of IAS 32 and 39, which have been applied as from January 1, 2005 without restatement of the 2004 comparative amounts.
In compliance with IFRS 1 (First-time adoption of IFRS), the effects of the transition have been charged to opening shareholders' equity at January 1, 2004.
Regarding the exemptions allowed under IFRS 1, the Group has elected the options described in the aforementioned "IFRS Transition Document" which is annexed to these notes, when applying the IFRS policies to the opening balance sheet at January 1, 2004.

Accounting policies and basis of presentation

The consolidated accounts adopt the cost principle, with the exception of derivative financial instruments and financial assets held for trading or which are available for sale, and which are stated at fair value. The carrying amounts of hedged assets and liabilities are adjusted to account for changes in fair value on the basis of the hedged risks. The consolidated financial statements are presented in euro and all amounts have been rounded to thousands of euro, unless otherwise specified.
For the presentation of the financial statements the Group has made the following choices:
- current and non-current assets and current and non-current liabilities are presented as separate classifications on the face of the balance sheet. Current assets, which include cash and cash equivalents, are assets that the Group intends to realize, sell or consume during its normal business cycle; current liabilities are liabilities that the Group expects to settle during the normal business cycle or in the twelve months after the balance sheet date;
- on the income statement, costs are analyzed by the nature of the expense;
- on the cash flow statement, the indirect method is used.

Use of estimates

The preparation of the consolidated financial statements and the related notes, in compliance with the international accounting standards, requires management to make estimates which impact on the values of assets, liabilities, income and costs, such as amortization and provisions, as well as on the information in relation to potential assets and liabilities included in the explanatory notes. These estimates are based on the supposition of the company as a going concern and are prepared on the basis of the information available when they are made and therefore could differ from what will occur in reality. Assumptions and estimates are, in particular, sensitive in the field of assessments of fixed assets which are linked to forecasts of results and future cash flows, provisions for disputes and restructuring and commitments for pension plans and other long-term benefits. Hypotheses and estimates are subject to periodic revisions and the effect arising from changes to them is immediately reflected in the financial statements.

Change in accounting standards

The financial statements at December 31, 2005 use the same accounting standards and criteria used in drawing up the IFRS reconciliation schedules for 2004, with the exception of IAS 32 and 39, applied, as noted above, as from January 1, 2005. The impact of the application of these two standards on shareholders' equity at January 1, 2005 is contained in the section "Reconciliation tables" in these notes.

Principles of consolidation

The consolidated accounting schedules are based on the accounts at December 31, 2005, of the parent company Italmobiliare S.p.A. and of the consolidated companies. Where necessary, the accounts have been adjusted to ensure alignment with the Group's classification criteria and accounting policies.

Subsidiaries

Subsidiaries are companies in which the Group has the power to determine, directly or indirectly, administrative and management decisions and to obtain the benefits thereof. Generally speaking, control is assumed to exist when the Group holds, directly or indirectly, more than one half of voting rights, including potential voting rights deriving from convertible securities.
Subsidiaries are consolidated on a line-by-line basis in the accounts as from the date at which control is obtained and until control is transferred out of the Group.

Associates

Associates are companies in which the Group has significant influence over administrative and management decisions even though it does not hold control. Generally speaking, significant influence is assumed to exist when the Group holds, directly or indirectly, at least 20% of voting rights. Equity investments in associates are valued with the equity method, under which they are recognized initially at cost and subsequently adjusted to reflect changes in the value of the Group's interest in the associate's equity. The Group's interest in the associate's net profit or loss is recognized in a specific income statement item from the date at which the Group exerts significant influence until it relinquishes such influence.

Joint ventures

Joint ventures are companies whose business operations are controlled by the Group jointly with one or more other parties, under contractual arrangements. Joint control presupposes that strategic, financial and management decisions are taken with the unanimous consent of the parties that control the venture.
Equity investments in joint ventures are consolidated on a proportionate basis, with recognition in the consolidated financial statements, line-by-line, of assets, liabilities, income and expense proportionately to the Group's interest.
The balance sheets and income statements of joint ventures are consolidated from the date on which joint control is assumed until such control is relinquished.

Transactions eliminated during consolidation

All infragroup balances and transactions, including any potential gains in respect of third parties, are eliminated in full. Potential losses in respect of third parties deriving from infragroup transactions are eliminated except in cases where it will not be subsequently possible to recover such losses.
Potential gains in respect of third parties deriving from transactions with associates are eliminated against the equity investment carrying amount, while losses are eliminated proportionately to the Group's interest, unless it will not be subsequently possible to recover such losses.

Consolidation area

The list of the companies consolidated on the line-by-line basis, proportional basis and on an equity basis is contained in annex no. 1 to these notes.

Business combinations

On first-time adoption of the IFRS, as allowed by IFRS 1, the Group has not elected retrospective application of IFRS 3 to business combinations that took place before January 1, 2004.

Cost of business combinations

Business combinations are recognized at purchase cost, as required by IFRS 3. Purchase cost is the sum of the fair values of assets and liabilities acquired, contingent liabilities assumed and equity instruments issued at the transaction date, plus costs directly attributable to the purchase.

Apportionment of the cost of business combinations

The cost of business combinations is apportioned by recognizing the fair value of identifiable assets, liabilities and contingent liabilities at the acquisition date. Positive differences between the purchase cost and the interest in the fair value of the identifiable assets, liabilities and contingent liabilities at purchase are recognized as goodwill, under assets. Negative differences are taken immediately to the income statement. If on initial recognition the purchase cost of a business combination can only be determined provisionally, the apportioned amounts are adjusted within twelve months of the acquisition date.

Minority interest

Minority interest is recognized at the fair value of the net acquired assets.

Business combinations achieved in stages

When a business combination is achieved in stages, through a series of share purchases, each transaction is accounted for separately, using the cost and fair value information at the date of each transaction to determine any goodwill.
When control of an entity is obtained through a subsequent purchase, the previously held interest is revalued to reflect the fair value of the identifiable assets, liabilities and contingent liabilities at the date of the subsequent purchase; the revaluation counter-entry is recognized in equity attributable to the Group.

Purchase of equity investment shares held by minority interest

In the absence of a specific treatment envisaged by the IFRS, the criterion adopted by the Group is as follows:
- purchases of stakes held by minority shareholders, following the taking of control, do not give rise to a revaluation of the identifiable assets and liabilities. The difference between the cost and the share of shareholders' equity purchased is recorded as goodwill;
- similarly, in the absence of a specific IFRS regulation, the transactions which lead to a fall in the percentage of the equity investment, without losing control of the company, are treated as sales to minority shareholders and the difference between the stake sold and the price paid is recorded on the income statement.

Transactions in foreign currencies

The reporting currency of the subsidiaries located outside the euro zone is usually the local currency.

Translation of foreign currency postings

Foreign currency transactions are initially translated into the reporting currency with the exchange rate at the transaction date. At closure of the reporting period, foreign currency monetary assets and liabilities are translated into the reporting currency at the closing exchange rate. Gains and losses are taken to the income statement.
Non-monetary foreign currency assets and liabilities valued at cost are translated at the exchange rate ruling at the transaction date; those valued at fair value are translated with the exchange rate at the date fair value was determined.

Translation of the financial statements of foreign operations

At closure of the reporting period, the assets, including goodwill, and liabilities of the consolidated companies that report in currencies other than the euro are translated into the presentation currency of the Group's consolidated accounts at the exchange rate ruling at close. Income statement items, with the exception of companies operating in hyperinflationary economies (see below), are translated at the average rate for the period. Gains and losses arising from the translation of opening shareholders' equity at the closing exchange rates and those arising from the different method used to translate profit and loss for the period are recognized in a specific equity item. In the event of subsequent disposal of a foreign operation, the cumulative translation differences are taken to the income statement.
As allowed under IFRS 1, cumulative translation differences at the date of first-time adoption have been reclassified in "Retained earnings" under shareholders' equity and therefore will not be reflected in the income statement in the event of subsequent disposal.

Accounting treatment of companies operating in hyperinflationary economies (Turkey)

The financial statements of the Turkish companies are denominated in new Turkish lira* (local currency and reporting currency) under the historical cost method, in the unit of measurement applicable at the close of the reporting period.
The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index between the purchase date and the closing date of the reporting period.
The adjusted accounts are subsequently translated into the consolidated presentation currency (euro) by applying the principle described above in "Translation of the financial statements of foreign operations" for companies that report in a currency other than the euro, with the exception of income statement items which are translated at the closing exchange rate.
Gains or losses on the net monetary position are recognized in the income statement under "Financial income and charges".
The comparative information required for the consolidated financial statements is the information denominated in euro used in the preparation of the IFRS consolidated financial statements of the previous period.

* the "new Turkish Lira" was introduced in January 2005, at a conversion rate of 1 new Turkish Lira = 1 million Turkish Lira

Property, plant and equipment

Measurement

Property, plant and equipment is recognized at cost, less accumulated depreciation and impairment losses. Cost includes the purchase or production cost and directly attributable costs of bringing the asset to the location and the conditions required for its operation. Finance costs relating to the purchase, construction and production of an asset are recognized as expense as incurred. The carrying amount of some assets existing at the first-time adoption date of January 1, 2004 reflects revaluations applied in prior periods in connection with specific local laws and based on the real economic value of the assets in question. Assets acquired through business combinations are stated at fair value determined on a provisional basis at the purchase date and subsequently adjusted within the following twelve months.
Subsequent to initial recognition, property, plant and equipment is carried at cost depreciated over the asset's useful life, less any impairment losses.
Assets under construction are recorded at cost and depreciation starts from the date they are available for use.
When an asset consists of components with a significant cost and different useful lives, initial recognition and subsequent measurement are effected separately for each component.

Subsequent expense

Repair and maintenance expense is normally recognized as incurred. Component replacement costs are capitalized and the net carrying amount of the replaced component is expensed.

Depreciation

Depreciation is generally calculated on a straight-line basis over the estimated useful life of each component of an asset. Land is not depreciated, with the exception of land used for quarrying operations.
Asset useful life determines the depreciation rate until a subsequent review of residual useful life. The range of useful lives used for the various categories of assets is disclosed in the notes.

Quarries

Costs for the preparation and excavation of land to be used for quarry work are amortized as the economic benefits of such costs are obtained.
Quarry land is depreciated at rates that reflect the quantities extracted in the period in relation to the estimated total to be extracted over the period in which the quarry is to be worked.
The Group makes specific provision for quarry environmental restoration obligations. Since the financial resources required to settle such obligations are directly related to the degree of use, the charge cannot be defined at inception with a counter-entry to the asset cost, but is provided to reflect the degree of use of the quarry.

Leasing

Finance leases, which largely transfer to the Group all the risks and rewards incident to ownership of the leased asset, are recognized from the lease inception date at the lower of leased asset fair value or the present value of the lease payments.
Lease payments are apportioned between finance costs and reductions against the residual liability in such a way as to obtain a constant rate of interest on the outstanding liability.
Depreciation and subsequent recognition of leased assets adopt the same policies as those used for the Group's own fixed assets.
Lease contracts where all the risks and rewards incident to ownership are retained by the lessor are classified as operating leases.
Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation, rather than for use in the production or supply of goods and services. Investment property is initially recognized at purchase cost, including costs directly attributable to the purchase. Subsequent to initial recognition, it is measured at amortized cost.

Goodwill

Goodwill from business combinations is measured initially at cost and after January 1, 2004, is no longer subject to amortization. As from the purchase date, goodwill is apportioned to the cash-generating units that are expected to benefit from the synergies arising from the acquisition and is tested on an annual basis, or more frequently if indications of impairment emerge.
When goodwill is attributed to a cash-generating unit part of whose assets are disposed of, the goodwill associated with the sold assets is taken into account when determining the transaction gain or loss.

Intangible assets

Intangible assets purchased separately are measured at cost, while those acquired through business combinations are recognized at provisionally estimated fair value at the purchase date and adjusted if necessary within the following twelve months.
Subsequent to initial recognition, intangible assets are carried at cost amortized over the asset's useful life.
Other than goodwill, the Group has not identified intangible assets with an indefinite useful life.

Impairment of assets

Goodwill is tested for impairment on an annual basis, or more frequently if indications of impairment emerge.
Tangible assets and amortizable intangible assets are tested for impairment if indications of impairment emerge.
Impairment is the difference between the asset carrying amount and its recoverable amount. Recoverable amount is the greater of fair value less costs to sell off an asset or cash-generating unit, and its value in use, determined as the present value of future cash flows. Impairment testing is conducted at the level of the smallest group of assets that generates estimated cash flows from continuing operations. Estimated future cash flows are discounted at a rate determined for each cash-generating unit using the weighted average cost of capital method (WACC).
When subsequently, a loss on an asset other than goodwill no longer exists or is reduced, the carrying value of the asset is increased up to the new estimate of the recoverable value and cannot exceed the value which would have been determined if the no impairment had been recorded. The impairment and the recovery of a loss are charged to the income statement.

Financial assets

All financial assets are recognized initially at cost, on the trading date, which corresponds to fair value plus additional costs attributable to the purchase.
Subsequent to initial recognition, assets held for trading are classified under current financial assets and carried at fair value; any gains or losses are taken to income.
Assets intended to be held to maturity are classified under current financial assets if they mature within one year; otherwise they are classified under non-current assets and subsequently carried at amortized cost. Amortized cost is determined with the effective interest rate method, taking account of any acquisition discounts or premiums, which are apportioned over the entire period until maturity, less any impairment losses.
Other financial assets are classified as available for sale, under current and non-current assets, and are recognized at fair value. Any valuation gains or losses are shown in a separate equity item until the assets are sold, recovered or discontinued, or until they are found to be impaired, in which case the cumulative gains or losses in equity are taken to the income statement. Should a capital instrument not have a price listed on an active market and if it is not possible to measure its fair value reliably it is valued at cost.

Inventories

Inventories are measured at the lower of purchase/production cost (using the weighted average cost method) and net realizable value.
The purchase cost includes the expense incurred to bring each asset to its present location and takes into account writedowns due to obsolete or slow-moving items.
The production cost of finished products and semi-finished goods includes the cost of raw materials, direct labor and a portion of general production costs determined on the basis of normal plant operations. Financial costs are not included.
The net realizable value of raw and ancillary materials and consumables is their replacement cost.
The net realizable value of finished products and semi-finished goods is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs to sell them.

Trade receivables and other receivables

Trade receivables and other receivables are stated at nominal value, less allowances for uncollectible amounts, which are provided as doubtful debts are identified.

Cash and cash equivalents

Cash and cash equivalents consist of cash at hand, bank demand deposits and other treasury investments with original maturity of not more than three months.
The definition of cash and cash equivalents in the cash flow statement is identical to that in the balance sheet.

Employee benefits

The Group operates pension plans, post-employment medical benefit plans and leaving entitlement provisions. It also has other commitments in the form of bonuses payable to employees on the basis of length of service in some Group companies ("Other long-term benefits").

Defined contribution plans

Defined contribution plans are structured post-employment benefit programs where the Group pays fixed contributions to an insurance company or pension fund and will have no legal or constructive obligation to pay further contributions if the fund does not dispose of sufficient assets to pay all the employee benefits accruing in respect of services rendered during the current year and in previous years.
These contributions are paid in exchange for the services rendered by employees and are recognized as expense as they are incurred.

Defined benefit plans

Defined benefit plans are structured post-employment benefit programs that constitute a future obligation for the Group.

In substance, the company assumes the actuarial and investment risks of the plan. In accordance with IAS 19, the Group uses the projected unit credit method to determine the present value of obligations and the related benefit cost of current services rendered.
These actuarial calculations require use of consistent and objective actuarial assumptions about demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increments on salaries and medical benefits).
When a defined benefit plan is funded in full or in part by contributions paid to a fund that is a separate legal entity from the company or to an insurance company, the assets servicing the plan are estimated at fair value.
Benefit obligations are therefore recognized net of the fair value of the plan assets that will be used to settle the obligations.
Employee leaving entitlements in force for the Italian companies are considered similar to the obligation arising from the existence of a defined benefit plan.

Treatment of actuarial gains and losses

Actuarial gains and losses on post-employment defined benefit plans may arise as a result of changes in the actuarial assumptions used in two consecutive periods or as a result of changes in the obligation value or in the fair value of any plan asset in respect of the actuarial assumptions used at the beginning of the period.
The Group uses the corridor method, where actuarial gains and losses are recognized as income or expense when their unrecognized cumulative net value, for each plan, at the end of the previous period exceeds 10% of the larger of the present value of the defined benefit obligation or the fair value of plan assets, measured at the beginning of the year. These gains and losses are recognized over the average remaining working lives of the employees participating in the plans.
Actuarial gains and losses relating to "Other long-term benefits" (service medals, length of service bonuses) and to early retirement benefits are recognized as income or expense immediately.

Past service cost

Changes in liabilities resulting from a change to an existing defined benefit plan are recognized as an expense on a straight-line basis over the average period until the benefits are vested. Costs for benefits that vest immediately upon changes to a plan are recognized as expense as incurred.

Curtailment and settlement

Gains and losses on the curtailment or settlement of a defined benefit plan are recognized as income or expense when the curtailment or settlement occurs. The gain or loss includes changes in the present value of the obligation, changes in the fair value of the plan assets, actuarial gains and losses and past service costs not previously accounted for.
At the time of curtailment or settlement, the obligation and the fair value of the plan assets are remeasured using current actuarial assumptions.

Share-based payments

The Group has decided to apply IFRS 2 as from January 1, 2004.
Options for the subscription and purchase of shares granted by Group companies to employees and directors give rise to recognition of a cost classified under employee benefits expense, with a corresponding increase in equity.
In accordance with IFRS 2, only options granted after November 7, 2002 whose rights had not vested at December 31, 2003 have been measured and recognized at the date of transition to the IFRS. In particular options for the subscription and purchase of shares are measured at fair value at the grant date and amortized over the vesting period. Option fair value is determined using the binomial method and taking account of dividends. Future volatility is determined on the basis of historic market prices, after correction for extraordinary events or factors.
The cost of options is reviewed on the basis of the actual number of options that have vested at the beginning of the exercise period.

Provisions for risks and charges

The Group recognizes provisions for risks and charges when a present obligation (legal or implicit) arises as a result of a past event, the amount of which can be reliably estimated and use of resources is probable to settle the obligation. The provisions

are recorded at the value which represents the best estimate to be paid to extinguish the obligation or to transfer it to a third party at the end of the period. If the present value of the financial resources that will be used is material, the provision is determined by discounting expected future cash flows at a rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is performed, movements on provisions due to the effect of time or changes in interest rates are recognized in financial items.
Changes in the estimate are reflected in the income statement for the period in which the change takes place.
The Group recognizes a separate provision for environmental restoration obligations on land used for quarry work, determined in relation to the use of the quarry in question.
Until a standard/interpretation on accounting treatment of greenhouse gas emission quotas is published, after the withdrawal of IFRIC 3 by the International Accounting Standards Board, the Group recognizes a separate provision when emissions are greater than the allowed quota.
Restructuring costs are provided when the Group company concerned has approved a detailed formal plan that has already been implemented or notified to the relevant third parties.

Loans and borrowings

Loans and borrowings are initially recognized at the fair value of the consideration paid/received less charges directly attributable to the financial asset/liability.
After initial recognition, loans and borrowings are measured at amortized cost using the effective interest rate method.
In view of their contractual characteristics, "Floating rate subordinated securities" are classified as "Interest-bearing loans and long-term borrowings".

Trade payables and other payables

Trade payables and other payables are carried at the fair value of the initial consideration given in exchange.

Net sales, other revenues, interest income and dividends

Sale of goods and services

Net sales are recognized to the extent that it is likely that the economic benefits associated with the sale of goods or rendering of services are collected by the Group and the amount in question can be reliably determined.
Net sales are recognized at the fair value of the consideration received or due, taking account of any trade discounts and volume discounts.
Net sales from the sale of goods are recognized when the company transfers the significant risks and rewards incident to ownership of the goods to the purchaser.
Net sales include dividends received, interest and commission income earned by the financial and banking companies.

Rental income

Rental income is recognized as other revenues as received.

Interest income

If earned by companies which are neither in financer banking, it is recorded as finance income following its recognition on an accrual basis using the effective interest rate method.

Dividends

Dividends are recognized as shareholders' right to receive payment arises, in accordance with local laws, and are classified under "Financial income and charges" except for those earned by banking and finance companies which are classified under "Net sales".

Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and all the requirements on which receipt depends have been fulfilled.

Grants related to the purchase or production of fixed assets (grants related to assets) are recognized by classifying the grants as deferred income to be taken to the income statement over the useful life of the underlying assets.

Derivative financial instruments

The Group uses derivatives financial instruments such as foreign currency contracts, interest rate swaps, options to manage market risks.

Derivative financial instruments are recognized and measured at fair value.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward exchange contracts is calculated by reference to current exchange rates for contracts with similar maturity profiles.

The fair value of interest rate swap contracts and options is determined by reference to market values for similar instruments.

Derivatives financial instruments, unless qualified for Hedge Accounting, are classified as trading and gains or losses arising from changes in fair value are taken directly to net profit or loss of the year.

Hedge accounting

In keeping with IAS 39, financial derivatives can be accounted for in accordance with the rules established for Hedge Accounting only when:
a) at the start of the hedge the formal designation and documentation reporting the hedge is provided;
b) it is expected that the hedge will be highly effective;
c) its effectiveness can be reliably measured;
d) the hedge can pass the effectiveness tests in all the accounting periods in which it is in operation.
For the purpose of hedge accounting, hedges are classified as "fair value hedges"; or as "cash flow hedges"; or as "hedges of a net investment" in a foreign operation.

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit and loss.
For fair value hedges, the carrying amount of the hedged item is adjusted for the gains or losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to profit or loss.
For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument, for which the effective interest method is used, is amortized to profit and loss. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.
When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with corresponding gain or loss recognized in profit and loss. The changes in fair value of hedging instrument are also recognised in profit and loss.
The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revoke the designation.

Cash flow hedges

Cash flow hedges are a hedge of the exposure to variability in cash flows that is a attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.
Amounts taken to equity are transferred to the income statement when the hedged transaction affect profit or loss, such as when hedged financial income or expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the expected forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as a part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

Income tax

Current income tax is provided in accordance with local tax laws in the countries in which the Group operates.
Deferred tax is recognized using the balance sheet liability criterion, based on temporary differences between the tax base of assets and liabilities and their carrying amount in the balance sheet.
Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable income will be available against which such differences, losses and credits may be reversed.
Taxable or deductible temporary differences do not generate recognition of deferred tax liabilities or assets only in the following cases:

- taxable temporary differences arising from the initial recognition of goodwill, except when the goodwill is tax deductible;
- taxable or deductible temporary differences arising from initial recognition of an asset or a liability in transactions that are not business combinations and affect neither accounting profit nor taxable profit at the transaction date;
- equity investments in subsidiaries, associates and joint ventures when;
- the Group is able to control the timing of the reversal of the taxable temporary differences and it is probable that the differences will not reverse in the foreseeable future;
- it is not probable that the deductible temporary differences will reverse in the foreseeable future and that taxable income will be available against which the temporary difference can be used.

Deferred tax assets are reviewed at the end of every reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available in the future against which the assets can be used in full or in part.
Deferred tax assets and liabilities are determined at tax rates expected to apply when the deferred tax asset (liability) is realized (settled), based on rates in force or that have been enacted or substantially enacted at the balance-sheet date.
Tax relating to items credited or charged directly to equity is recognized in equity, not in income.

Reconciliation statements

Note on the differences between consolidated financial statements at December 31, 2004 published in the IFRS transition document contained in the quarterly report for the 1st quarter of 2005. This document is reported in full in annex 2 attached to the explanatory notes to the consolidated financial statements of 2005.

During 2005, following the redefinition of the contents of the balance sheet and income statement items, some changes and reclassifications were made to the consolidated IFRS financial statements at December 31, 2004, thus the figures given for comparative purposes with the financial statements at December 31, 2005 have been duly reclassified. In the income statement model there has been included, before "Other income and charges", the sub-total "Current gross operating profit". "Other income and charges" includes items largely due to the company reorganization and restructuring plans, capital gains and losses on the disposal of extraordinary tangible and intangible assets, and sanctions and fines (and their eventual recovery) of an exceptional nature.

The changes made, shown in the following tables, had no impact on Gross operating profit, Operating profit, Net profit and consolidated shareholders' equity:

(in thousands of euro) Balance sheet	12.31.2004 - IFRS	12.31.2004 IFRS at transition	Change
Non-current assets			
Property, plnat and equipment	2,939,897	2,933,099	6,798
Investment property	28,231	35,029	(6,798)
Goodwill	1,180,935	1,180,935	
Intangible assets	43,012	43,012	
Investments in associates	332,913	332,913	
Investments in other companies	601,216	601,216	
Trade receivables and other non-current assets	406,179	406,179	
Non-current deferred tax assets	34,045	34,045	
Non-current receivables due from employees	608	608	
Total non-current assets	**5,567,036**	**5,567,036**	
Current assets			
Inventories	545,888	545,888	
Trade receivables	1,062,664	1,062,664	
Other assets	324,978	368,106	(43,128)
Tax receivables	67,298	24,170	43,128
Equity investments, bonds and current financial receivables	670,960	670,960	
Cash and cash equivalents	373,280	373,280	
Total current assets	**3,045,068**	**3,045,068**	
Total assets	**8,612,104**	**8,612,104**	
Shareholders' equity			
Share capital	100,167	100,167	
Reserves	234,445	209,008	25,437
Treasury shares, at cost			
Retained earnings	1,463,461	1,488,898	(25,437)
Total	**1,798,073**	**1,798,073**	
Minority interest	2,178,063	2,178,063	
Total shareholders' equity	**3,976,136**	**3,976,136**	
Non-current liabilities			
Non-current financial payables	2,020,256	2,020,750	(494)
Non-current payables due to employees	201,008	201,008	
Non-current reserves	250,132	250,132	
Other payables and non-current liabilities	182	182	
Deferred tax liabilities	329,110	329,110	
Total non-current liabilities	**2,800,688**	**2,801,182**	**(494)**
Current liabilities			
Payables due to banks and short-term loans	438,874	444,528	(5,654)
Current financial payables	124,952	124,952	
Trade payables	680,455	679,961	494
Current reserves	1,760	1,760	
Tax payables	39,696	39,696	
Other liabilities	549,543	543,889	5,654
Total current liabilities	**1,835,280**	**1,834,786**	**494**
Total labilities	**4,635,968**	**4,635,968**	
Total shareholders' equity and liabilities	**8,612,104**	**8,612,104**	

(in thousands of euro) Income statement	2004 IFRS	%	2004 IFRS at transition	%	Change
Net sales	**4,772,954**	**100.0%**	**4,772,954**	**100.0%**	
Other revenues	48,080		46,000		2,080
Change in inventories	(878)		(878)		
Internal work	13,544		13,544		
Raw, ancillary and consumable materials and supplies	(1,540,377)		(1,540,377)		
Services	(1,166,267)		(1,172,669)		6,402
Personnel expenses	(840,499)		(834,097)		(6,402)
Other operating charges and income	(144,485)		(134,736)		(9,749)
Current gross operating profit	**1,142,072**	**23.9%**	**1,149,741**	**24.1%**	**(7,669)**
Other income and charges	12,276		4,607		7,669
Gross operating profit	**1,154,348**	**24.2%**	**1,154,348**	**24.2%**	
Amortization and depreciation	(315,446)		(315,446)		
Adjustments to fixed asset values	(2,042)		(2,042)		
Operating income	**836,860**	**17.5%**	**836,860**	**17.5%**	
Financial income and charges	(65,922)		(65,922)		
Share of results of associates	22,321		22,321		
Pre-tax income	**793,259**	**16.6%**	**793,259**	**16.6%**	
Income tax	(266,824)		(266,824)		
Income and charges from discontinuous operations					
Net income for the period	**526,435**	**11.0%**	**526,435**	**11.0%**	
Attributible to:					
Group	191,510		191,510		
Minority interest	334,925		334,925		

The following notes explain the changes made:

- **Investment property:** in relation to the IFRS transition document assets for 6,798 thousand euro have been reclassified from "Investment property" to "Property, plant and equipment";
- **Other assets and Tax receivables:** the reclassification from "Other assets" to "Tax receivables" for income taxes of 43,128 thousand euro refers to income taxes from previous years requested for repayment;
- **Reserves and retained earnings:** the reclassification mainly refers to a more appropriate allocation of the translation reserve;
- **Non-current and current liabilities:** the reclassification mainly refers to the liabilities of the companies operating in the banking sector;
- **Other income and charges, Other charges and income from operations and Other revenues and income from operations:** the net positive change of 7,669 thousand euro in "Other income and charges", which rose from 4,607 to 12,276 thousand euro, refers to recurring charges and income reclassified in the respective items of the income statement, of which 9,749 thousand euro in "Other operating charges" and 2,080 thousand euro in "Other revenues and income";
- **Costs for services and personnel costs:** the reclassification from the heading "Costs for services" to "Personnel costs" for 6,402 thousand euro refers to the cost of temporary work and remuneration for directors, previously considered under services and now considered as a personnel cost.

Impact of application of IAS 32 and 39 on shareholders' equity and the net financial position at January 1, 2005

The Group adopted IAS 32 and 39 as from January 1, 2005. The table below shows the effects of the two standards on the main Balance Sheet items:

(in thousands of euro)	December 31, 2004	January 1, 2005	Change IAS 32-39
Assets			
Equity investments valued at equity	332,913	333,692	779
Investments in other companies	601,216	1,087,289	486,073
Non-current trade receivables and other receivables	406,179	419,376	13,197
Deferred tax assets	34,045	34,583	538
Other non-current asset items	4,192,683	4,192,683	
Non-current assets	*5,567,036*	*6,067,623*	*500,587*
Inventories	545,888	545,888	
Trade receivables	1,062,664	1,241,993	179,329
Other assets	324,978	292,599	(32,379)
Tax receivables	67,298	67,382	84
Current equity investments, bonds and financial receivables	670,960	683,847	12,887
Cash and cash equivalents	373,280	373,293	13
Current assets	*3,045,068*	*3,205,002*	*159,934*
Assets	***8,612,104***	***9,272,625***	***660,521***
Shareholders'equity			
Share capital	100,167	100,167	
Reserves	234,445	645,881	411,436
Own shares, at cost		(21,192)	(21,192)
Retained earnings	1,463,461	1,479,801	16,340
Shareholders' equity	*1,798,073*	*2,204,657*	*406,584*
Minority interest	2,178,063	2,255,132	77,069
Total shareholders' equity	*3,976,136*	*4,459,789*	*483,653*
Liabilities			
Non-current financial payables	2,020,256	2,094,396	74,140
Non-current other payables and liabilities	182	19,244	19,062
Deferred tax liabilities	329,110	322,286	(6,824)
Other non-current liability items	451,140	451,140	
Non-current liabilities	*2,800,688*	*2,887,066*	*86,378*
Bank overdrafts and short-term borrowings	438,874	508,789	69,915
Current financial payables	124,952	124,953	1
Tax payables	39,696	39,778	82
Other liabilities	549,543	570,035	20,492
Other current liability items	682,215	682,215	
Current liabilities	*1,835,280*	*1,925,770*	*90,490*
Liabilities	*4,635,968*	*4,812,836*	*176,868*
Liabilities and shareholders' equity	***8,612,104***	***9,272,625***	***660,521***
Net debt	**(1,312,477)**	**(1,470,328)**	**(157,851)**

The increase of 483.7 million euro in shareholders' equity reflects:
- an increase of 520.3 million euro for the fair value measurement of the equity investments in non-consolidated companies;
- a decrease of 21.2 million euro for deduction of Italmobiliare treasury shares against equity;
- a decrease of 15.4 million euro for recognition of derivatives for exchange-rate and interest-rate risk hedging transactions, net of related deferred tax on the decrease.

The 157.9 million euro increase in the net financial position reflects:
- 145.0 million euro for the re-recognition of trade receivables and loans and borrowings in respect of receivable factoring transactions;
- 23.7 million euro for recognition of derivatives for exchange-rate and interest-rate risk hedging transactions;
- the recording of equity investments for trading and other minor changes worth -10.8 million euro.

Exchange rates used to translate the financial statements of foreign operations

Exchange rates for 1 euro:

Currency	Average		Period end	
	2005	2004	December 31, 2005	December 31, 2004
US dollar	1.24409	1.24390	1.17970	1.36210
Pound sterling	0.68380	0.67867	0.68530	0.70505
Swiss franc	1.54828	1.54382	1.55510	1.54290
Thai baht	50.06249	50.05374	48.43700	53.17770
Moroccan dirham	11.01431	11.01703	10.86370	11.35380
Canadian dollar	1.50873	1.61673	1.37250	1.64160
Albanian lek	124.02465	127.30632	122.36200	126.85900
Egyptian lira	7.20893	7.69184	6.77443	8.49279
New Turkish lira (*)	1.66956	1,768.813.10	1.59040	1,826.800.00
Mauritanian ougulyia	329.04844	319.81459	316.86700	346.45600
Indian rupee	54.82885	56.34129	53.16790	59.74040
Sri Lankan rupee	125.05847	125.42460	120.44900	142.85500
Cypriot pound	0.57683	0.58185	0.57350	0.58000
Bosnian mark	1.95583	1.95583	1.95583	1.95583
Bulgarian lev	1.95583	1.95583	1.95583	1.95583
Czech crown	29.78201	31.89148	29.00000	30.46400
Slovak crown	38.59890	40.02180	37.88000	38.74500
Serbian dinar	83.09320	72.27850	85.26160	81.55800
Hungarian florin	248.05400	251.65600	252.87000	245.97000
Ukrainian hrivna	6.35588	6.61962	5.95749	7.23479
Croatian kuna	7.39894	7.49045	7.37150	7.69424
New Romanian Leu (**)	3.62090	40.509.70	3.68020	39.390.00
Slovenian tallero	239.56800	239.08700	239.50000	239.76000
Kazakh tange	165.23860	168.93193	157.79800	176.97900

(*) as from January 2005 the New Turkish Lira was introduced as the new currency, at the following conversion rate: 1YTL (New Turkish Lira) = 1,000,000 TL (Turkish Lira)
(**) as from July 2005 the New Romanian Leu was introduced as the new currency, at the following conversion rate: 1 RON (New Romanian Leu) = 10,000 ROL (Romanian Leu)

The exchange rates used to convert the financial statements of foreign companies are those published by the Italian Exchange Office (UIC), except for the “New Turkish Lira” published by the Turkish Central Bank.

Consolidation Area

The consolidation area show the following changes compared with December 31, 2004:

- Entered the consolidation area:

on a line-by-line basis
Bravosolution UK Ltd, Italsintex S.p.A., Itc-Factor S.p.A., Cementi e Calci di S. Marinella S.r.l., Cementificio di Montalto S.p.A. (Italy); Menaf, Ciments Français Participation S.n.c., Granulat Ouest (France); Suez Cement Company (*), Tourah Portland Cement (*), Suez Bag Company (*), ASEC Cement Company (**) (Egypt).

On a proportionate basis
Medcem (at 50%) (Italy); Sitapuram Power (at 50%) (India).

- Discontinuation of operations

Set Betoya Prefabrik (Turkey), GSM Bretagne (France), Kayward S.A. (Ireland).

- Merged companies

By Calcestruzzi S.p.A.: Cassano Cave S.p.A. and Calcestruzzi Lamon Beton S.p.A.
By Cementificio di Montalto S.p.A.: Cemill S.p.A.
By S.r.l. Nuove Costruzioni Edilizie Sance: Duca d'Este S.r.l.
By Punta Ala Promozione e Sviluppo Immobiliare S.r.l.: Cantiere Navale di Punta Ala S.p.A.
By Intermobiliare S.r.l. (now renamed Franco Tosi S.r.l.): Franco Tosi S.r.l.

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

The above movements in the consolidation area did not generate a significant change in the consolidated financial statements as a whole.

The significant equity investments in subsidiaries, joint ventures and associates and the respective consolidation method are listed in annex 1; information on these companies' registered office and the percentage of capital held is provided in the list of equity investments in annex 3.

Disclosure breakdown

Group disclosures are broken down, first, by business area and second by geographical region.
The business areas in which the Group operates that provide the basis for the primary breakdown are: the construction materials sector, other industrial sectors (packaging and insulation), the financial sector, the banking sector, and the property and services sector.
The Group management and organizational structure essentially reflects the primary business area breakdown.
The Group geographical sectors that represent the secondary breakdown are: the European Union, other European countries, North America, Asia, Africa, trading and others.
Trading includes cement and clinker marketing operations in the countries where Group terminals are located: Gambia, Mauritania, Sri Lanka and Albania, as well as direct exports to markets that are not covered by Group subsidiaries. During 2005 trading included the supply and marketing of fuel within the Group which formerly was carried out by a European Union company in Italy; the previous period has been reclassified for comparative purposes.
Business operations are organized and managed by type of activity and by country.
The transfer prices applied to transactions between business areas for the exchange of goods and services are conducted at normal market conditions.

Primary breakdown

A primary breakdown of net sales and results at December 31, 2005 is set out below:

(in thousands of euro)	Net sales	Infragroup sales	Contribution reserves	Gorss operating profit	Operating income	Share of results of associates
Construction materials	4,999,632	(4,561)	4,995,071	1,136,593	765,843	18,613
Packaging and insulation	165,970	(2)	165,968	24,479	17,107	2
Financial	101,728	(44,106)	57,622	73,907	73,845	2,122
Banking	45,513		45,513	11,360	8,351	
Property, services and others	2,515	(993)	1,522	(1,131)	(1,336)	(59)
Inter-sector eliminations	(49,662)	49,662		(41,338)	(41,745)	
Total	**5,265,696**		**5,265,696**	**1,203,870**	**822,065**	**20,678**

A primary breakdown of net sales and results at December 31, 2004 is set out below:

(in thousands of euro)	Net sales	Infragroup sales	Contribution reserves	Gorss operating profit	Operating income	Share of results of associates
Construction materials	4,527,515	(4,198)	4,523,317	1,096,161	788,460	20,064
Packaging and insulation	153,936	3	153,939	22,177	15,049	43
Financial	95,321	(46,827)	48,494	74,272	74,224	2,252
Banking	42,567	(101)	42,466	3,466	914	
Property, services and others	5,677	(939)	4,738	2,585	2,513	(38)
Inter-sector eliminations	(52,062)	52,062		(44,313)	(44,300)	
Total	**4,772,954**		**4,772,954**	**1,154,348**	**836,860**	**22,321**

Other information by primary breakdown at December 31, 2005 is set out below:

	December 31, 2005		December 31, 2005			
(in thousands of euro)	Total assets	Total liabilities	Capital expenditure	Financial investments	Amortization of fixed assets	Impairment variation
Construction materials	9,387,061	5,030,959	462,306	746,264	(368,461)	(2,289)
Packaging and insulation	151,552	106,501	14,020		(7,498)	(284)
Financial	2,366,427	544,077	136	29,059	(55)	
Banking	279,300	188,100	1,066		(3,009)	
Property, services and others	45,770	26,406	278		(203)	(6)
Inter-sector eliminations	(476,645)	(59,326)				
Total	**11,753,465**	**5,836,717**	**477,806**	**775,323**	**(379,226)**	**(2,579)**

Other information by primary breakdown at December 31, 2004 is set out below:

(in thousands of euro)	December 31, 2004 Total assets	Total liabilities	December 31, 2004 Capital expenditure	Financial investments	Amortization of fixed assets	Impairment variation
Construction materials	6,997,850	3,907,714	342,596	57,895	(305,772)	(1,929)
Packaging and insulation	138,681	98,431	12,206	181	(7,009)	(111)
Financial	1,635,782	448,977	174	46,534	(44)	(2)
Banking	295,405	200,106	1,736		(2,551)	
Property, services and others	37,772	23,715	105	700	(70)	
Inter-sector eliminations	(493,386)	(42,975)				
Total	**8,612,104**	**4,635,968**	**356,817**	**105,310**	**(315,446)**	**(2,042)**

Secondary breakdown

	Contribution revenues		Capital expenditure		Financial investments		Total assets		Total liabilities	
(in thousands of euro)	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
European Union	3,473,675	3,447,568	321,114	259,852	156,956	64,855	9,422,389	8,326,586	3,039,780	2,835,136
Other European countries	358,259	258,661	21,278	15,942	768	4	765,562	709,833	318,615	348,759
North America	603,068	553,634	71,010	40,589			849,028	693,790	296,130	258,049
Asia	242,443	218,670	16,891	13,735	1,279	1,055	530,131	472,983	106,835	100,280
Africa	462,272	203,741	32,051	15,829	487,027	515	2,246,174	623,361	755,682	89,826
Trading and other	125,979	90,680	15,462	10,870	129,293	38,881	3,412,699	2,808,318	1,859,287	1,646,233
Intra-area eliminations						(5,472,518)	(5,022,767)	(539,612)	(642,315)	
Total	**5,265,696**	**4,772,954**	**477,806**	**356,817**	**775,323**	**105,310**	**11,753,465**	**8,612,104**	**5,836,717**	**4,635,968**

Assets

Non-current assets

1) property, plant and equipment

(in thousands of euro)	Land and buildings	Quarries	Technical plant, materials and equipment	Other property plant and equipment	Total
Gross value	1,556,198	592,268	4,925,805	643,097	7,717,368
Accum. Depreciation	(900,568)	(171,115)	(3,420,003)	(285,785)	(4,777,471)
Net carrying amount at December 31, 2004	**655,630**	**421,153**	**1,505,802**	**357,312**	**2,939,897**
Additions	72,234	15,291	166,012	210,513	464,050
Perimeter changes	151,494	1,169	747,411	(128,603)	771,471
Disposals	(2,595)	(864)	(5,291)	(3,044)	(11,794)
Depreciation	(51,237)	(21,158)	(266,156)	(24,917)	(363,468)
Translation differences	69,487	9,803	84,677	21,278	185,245
Other	(407)		1,265	(3,809)	(2,951)
Net carrying amount at December 31, 2005	**894,606**	**425,394**	**2,233,720**	**428,730**	**3,982,450**
Gross value	1,866,607	619,394	5,993,233	719,093	9,198,327
Accum. depreciation	(972,001)	(194,000)	(3,759,513)	(290,363)	(5,215,877)
Net carrying amount at December 31, 2005	**894,606**	**425,394**	**2,233,720**	**428,730**	**3,982,450**

The significant increase in property, land and equipment of 748,834 thousand euro, was mainly due to the perimeter variation following the line-by-line integration of the Egyptian companies and additions of 464,050 thousand euro. The latter refer to investments mainly concentrated in Europe totaling 309,298 thousand euro, of which Italy accounted for 154,956 thousand euro, France 81,772 thousand euro, Spain 48,465 thousand euro and North America 71,010 thousand euro.
The most important additions concerned works for the restructuring and modernization of production facilities and plant for 298.8 million euro and environmental protection initiatives for 100.7 million euro.
Translations differences mainly come from the changes in the dollar, Turkish lira and Egyptian lira against the euro.

The net carrying amount of the assets used to guarantee bank loans totaled 510.9 million euro at December 31, 2005 and 108.4 million euro at January 1, 2005 of which 394 million euro was for the assets of Asec Cement Company.
The net carrying amount of assets held on financial lease and on hire contracts totaled 12,561 thousand euro at December 31, 2005 and 13,278 thousand euro at January 1, 2005 and concern mainly road vehicles and planes.
The total expense recorded under "Property, plant and equipment" at December 31, 2005 totaled 26.7 million euro.

The useful lives adopted by the Group for the main categories of assets are as follows:
- Civil and industrial buildings 10 - 33 years
- Plant and equipment 5 - 30 years
- Other property, plant and equipment 3 - 10 years

The range between the above minimum and maximum limits indicates the presence of components with different useful lives within each asset category.

2) Investment property

Investment property of 29,293 thousand euro (28,231 thousand euro at January 1, 2005) is mainly measured at amortized cost. The fair value of investment property at December 31, 2005 was 142.3 million euro.

3) Goodwill

(in thousands of euro)	Goodwill
Gross value	1,249,174
Accumulated amortization	(68,239)
Net carrying amount at December 31, 2004	**1,180,935**
Additions and perimeter change	620,135
Disposals	(24,400)
Writedowns	(1,737)
Translation differences	65,265
Net carrying amount at December 31, 2005	**1,840,198**
Gross value	1,916,807
Accumulated amortization	(76,609)
Net carrying amount at December 31, 2005	**1,840,198**

The perimeter change mainly refers to the acquisitions made during 2005 for the following companies:
- Suez Cement Company (Egypt), the further share purchases brought the majority stake to around 51%. Overall goodwill of 202.3 million euro breaks down into the share for the acquisitions during 2005 of 63.9 million euro and the remaining 138.4 million euro for the share of goodwill generated in the previous acquisitions and recorded up to January 1, 2005 under equity investments valued at equity;
- Asec Cement Company (Egypt), the acquisition of 98.64% created goodwill of 359.3 million euro;
- The acquisitions in Italy of 100% of the share capital of Cemill S.p.A., Calcestruzzi Lamon Beton S.p.A. and Cementificio di Montalto S.p.A. which generated overall goodwill of 30.3 million euro;
- Further share acquisitions by Ciments Français S.A. which increased goodwill by 24.4 million euro.

Business combinations

Suez Cement Company

At the start of **April 2005**, the Group, together with a consortium of local and international investors, acquired from the Egyptian Government an overall share of approximately 33.4% of Suez Cement Company, the leading operator in the sector in Egypt which also controls the two companies Tourah Cement Company and Suez Bag. At the end of this transaction the Group, which already had a stake in the company, acquired control and therefore was able to consolidate it on a line-by-line basis, instead of on an equity basis, as from April 1, 2005.
As part of the aforementioned operation, the Group provided the other investors with a 3-year option to buy Suez Cement Company shares. The option, recorded as a long-term loan, therefore reduced the equity investment in Suez. Thus the equity investment in the share capital of Suez Cement Company (without taking account of the control) rose from 39.9% to 51.9% with an additional investment of 105.8 million euro.

In **October 2005** Tourah Portland Company provided to Group companies and others the shares held in Suez Cement Company. In December 2005 Suez Cement Company with the authorization of the extraordinary shareholders' meeting of November 10, 2005 increased the share capital through the capitalization of the loans provided both by the Group and by others to finance the acquisition of Asec Cement Company and the further underwriting of third-party shareholders. At the termination of these two operations the Group's controlling interest in Suez Cement Company is approximately 51%.

The increase in share capital in Suez Cement Company which was underwritten by shareholders in varying amounts, led to a reduction in the percentage of equity investment held by the Suez Group.
The reduction of the percentage of equity investment for third parties, as specified in the accounting standards for "Business combinations", was treated as a disposal of equity investment, the impact of which is recorded in the income statement. Therefore, the capital gains relating to the aforementioned dilution in the disposal to third parties of shares in Suez Cement Company were recorded under financial income for an overall amount of 8.0 million euro.

Asec Cement Company

At the start of **August 2005**, the agreement was finalized for the acquisition of the controlling equity investment (68.7%) held by the Egyptian private equity fund Citadel Capital in Asec Cement Company which is listed on the Cairo and Alexandria stock markets. The acquisition was completed by Suez Cement Company which, on August 10, launched a complete public tender offer at the price of 29 Egyptian lira per share (in line with the share price which had a capitalization overall of approximately 590 million dollars). At the termination of this operation Suez held 98.64% of the share capital of Asec Cement Company with an outlay of 491.3 million euro. The operation completed with other local and international partners means an outlay for Ciments Français S.A. of approximately 145 million dollars and was also financed with a share capital increase in Suez Cement Company by third party shareholders for approximately 230.5 million euro.
Asec Cement Company has been consolidated on a line-by-line basis as from August 1, 2005.

The values of the assets and liabilities of each company identified at the acquisition date are shown in the following table; as for the fair value of the assets acquired, these must be confirmed by an expert evaluation and therefore should be considered provisional, they must be finalized no later than twelve months from when the respective control was established.

Acquisition of Suez Cement Company

	Consolidated financial statements of the Suez Cement Company Group	
(in millions of euro)	Fair value attributed on acquisition	Change in fair value
Net property, plant and equipment and other non-current assets	444.4	324.9
Inventories	75.6	(14.2)
Trade receivables and other current assets	19.2	
Cash and cash equivalents	58.3	
Trade payables and other current liabilities	(35.3)	
Deferred tax liabilities	(61.0)	(61.0)
Provisions for risks and charges	(29.7)	(2.5)
Loans and borrowings and other financial liabilities	(69.8)	
Minority interest	(220.9)	
Fair value of acquired net assets	**180.8**	
Elimination of contribution in companies valued at equity	(217.7)	
Goodwill	202.3	
Revaluation of interest held previously	(59.6)	
Total cost of acquistion	**105.8**	
	Outlay in 2005	
Share purchase price	97.0	
Cost relating to acquisition	8.8	
Total acquisition cost	**105.8**	

The total net outlay for the acquisition of the Suez group in millions of euro is as follows:

(in millions of euro)	
Price paid for previous acquisitions	347.8
Price paid in 2005	105.8
Loan to investors	25.8
Cash and cash equivalents acquired	(58.3)
Net outlay for acquisition	**421.1**

The Suez Group, before obtaining control, was consolidated on an equity basis. Following the taking of control, the revaluation of the equity investment held previously was recorded as a counter-entry under shareholders' equity reserves for a total of 59.6 million euro.

Acquisition of Asec Cement Company

	Consolidated financial statements of the Asec Cement Company Group	
(in millions of euro)	Fair value attributed on acquisition	of which change in fair value
Net property, plant and equipment and other non-current assets	334.4	(4.6)
Inventories	31.2	
Trade receivables and other current assets	7.1	
Cash and cash equivalents	6.1	
Trade payables and other current liabilities	(51.9)	
Deferred tax liabilities	(4.6)	(0.2)
Provisions for risks and charges	(17.3)	
Loans and borrowings and other financial liabilities	(171.2)	5.4
Minority interest	(1.8)	
Fair value of acquired net assets	**132.0**	
Goodwill	359.3	
Total acquisition cost	**491.3**	
	Outlay in 2005	
Share purchase price	487.1	
Cost relating to acquistion	4.2	
Total acquisition cost	**491.3**	

The total net outlay for the acquisition of the Asec Cement Company Group is as follows:

(in millions of euro)	
Price paid in 2005	491.3
Cash and cash equivalents acquired	(6.1)
Net outlay for acquisition	**485.2**

The impact on the consolidated financial statements for 2005 deriving from the consolidation of the Suez Group, valued up to March 31, 2005 on an equity basis and then from April 1, 2005 on a line-by-line basis and by the consolidation also on a line-by-line basis of Asec Cement Company as from August 1, 2005 was as follows:

(in millions of euro)	Suez Cement Company	Asec Cement Company	Total
Net sales (*)	173.2	72.0	245.2
Gross operating profit	70.5	36.8	107.3
Operating income	34.8	25.1	59.9
Financial income and costs	(11.9)	(5.6)	(17.5)
Tax	(9.4)	(3.9)	(13.3)
Share of results of associates	11.7	-	11.7
Net income attributable to the Group	19.7	7.3	27.0
Net income attributable to minority interest	**5.5**	**8.3**	**13.8**

(*) after infra-group eliminations

If the financial statements of the Suez Cement Group (including those for Asec Cement Company) had been consolidated on a line-by-line basis from January 1, 2005, net sales from Egypt, before the infra-group eliminations, would have been 418.1 million euro, while gross operating profit and operating income would have respectively contributed 194.4 million euro and 115.7 million euro.
The gross operating profit for Egypt includes non-recurring charges relating to the personnel voluntary redundancy scheme at the Tourah subsidiary for 17.2 million euro recorded under "other income and charges"; the negative impact on net profit for the year was 13.8 million euro.
Share of results of associates includes positive tax effects of 6.5 million euro arising from the reduction in the local tax rate introduced on January 1, 2005.

Acquisitions in Italy

The acquisition and line-by-line consolidation during 2005 of three Italian companies: Cementificio di Montalto S.p.A. and Cemill S.p.A. in the cement sector and Calcestruzzi Lamon Beton S.p.A. in the ready-mixed concrete sector, led overall to goodwill of 30.3 million euro against an investment of 69.8 million euro.
Cemill S.p.A. was subsequently merged into Cementificio di Montalto S.p.A., and Calcestruzzi Lamon Beton S.p.A. was merged into Calcestruzzi S.p.A.
Expert assessments are currently underway to verify the fair value of the acquired assets of the three companies, and this must be completed no later than twelve months from the date of acquisition.

Verifying the value of goodwill

The goodwill acquired in a business combination is attributed to cash generating units (CGU). The Group verifies the recoverability of goodwill at least once a year or more frequently if there are indicators of impairment. The tests are performed by discounting the estimated operating cash flows on each CGU or, where available, using the market value of recent transactions on comparable assets. These tests for 2005 gave rise to an impairment of 662 thousand euro wholly due to the Greek subsidiary Domiki Beton which operates in the ready-mixed concrete sector in Crete (no loss had been recorded for 2004).

The following table shows the most important goodwill values in the main CGUs of the Group:

(in thousands of euro) Cash generating units	Net carrying amount of goodwill December 31, 2005	December 31, 2004
France/Belgium (construction sector)	551,123	531,622
Spain (construction sector)	223,220	221,342
Morocco (construction sector)	107,465	101,933
Egypt (construction sector)	570,146	
Other	388,244	326,038
Total	**1,840,198**	**1,180,935**

The assessment method used to determine the recoverable value of the CGUs is the value in use, determined on the basis of 5-year plans without taking into account future expansion investment.
At January 1, 2005 goodwill in relation to the CGU in Egypt had been included in the value of the equity investments valued at equity for an amount of 123.4 thousand euro.
Since the recoverable value of the CGUs is verified through the value in use, here below are the main assumptions for the calculation:

Cash generating units	Discount rate before tax 2005	2004	Growth rate 2005	2004
France/Belgium (construction sector)	8.5%	7.7%	0.8%	0.9%
Spain (construction sector)	8.1%	7.9%	1.3%	1.3%
Morocco (construction sector)	10.5%	9.5%	1.8%	1.8%
Egypt (construction sector)	11.2%	12.9%	4.0%	6.0%

The discount rates by country are calculated as follows: a country risk premium is applied to the deflated WACC of the euro zone with the related estimate of long-term inflation.

4) Intangible assets

(in thousands of euro)	Concessions	Licenses and other rights	Other intangible assets	Total
Gross value	5,055	53,077	61,917	120,049
Accum. Amortization	(3,871)	(40,079)	(33,087)	(77,037)
Net carrying amount at December 31, 2004	**1,184**	**12,998**	**28,830**	**43,012**
Additions	1,369	8,979	3,408	13,756
Permieter change	3,824	-	112	3,936
Disposals	-	(7,650)	(325)	(7,975)
Amortization	(1,033)	(7,100)	(6,529)	(14,662)
Translation differences	-	224	855	1,079
Other	4,809	8,432	(709)	12,532
Net carrying amount at December 31, 2005	**10,153**	**15,883**	**25,642**	**51,678**
Gross value	15,088	63,768	62,651	141,507
Accum. Amortization	(4,935)	(47,885)	(37,009)	(89,829)
Net carrying amount at December 31, 2005	**10,153**	**15,883**	**25,642**	**51,678**

5) Investments in associates

This caption reflects the equity interests, including goodwill, in associates. The main associates are shown below:

	Value of shares		Share of result	
(in thousands of euro)	Dec. 31, 2005	Jan. 1, 2005	2005	2004
Ciments Quebec	62,200	47,400	5,100	6,700
Vassiliko Cement Works	51,265	48,064	3,919	3,400
Suez Cement Group		182,391	11,746	10,600
Mittel (*)	35,070	24,773	2,122	2,252
S.E.S.	16,488	16,248		
Immobiliare Golf	1,304	1,357	(59)	(38)
Universal Imballaggi	444	469	2	43
Other	17,033	12,990	(2,152)	(636)
Total	**183,804**	**333,692**	**20,678**	**22,321**

(*) consolidated data at September 30, 2005 (last financial statements approved)

The fall compared with January 1, 2005 mainly refers to the Suez Group, which, as a result of the increase in the investment and consequent acquisition of control, has been consolidated line-by-line as from April 1, 2005; this change is offset by the increase due to the underwriting of the share capital increase in Mittel.
Goodwill included in associates totaled 20.4 million euro at December 31, 2005 and 143.8 million euro at January 1, 2005.
The information adjusted and which conforms to the Group principles of the main associates is as follows:

	Total assets		Total liabilities		Net sales		Net profit	
(in millions of euro)	2005	2004	2005	2004	2005	2004	2005	2004
Ciment Quebec	146.9	112.0	31.7	25.8	95.8	97.0	11.0	14.0
Vassiliko Cement Works	132.3	131.9	11.6	22.0	76.7	66.8	11.9	8.7
Suez Cement Group		637.6		159.4		194.0		33.9
Mittel	476.5	489.8	204.2	297.1	16.3	39.2	16.4	17.5

6) investments in other companies

This heading, classified under non-current assets, includes the equity investments recorded under "available for sale" as envisaged by IAS 39.

(in thousands of euro)	
At December 31, 2004	**601,216**
Impact before application of IAS 32/39	486,073
At January 1, 2005	**1,087,289**
Additions	21,231
Disposals	(58,400)
Fair value transferred to reserve	296,596
Permieter change and other changes	27,050
Translation differences	2,021
At December 31, 2005	**1,375,787**

Acquisitions in the year of 21.2 million euro include the investment in Capitalia S.p.A. of 9.5 million euro and the underwriting of the increase in the share capital of GIM Generale Industrie Metallurgiche S.p.A. of 6.3 million euro.
Perimeter changes and disposals include the equity investments held by Suez Cement Company and Tourah following their consolidation on a line-by-line basis. These equity investments, valued at fair value, were disposed of during the second half

of 2005 for a value of approximately 26.6 million euro and did not create any capital gain. Disposals also include the sale of the equity investment in Gemina S.p.A. for 8 million euro, with the realization of a capital gain of 7.0 million euro.

The breakdown of equity investments at December 31, 2005 was as follows:

(in thousands of euro)	Number of shares	December 31, 2005
Equity investments in listed companies		
Mediobanca	20,609,421	331,523
RCS MediaGroup	51,799,730	208,960
Unicredito	85,626,509	498,261
BPU	3,183,666	59,120
Gemina	8,469,193	16,938
Capitalia	2,971,994	14,524
GIM	8,838,902	6,829
GIM warrant	3,132,741	889
Total		**1,137,044**
Equity investments in unlisted companies		
Asment		47,272
Fin Priv		31,563
Cartiere Burgo		64,169
Consortium		26,703
Mediocredito		17,028
Sesaab		9,325
Other		42,683
Total		**238,743**
At December 31, 2005		**1,375,787**

The fair value of the listed companies has been determined on the basis of the official share price on the last trading day. For unlisted shares and in reference to the most important share Asment, the fair value is obtained on the basis of the Stock market values of shares of similar companies.

7) Receivables and other non-current assets

Receivables and other non-current assets were as follows:

(in thousands of euro)	December 31, 2005	January 1, 2005	Change
Bank deposits linked to FRSS	327,752	302,129	25,623
Derivatives	11,835	-	11,835
Concessions and licences paid in advance	16,586	15,989	597
Receivables held as fixed assets	47,094	37,609	9,485
Guarantee deposits	22,170	6,416	15,754
Other	50,156	57,233	(7,077)
Total	**475,593**	**419,376**	**56,217**

"Bank deposits linked to FRSS" represents the principal and interest due for collection on the deposits lodged with banks at the time of the issue of the "Floating rate subordinated securities", which are classified as loans under "non-current liabilities". Deposits were made in 1990 by Ciments Français S.A. and Unibeton S.A. for 51.1 and 22.3 million euro respectively.

Current assets

8) Inventories

(in thousands of euro)	December 31, 2005	January 1, 2005	Change
Raw, ancillary and consumable materials	432,301	309,072	123,229
Work-in-progress and semi-finished products	127,156	106,804	20,352
Contract work-in-progress	12,386	14,935	(2,549)
Finished goods	138,523	104,947	33,576
Payments on account	9,914	10,130	(216)
Total	**720,280**	**545,888**	**174,392**

Inventories are carried net of write-down provisions totaling 84,985 thousand euro (56,275 thousand euro at January 1, 2005) mainly against the risk of slow-moving ancillary and consumable materials. The increase in inventories and the related write-down provisions was largely due to the inclusion of the Suez group in the consolidation.

9) Trade Receivables

(in thousands of euro)	December 31, 2005	January 1, 2005	Change
Gross amounts	1,399,081	1,299,714	99,367
Writedowns	(65,660)	(57,721)	(7,939)
Net amount	**1,333,421**	**1,241,993**	**91,428**

Trade receivables are not interest-bearing and overall fall due within 12 months; this deadline reflects the market conditions in which the Group operates.
The French subsidiaries Ciments Calcia and Arena respectively in 2000 and 2001 renewed for a period of five years the trade receivables factoring programs. These transactions do not meet the criteria of IAS 39, since with the disposal of these receivables there is no transfer of the related risks, therefore the receivables ceded are maintained in the financial statements. The transaction is therefore treated as a guaranteed loan.

At January 1, 2005 the receivables ceded of 179.3 million euro were reintegrated into the financial statements under trade receivables, the amount of 34.3 million euro recorded under other short-term assets was cancelled and a financial payable was recorded for 145 million euro.

At December 31, 2005 trade receivables included receivables ceded for 174 million euro, while current financial payables recorded an amount of 145 million euro.

10) Other assets

"Other assets" consists of:

(in thousands of euro)	December 31, 2005	January 1, 2005	Change
Receivables for employees	5,246	6,087	(841)
Receivables for indirect taxes	80,669	63,813	16,856
Deferred charges	29,419	28,733	686
Accrued income	4,253	4,059	194
Cover hedges	1,435	1,778	(343)
Trading hedges	1,490	327	1,163
Other bank receivables	102,706	112,543	(9,837)
Other receivables	86,701	75,259	11,442
Net amount	**311,919**	**292,599**	**19,320**

11) Equity investments, bonds and current financial receivables

"Equity investments, bonds and current financial receivables" was made up as follows:

(in thousands of euro)	December 31, 2005	January 1, 2005	Change
Shares and bonds	614,723	483,033	131,690
Equity investments for trading	53,493	31,135	22,358
Bank receivables	88,397	103,533	(15,136)
Other financial receivables	72,659	66,146	6,513
Net amount	**829,272**	**683,847**	**145,425**

12) Cash and cash equivalents

(in thousands of euro)	December 31, 2005	January 1, 2005	Change
Cash and checks	13,087	7,477	5,610
Bank and post office deposits	427,488	242,745	184,743
Short-term deposits	77,595	123,071	(45,476)
Net amount	**518,170**	**373,293**	**144,877**

Short-term deposits have varying maturities, including three-month maturities, in relation to the Group's financial requirements; interest matures at the respective short-term rates.
The increase was mainly due to the entry into the consolidation area of the Egyptian companies whose cash and cash equivalents value at December 31, 2005 was 262 million euro.
The fair value of cash and cash equivalents corresponds to the balance sheet value.

Shareholders' equity and liabilities

Share capital, reserves and retained earnings

13) Share capital

At December 31, 2005 Parent company fully paid-up share capital amounted to 100,166,937 euro represented by 38,525,745 shares with a par value of 2.6 euro each, as follows:

(in thousands of euro)	December 31, 2005	January 1, 2005	Change
Ordinary shares	22,182,583	22,182,583	-
Savings shares	16,343,162	16,343,162	-
Net amount	**38,525,745**	**38,525,745**	

14) Reserves

Share premium reserve

This reserve stood at 177,191 thousand euro and was unchanged from January 1, 2005.

Available for sale financial assets reserve

This reflects movements for fair value adjustments to available for sale financial assets (see note 6).

(in thousands of euro)	
At December 31, 2004	
Impact of first application of IAS 32/39	429,832
At January 1, 2005	429,832
Gains taken directly to reserve	267,014
Deferred taxes taken to directly to reserve	(18,990)
Gains taken to income statement	(2,286)
At December 31, 2005	**675,570**

Derivatives reserve

This reflects movements for fair value adjustments to hedging derivative contracts.

(in thousands of euro)	
At December 31, 2004	(214)
Impact of first-time application of IAS 32/39	(4,267)
At January 1, 2005	(4,481)
Gains taken directly to reserve	298
Deferred taxes taken directly to reserve	(1,904)
Losses taken to income statement	5,143
At December 31, 2005	**(944)**

Other IFRS reserves

This reflects accounting entries for stock option plans, which amounted to 2,7 million euro at December 31, 2005, and the revaluation of 17.0 million euro on the Group interest in Suez before acquisition of control.

(in thousands of euro)	
At December 31, 2004	**19,425**
Impact of first-time application of IAS 32/39	7,063
At January 1, 2005	**26,488**
Gains taken directly to reserve	1,470
At December 31, 2005	**27,958**

15) Treasury shares

During the year Italmobiliare S.p.A. purchased 18,785 ordinary shares for a value of 984 thousand euro.
At December 31, 2005 treasury share buybacks amounted to 22,176 thousand euro and were recognized in the treasury shares reserve, as shown below:

	No. ordinary shares	Carrying value (in thousands of euro)	No. savings shares	Carrying value (in thousands of euro)	Overall carrying value
December 31, 2004	892,346	20,796	28,500	396	21,192
Additions	18,785	984			984
Disposals					
December 31, 2005	**911,131**	**21,780**	**28,500**	**396**	**22,176**

Ordinary treasury shares held at December 31, 2005 will service stock option plans for Directors and managers.

Dividends paid

Dividends declared and paid by the Parent Company Italmobiliare S.p.A. in 2005 and 2004 are as follows:

	2005 (euro per share)	2004 (euro per share)	2005 (thousands of euro)	2004 (thousands of euro)
Ordinary shares	1.100	1.000	23,419	21,290
Savings shares	1.178	1.078	19,219	17,587
Total dividends			**42,638**	**38,877**

Translation reserve

This reserve, used to record translation differences arising from the translation of the financial statements of the foreign consolidated companies, at December 31, 2005 totaled 46,794 thousand euro and was divided into the following currencies:

(in millions of euro)	December 31, 2005	January 1, 2005	Change
Egypt (Lira)	11.4	(4.4)	15.8
United States and Canada (Dollar)	15.0	(7.0)	22.0
Thailand (Baht)	2.2	(2.2)	4.4
Morocco (Dirham)	1.7	(1.7)	3.4
India (Rupee)	1.1	(0.4)	1.5
Turkey (Lira)	12.9	3.6	9.3
Switzerland (Franc)	(0.4)	(1.7)	1.3
Other countries	2.9	(0.9)	3.8
Net income	**46.8**	**(14.7)**	**61.5**

16) Minority interest

Minority interest at December 31, 2005 increased by 965,327 thousand euro compared with January 1, 2005. The increase was mainly due to the line-by-line consolidation of Suez Cement Company which led to recognition of the minority interest, as well as the share capital increase in Suez Cement Company underwritten by minority interest for 230.5 million euro.
The profit for 2005 was 394,772 thousand euro compared with 334,925 thousand euro in 2004, while the translation reserve rose by 205,015 thousand euro.

Non-current Liabilities

17) Employee benefits liabilities

Employee benefits at December 31, 2005 totaled 216,240 thousand euro (201,008 thousand euro at January 1, 2005).
The Group's main employee benefit plans are described below.

Defined benefit plans

The Group operates pension plans, post-employment medical benefit plans and leaving entitlement provisions.
The most significant pension plans are in the USA and France and are financed by contributions paid by the company and by employees to external entities responsible for the administration and management of the pension funds; pension schemes also operate, pursuant to local laws, in France and Belgium.
Defined benefit plans also include the Provision for leaving entitlements for staff of the Group's Italian companies, determined on an actuarial basis.
The Group also recognizes liabilities in respect of future commitments in the form of bonuses payable to employees on the basis of length of service in some Group companies in France and Italy; these liabilities are measured with actuarial assumptions.
Net liabilities, for pension plans, for post-employment benefits and for leaving entitlement provisions derive from actuarial assessments carried out by independent external actuaries.

The liabilities subject to actuarial assessments recorded at December 31, 2005 were as follows:

(in millions of euro)	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
	12.31.05	1.1.05	12.31.05	1.1.05	12.31.05	1.1.05
Discounted value of funded plans	145.6	119.6			145.6	119.6
Fair value of plan assets	(105.8)	(95.1)			(105.8)	(95.1)
Discounted value of funded plans	**39.8**	**24.5**			**39.8**	**24.5**
Discounted value of non-funded plans	115.5	120.5	66.3	57.0	181.8	177.5
Net value of the bond	**155.3**	**145.0**	**66.3**	**57.0**	**221.6**	**202.0**
Unrecognized net actuarial gains/(losses)	(14.8)	(6.0)	(4.2)	(2.2)	(19.0)	(8.2)
Unrecognized costs on prior-period services	(0.3)	(0.3)	2.9	3.2	2.6	2.9
Net (assets)/liabilities	**140.2**	**138.7**	**65.0**	**58.0**	**205.2**	**196.7**
of which:						
Liabilities	140.8	139.1	65.0	58.0	205.8	197.1
Assets	(0.6)	(0.4)			(0.6)	(0.4)
Net (assets)/liabilities	**140.2**	**138.7**	**65.0**	**58.0**	**205.2**	**196.7**

The net change in liabilities is as follows:

(in thousands of euro)	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
	2005	2004	2005	2004	2005	2004
Net liability at start of period	**138.7**	**140.2**	**58.0**	**60.1**	**196.7**	**200.3**
Net expense recorded under personnel expense	14.3	16.7	5.4	3.6	19.7	20.3
Shares provided or services paid	(15.9)	(16.8)	(3.3)	(3.3)	(19.2)	(20.1)
Translation differences	3.0	(1.4)	4.9	(2.4)	7.9	(3.8)
Plans acquired for variations in structure	0.1				0.1	
Net liability at period end	**140.2**	**138.7**	**65.0**	**58.0**	**205.2**	**196.7**

The expense of the period may be analyzed as follows:

(in thousands of euro)	Pension plans and other long-term benefits		Post-employment medical benefits		Total	
	2005	2004	2005	2004	2005	2004
Current cost of services	(12.2)	(12.1)	(1.4)	(1.3)	(13.6)	(13.4)
Finance costs on obligations assumed	(12.1)	(12.3)	(3.1)	(3.2)	(15.2)	(15.5)
Estimated revenues on plan assets	7.3	6.8			7.3	6.8
Net actuarial (losses)/gains recognized in period	(0.1)	(0.1)			(0.1)	(0.1)
Cost of prior-period services	(1.8)	(0.8)	(0.9)	0.8	(2.7)	
Plan settlement or curtailment (losses)/gains	4.7	1.7			4.7	1.7
Total recognized in employee benefits expense	**(14.2)**	**(16.8)**	**(5.4)**	**(3.7)**	**(19.6)**	**(20.5)**
of which:						
Personnel expense	(18.0)	(16.8)	(5.4)	(3.7)	(23.4)	(20.5)
Other income and charges	3.8				3.8	
Effective asset yield	**5.3**	**8.0**			**5.3**	**8.0**

"Cost of prior-period services" for 2005 refers to the increase in net liabilities, following the revaluations of some pension fund payments of the North American subsidiaries.
The amount recorded under "Other income and charges" of 3.8 million euro is linked to the plan to reorganize the administrative and commercial activities in France and Belgium.
The plan involves, among other things, 46 employees at the Belgian subsidiary CCB who can make use of the legal system of early retirement which is in force in Belgium. Therefore at December 31, 2005 following their adhesion to this plan the related early retirement reserve which had been set up under pension fund reserves and other long-term benefits was cancelled, for 3.8 million euro. In the meantime a fund for early retirement was set up of 7.2 million euro. The provision and the issue of funds were recorded in the income statement under "Other income and charges" (see note 29).

Actuarial assumptions

The main assumptions used in determining obligations on the Group's pension plans and other long-term benefits are illustrated below:

	Europe		North America		Other countries	
(in %)	2005	2004	2005	2004	2005	2004
Discount rate	3.8 - 4.0	4.0 - 4.5	5.5	6.0	5.75 - 6.5	5.5 - 6.5
Expected yield on assets	4.25	4.5	7.8 - 8.6	7.8 - 8.6		-
Future wage and salary increases	2.5 - 3.5	2.5 - 3.5	n.a.	4.0	3.5 - 6.0	3.5 - 5.0

The assumptions used at December 31, 2005 to determine commitments for post-employment medical benefits are as follows:
- in France, an increase in contributions to funds of 5% for 10 years and 2% for subsequent years. A discount rate of 4.25% (4.75% in 2004);
- in the USA, the estimated increase in future expenses is calculated by applying a growth rate of 10% for the following year (10-11% in 2004), which gradually decreases to 5% over the long term (5.5% in 2004). The discount rate for 2005 is 5.5% (6% in 2004).

Defined contribution plans

The Group's defined contribution plans are pension plans and medical assistance plans, the charge for which is 2005 was 38.7 million euro.

Stock options

The Group has arranged stock option plans for Directors and managers who hold specific posts, at Italmobiliare S.p.A., Italcementi S.p.A., some Italian subsidiaries and Ciments Français S.A.
The stock options granted by the Parent Company Italmobiliare S.p.A. refer to ordinary shares and may be exercised between the beginning of the fourth year and the end of the tenth year after grant; however, Directors who are not reappointed when their term of office ends may exercise their options immediately and in any case within 10 years of the grant date; as a general rule, unexercised stock options assigned to managers are not recognized in the event of termination of employment with the Group, except in the case of retirement.
Stock options are exercised at a rate of 1 share per option.
The terms and conditions of Italmobiliare S.p.A. stock option plans at December 31, 2005 are as follows:

Grant date	No. options assigned	Exercise period	Exercised options	Cancelled options	Unexercised options	Unit subscription price
March 24, 2003	49,283	1.1.2006-12.31.2012			49,283	€ 31.2800
March 30, 2004	96,080	1.1.2007-12.31.2013			96,080	€ 35.1990
March 30, 2005	108,437	1.1.2008-12.31.2014			108,437	€ 54.5355
Total	**253,800**				**253,800**	

The grant date is the date of the meeting at which the Board of Directors approved the stock option plan.

The number and average exercise price of options in the periods in question are set out below:

	2005		2004	
	number options	average subscription price	number options	average subscription price
Unexercised options at beginning of year	**145,363**	**€ 33.8700**	**145,363**	**€ 33.8700**
Granted during period	108,437	€ 54.5355		
Cancelled during period				
Exercised during period				
Expired during period				
Unexercised options at end of period	**253,800**	**€ 42.7000**	**145,363**	**€ 33.8700**
Options exercisable at end of period				

The average ordinary share price in 2005 was 54.72 euro (42.04 euro for financial year 2004).
The residual average option life is 4.7 years. The option exercise price at December 31, 2005 was between 31.28 euro and 54.54 euro.
Only options granted after November 7, 2002 that had not vested at December 31, 2003 were measured and recognized at the date of transition to the IFRS.
The following table sets out the characteristics of all Group stock option plans and their cost, which is accounted for under "employee benefits expense".

(in thousands of euro) Grant date	Company	No. options granted	Vesting period	Employee benefits expense 2005	2004
February 12, 2003	Ciments Français	171,400	3 years	433	461
March 24, 2003	Italmobiliare	49,283	3 years	116	116
March 7, 2003	Italcementi	965,945	3 years	675	673
March 30, 2004	Italmobiliare	96,080	3 years	250	188
March 17, 2005	Italcementi	1,053,600	3 years	783	
March 30, 2005	Italmobiliare	108,437	3 years	337	
April 14, 2005	Ciments Français	169,400	3 years	763	
Total		**2,614,145**		**3,357**	**1,438**

The fair value of stock option plans at the grant date is estimated with a binomial model that takes dividends into account. The total option term is ten years. Volatility projections are based on the assumption that past volatility, determined as the annual average on a past period of three years net of extraordinary events, is indicative of future trends.
No other characteristic of the stock option plans is taken into consideration when measuring fair value.

The following table indicates the assumptions used and results obtained in measuring stock options:

	Plan 2005	Plan 2003	Plan 2002
Option value at grant date	11.41	7.15	6.49
Share value	52.84	35.05	31.80
Exercise price	54.536	35.199	31.280
Volatility as %	17.5%	17.5%	17.5%
Option term (in years)	9.75	10	10
Dividends as %	1.89%	2.68%	2.96%
BTP 10 year no risk rate	3.275%	3.640%	3.790%

Financial position

Net debt is included in the following financial statement items:

(in thousands of euro)	Balance sheet item	Non. net fin. pos	Net fin. pos.	Short-term assets	Short-term payables	Long-term assets	Long-term payables	Total
Trade receivables and other non-current receivables	475,593	100,007	375,586	231		375,355		375,586
Other current financial assets	311,919	308,994	2,925	2,925				2,925
Financial receivables and equity investments for trading	829,272	88,693	740,579	740,579				740,579
Cash and cash equivalents	518,170		518,170	518,170				518,170
Non-current financial payables	(2,375,059)		(2,375,059)				(2,375,059)	(2,375,059)
Other non-current payables	(16,339)	(196)	(16,143)				(16,143)	(16,143)
Payables due to banks and short-term loans	(976,157)		(976,157)		(976,157)			(976,157)
Current financial payables	(164,338)		(164,338)		(164,338)			(164,338)
Other liabilities	(609,330)	(607,701)	(1,629)		(1,629)			(1,629)
Total			**(1,896,066)**	**1,261,905**	**(1,142,124)**	**375,355**	**(2,391,202)**	**(1,896,066)**

As a result of adoption of IAS 32 and 39, the notes on movements in the net financial position (NFP), which consists of net debt and net floating rate subordinated securities (FRSS), refer to the position at January 1, 2005.

Net debt at December 31, 2005 of 1,896,066 thousand euro (1,470,328 thousand euro at January 1, 2005), was as follows:

(in thousands of euro)	December 31, 2005	January 1, 2005	Change
Liquid funds and current financial assets	**1,261,905**	**955,570**	**306,335**
Cash and cash equivalents	518,170	373,293	144,877
Derivative assets	2,925	2,102	823
Other current financial assets	740,810	580,175	160,635
Short-term financial payables	**(1,142,124)**	**(654,352)**	**(487,772)**
Short-term payables due to banks	(976,157)	(508,789)	(467,368)
Current financial payables	(164,338)	(124,952)	(39,386)
Derivative liabilities	(1,629)	(20,611)	18,982
Medium/long-term financial assets	**375,355**	**342,728**	**32,627**
Long-term financial assets	363,520	330,032	33,488
Long-term derivative assets	11,835	12,696	(861)
Medium/long-term financial payables	**(2,391,202)**	**(2,114,274)**	**(276,928)**
Long-term financial payables	(2,375,059)	(2,094,808)	(280,251)
Long-term derivative liabilities	(16,143)	(19,466)	3,323
Net debt	**(1,896,066)**	**(1,470,328)**	**(425,738)**

18) Loans and borrowings

The following tables divide financial payables by category between current and non-current:

(in thousands of euro)	December 31, 2005	January 1, 2005	Change
Floaitng rate subordinated securities	327,752	324,641	3,111
Amounts due to banks	1,278,293	1,061,788	216,505
Debentures	591,772	541,156	50,616
Amounts due to other providers of finance	171,556	159,972	11,584
Finance lease payables	5,686	7,251	(1,565)
Medium/long-term financial payables	**2,375,059**	**2,094,808**	**280,251**
Amounts due to banks	**976,157**	**508,789**	**467,368**
Current portion	125,838	104,576	21,262
Convertible debentures - current share	449		449
Debentures	17,159	5,726	11,433
Amounts due to other providers of finance	18,663	10,331	8,332
Finance lease payables	1,281	1,822	(541)
Financial accrued liabilities and deferred income	948	2,497	(1,549)
Short-term financial payables	**164,338**	**124,952**	**39,386**
Fair value of non-current hedging derivatives	16,143	19,466	(3,323)
Fair value of current hedging derivatives	1,629	20,611	(18,982)
Fair value of hedging derivatives	**17,772**	**40,077**	**(22,305)**
Total financial payables	**3,533,326**	**2,768,626**	**764,700**

At December 31, 2005 loans guaranteed by mortgages, pledges or liens on property, plant and equipment and shares totaled 142.1 million euro.
At December 31, 2005, bank loans and use of current credit lines included loans on the disposal of trade receivables of 145 million euro (see note 9).

Medium/long-term financial payables may be analyzed by currency as follows:

(in thousands of euro)	December 31, 2005	January 1, 2005	Change
Euro	2,052,567	1,925,746	126,821
US and CAN dollar	221,400	146,900	74,500
Egyptian lira	84,700		84,700
Indian rupee	9,000	7,600	1,400
Thai baht	6,800	11,100	(4,300)
Czech crown	378		378
Slovak crown	116		116
Bulgarian lev	6	12	(6)
Hungarian florin	1	205	(204)
Slovenian tallero		1	(1)
Other	91	3,244	(3,153)
Total	**2,375,059**	**2,094,808**	**280,251**

In relation to the above, 50 million US dollars were hedged by a cross-currency swap at a rate of 1 euro = 1 US dollar, and are therefore valued at 50 million euro.

Main bank loans and credit lines used and available

The main loans are as follows:

a) in 2004 Italmobiliare negotiated with five leading Italian and foreign lending institutions loans for 292 million euro overall at a variable rate with expiry dates falling between July 9, 2007 and June 16, 2009. Of these, 152 million euro is backed by a pledge on listed shares and 140 million euro is connected to a loan of listed shares. Among the latter, one loan is subject to an adjustment of the amount dependent on the change of the price of the shares given as a loan. At December 31, 2005 the total of the loans provided through listed shares had risen to 164 million euro;

b) during 2005, Italcementi S.p.A. negotiated with some important Italian lending institutions a series of medium and long-term loan operations aimed at ensuring the company has adequate means to support its industrial and financial investment plans. In particular, four credit lines were negotiated which are confirmed and irrevocable with expiry dates falling between January 27, 2010 and February 28, 2013 for an overall amount of 550 million euro; these credit lines were used at December 31, 2005 to the extent of 210 million euro;

c) in 2004 Italcementi S.p.A. obtained two loans respectively for 200 and 50 million euro falling due in December 2009;

d) in 2004, Italcementi S.p.A. negotiated three confirmed and irrevocable credit lines with expiry dates falling between December 31, 2009 and November 30, 2011 for a total of 305 million euro;

e) during 2005, Ciments Français S.A. renewed 400 million euro in credit lines for 364 days and 150 million euro in medium-term credit lines for 5 years. The latter replaces a medium-term credit line contracted in 2003 for 75 million euro which was due to expire in March 2006. These lines had not been used at the end of December 2005;

f) on May 27, 2005 Ciments Français S.A. was granted a syndicated, unused credit line of 700 million euro at a variable rate for 5 years with two options to extend for a year. The group of participating banks consists of Calyon, HSBC, Natexis Banques Populaires and The Royal Bank of Scotland. This credit line substitutes that of 550 million euro contracted on December 5, 2003 which was due to expire in 2008;

g) on July 25, 2005 Suez Cement Company was granted a syndicated credit line of 1,500 million Egyptian lira, at a variable rate, for a duration of 13 months. The credit line, obtained to finance the acquisition of Asec Cement Company, was granted by a pool of local and international banks. At December 31, 2005 the amount used was 1,416 million Egyptian lira, or 206.7 million euro;

h) on December 27, 2005 Ciments Français S.A. obtained a syndicated loan of 158 million euro for a duration of 6 years. This loan consists of a tranche of 114 million euro at a variable rate and a tranche of 44 million euro at a fixed rate, repayable on expiry;

i) on April 29, 2002 Ciments Français S.A. obtained a syndicated loan at a variable rate for 109.5 million euro for a 6-year duration. This loan is repayable on expiry;

j) in 2001 Ciments Français S.A. obtained a medium-term loan that may be amortized over 5.5 years for an amount of 125 million euro. The loan is repayable in full on October 22, 2007;

k) during 2002, the loans of the Thai subsidiary Jalaprathan Public Cement Company Ltd obtained at the end of 1998, were refinanced, partly with a pool of banks and partly with infra-group loans. The 7-year bank loan for 30 million euro is at a fixed rate for the first two years. The repayment schedule is divided into 16 quarters, from February 2004 to November 2007.

Main debentures

a) Ciments Français S.A. covers its long-term financial requirements largely through the issue of debentures, in particular it issued on the European market a program of EMTN (Euro Medium Term Notes). The maximum authorized amount through this program is 1,000 million euro. At December 31, 2005, the notes issued as part of this program totaled approximately 365 million euro (see point c);

b) On March 3, 2005, Ciments Français S.A. issued a bonded loan of 50 million euro at a fixed rate of 3.496% for the duration of 5 years;

c) On July 10, 2002, Ciments Français S.A., as part of the EMTN program, with the assistance of BNP Paribas and Lehman Brothers issued a bonded loan of 350 million euro at a fixed rate of 5.875% lasting 7 years;

d) On November 15, 2002, Ciments Français S.A. issued in the United States, to private investors, a «Private Placement» bonded loan of 200 million US dollars. This loan is in two tranches: the first for 180 million US dollars lasting 10 years at a fixed rate of 5.63% and the second for 20 million US dollars for 12 years at the fixed rate of 5.73%. Of these 200 million dollars 150 were lent to the American subsidiary Essroc, while the remaining 50 million dollars were used to implement the Cross currency swaps;

e) On September 26, 1996, Ciments Français S.A. and its subsidiary Ciments Calcia issued a «Private Placement» bonded loan at a variable rate underwritten by American investors for 17.1 and 40.1 million dollars respectively. The loan, which can be amortized over 10 years, at December 31, 2005 totaled 17.2 million euro.

Floating rate subordinated securities (FRSS)

These are securities issued in 1990 by the subsidiaries Ciments Français S.A. and Unibeton S.A. for an original amount of 324.6 million euro. The securities have no expiry date and will only be repaid in the case of liquidation of the companies and subordinately to the repayment of other payables.
At the same time as the issue of the securities the subsidiaries made deposits with banks for the original amount of 73.4 million euro.
These payments, recorded under "Receivables and other non-current assets" (see note 7) together with the interest accrued, will represent a capital sum which, 15 years after the issue of the securities, will generate interest income equal to the interest payable to the underwriters of the securities issued. Interest payments are linked to the 6-month "Euribor" rate plus 0.75% for Ciments Français S.A. and 0.50% for Unibeton S.A.

The Group surpassed the 15 year period from the issue of the FRSS, respectively in June 2005 for Unibeton S.A. and in December 2005 for Ciments Français S.A. As from these dates the two companies continue to pay and receive, for an indefinite period, interest amounts which cancel each other out.

Financial instruments

Objectives and management policy for financial risks

The Italmobiliare Group operates in different sectors of industry and finance both nationally and internationally and consequently is subject to various types of financial risk.
The management of financial risks is an integral part of the Group's asset management. It is carried out at the level of each individual segment on the basis of the guidelines defined within the individual sectors depending on the type of business done. In order to optimize the risk/yield profile, the Group uses financial derivatives.

Derivatives by sector

	Nominal values				
(in thousands of euro)	Financial sector	Banking sector	Construction sector	Packaging sector	Total
Interest-rate derivatives	20,800		1,443,600	14,000	1,478,400
Exchange-rate derivatives	10,266	1,599,472	180,600		1,790,338
Share derivatives	65,070				65,070
Commodities derivatives		5,879			5,879
Total	**96,136**	**1,605,351**	**1,624,200**	**14,000**	**3,339,687**

Derivatives by expiry

	Nominal values				
(in thousands of euro)	< 1 year	1 - 2 years	2 - 5 years	> 5 years	Total
Interest-rate derivatives	370,300	179,800	761,500	166,800	1,478,400
Exchange-rate derivatives	1,740,338			50,000	1,790,338
Share derivatives	65,070				65,070
Commodities derivatives	5,879				5,879
Total	**2,181,587**	**179,800**	**761,500**	**216,800**	**3,339,687**

Market risks

The Group is exposed to market risks in relation to the typical operations of the individual sectors.

a) Interest-rate risk

The interest-rate risk depends on changes in market interest rates and can be shown as follows:

1. risk linked to the change in the market value of financial operations, receivables and payables, at a fixed rate. A change in rates affects the market value of assets and liabilities at fixed rates;
2. risk linked to future cash flows form financial operations, receivables and payables, at a variable rate. A change in rates affects, to a limited extent, the market value of the financial assets and liabilities at a variable rate, but can have an effect on the company's future results.

In the industrial companies interest rate risk management has the dual target of reducing lending costs to a minimum and of reducing the exposure to the risk of fluctuation.

In the finance companies and the banking sector interest-rate risk management is an integral part of their typical business and is carried out on the basis of investment and debt policies which are established by the respective company boards.

In the business of interest-rate risk management the Group uses derivatives such as Interest Rate Swaps and Forward Rate Agreements. The hedging operations with an optional component are often asymmetric collar operations. Since such operations are generally at zero cost, the net result from the sale of options does not in any case exceed the value of the underlying element (financial statement exposure, future transaction or fixed commitment).

Net debt at origin and following interest-rate risk hedging

At December 31, 2005, 65% of the Group's financial liabilities (excluding the assets and liabilities which are not sensitive to interest-rate movements) are at a fixed rate or limited to the rise in rates.

(in millions of euro)	
Situation at 12.31.05	
Financial liabilities at fixed rate	(712)
Financial assets at fixed rate	117
Net fin. position at fixed rate at origin	(595)
Fixed rate/variable rate hedges	162
Fixed rate/variable rate hedges	(886)
Net fin. position following hedging	(1,319)
Financial liabilities at variable rate	(2,808)
Financial assets at variable rate	1,363
Net fin. position at variable rate	(1,445)
Fixed rate/variable rate hedges	(162)
Fixed rate/variable rate hedges	886
Net fin. position at variable rate after hedges	(721)
Other derivatives not subject to interest-rate risk	144
Total net financial position	**(1,896)**

b) Exchange-rate risk

The various Group companies are structurally exposed to the risk of exchange-rate fluctuations on cash flows from operating activities and financing activities denominated in currencies other than the reporting currency used by each Group company. Exposure refers mainly to US dollar solid fuel purchases, US dollar exports of cement and clinker by some subsidiaries (Bulgaria, Thailand, Egypt), and borrowings denominated in US dollars transacted by Ciments Français S.A.

The Group hedges these risks with forward currency purchase and sale contracts, as well as currency put and call options. The hedging operations with an optional component are mainly realized by suing asymmetric corridor type structures. As such transactions are generally at zero cost, the net result of the sale of options never exceeds the value of the underlying element (financial statement exposure, future transaction or fixed commitment). The Group does not transact forward and option contracts for speculative purposes.
The impact of the conversion of foreign currencies on the share capitals of their subsidiaries is recorded under a specific heading in shareholders' equity. For Group companies based in countries with high inflation, the impact of the conversion on the net monetary position and on the results is recorded on the income statement.
The exposure to exchange rate risk under shareholders' equity is mainly due to the American dollar, the Swiss franc, the Thai baht, the Moroccan dirham, the Egyptian lira and the Indian rupee. Investments in these Group companies are not subject to any hedge cover.

Exchange-rate hedging

Here below are the exchange-rate hedging operations valued at closing rates:

(in millions of euro)

Situation at 12.31.05	Cash flow	Fair value	Trading	Total
Forward purchases				
US dollars	21.0	3.1	37.9	62.0
Swiss francs			340.0	340.0
Other			6.6	6.6
Total	**21.0**	**3.1**	**384.5**	**408.6**
Forward sales				
US dollars		6.0	5.8	11.8
Swiss francs			351.2	351.2
Other				
Total		**6.0**	**357.0**	**363.0**
Cross Currency swap				
Other	55.4		902.1	957.5
Total	**55.4**		**902.1**	**957.5**
Options				
US dollars	35.0	0.8	9.0	44.8
Other			16.4	16.4
Total	**35.0**	**0.8**	**25.4**	**61.2**
Total	**111.4**	**3.9**	**1,312.0**	**1,790.3**

c) Risk on raw materials
The Group is exposed to price risk in relation to raw materials and energy products used by the industrial sectors.
The risks are therefore managed at the individual sector level through the diversification of sources of supply. Currently the Group does not use derivatives to cover this risk.

Emission rights

In June 2005, IFRIC 3 relating to the accounting treatment of emission rights was withdrawn by the IASB. While waiting for a new text the Group has decided, as a transitory accounting treatment, to adopt the so-called net method which leads to a provision should the emissions produced be higher than the quotas allocated.
In 2005 the deficit/surplus of the various legal entities was not offset.

The European Directive on trading of emission quotas for greenhouse gasses concerns for the Group the production of cement in Italy, France, Belgium, Spain, Greece, electric from combustion (Italy-Italgen S.p.A.) and from lime (France-Socli S.A.); as of today all the national allocation plans (NAPs) have been approved for a period of three years.
In reference to 2005, the following table shows the allocations assigned to the Group installations, the estimate of the quotas issued and the net surplus or deficit. The deficit, which represents the emissions exceeding the allocated quotas, is valued at the market value of December 30, 2005 at 21.19 euro per share (Powernext Carbon spot price), the overall value of 14.0 million euro is set aside under non-current reserves.

	CO_2 2005 emissions			
(in kt)	Estimate of quotas issued	Quotas allocated	Surplus/ (deficit)	Deficit in M€
Italy - cement plants	8,224	7,682	(542)	(11.5)
Italy - Italgen	110	207	97	
France - cement plants	4,150	4,060	(90)	(1.9)
France - Socli lime	43	75	32	
Belgium	1,519	1,490	(29)	(0.6)
Spain	1,496	1,688	192	
Greece	545	545		
Total	**16,087**	**15,747**	**(340)**	**(14.0)**

During 2005 the Group did not undertake any acquisitions and/or sales of emission rights, and likewise the deficits/surpluses of the various legal entities were not offset.
At March 3, 2006, the spot price recorded on the international market of the so-called rights was € 26.43 per quota; consequently the related payable for emissions exceeding the issued quotas increased by 3.5 million euro.

d) Price risk on listed shares
The Group is exposed to market fluctuations for unconsolidated listed shares held in the portfolio.

(in thousands of euro)	12.31.2005	01.1.2005	Change
AFS equity investments	1,137,044	906,199	230,845
Shares for trading	53,172	30,814	22,358
Overall exposure	**1,190,216**	**937,013**	**253,203**

The Group's financial companies use derivatives (call/put options, equity swaps) of 65.1 million euro overall in order to maximize returns.

Credit risk

a) Credit risk
In compliance with Group procedures, customers who use extended payment terms are subjected to checks on their creditworthiness both before and during the duration of the receivable through the monitoring of customer balances by administrative functions dedicated to this task. For this reason the Group's exposure to credit risk is not considered significant.

b) Counterpart risk
The exchange and interest rate instruments are negotiated solely with counterparts with high ratings. The counterparts are chosen on the basis of various criteria: the rating attributed by specialist agencies, their assets and resources as well as the nature and duration of the transactions. Generally they are leading national and international banks.
No financial instrument is negotiated with counterparts located in geographical areas at political or financial risk (all the counterparts are in Western Europe or in the United States).

Liquidity risk

The Group's objective is to maintain a level of debt that can ensure a balance between the average duration of loans, and the flexibility and diversification of the sources of supply. To achieve this objective the Group negotiates confirmed credit lines and puts into place a range of sources of financing (bank overdrafts, loans, debentures, credit line draw downs, commercial paper, financial leasing and factoring of receivables).
The Group's policy aims to ensure that at any moment the debt falling due within 12 months is less than or equal to the unused confirmed credit lines of more than one year.
Besides the usual clauses, some of the Group's loan contracts have covenants linked to the due observation of some financial indices. However, no loan contract has covenants which could lead to early repayment or an increase in the interest rate following the lowering of ratings (rating triggers).
The following table shows the debt by expiry compared to the unused credit lines and the available liquid funds.
Al December 31, 2005:

	Expiry				
(in millions of euro)	< 1 year	1-2 years	2-5 years	More than 5 years	Total
Total financial payables	**1,140**	**180**	**1,353**	**860**	**3,533**
Confirmed available credit lines	1,836	1,522	220		3,578
Cash and cash equivalents	518				518

Covenants

Besides the usual clauses, some of the Group companies' loan contracts have covenants linked to the respecting of some financial indices. However, no loan contract has covenants which could lead to early repayment or an increase in the interest rate following the lowering of ratings (rating triggers).

Fair value of derivative financial instruments

The fair value of the financial instruments in the financial statements, subdivided by type of hedge, is shown below:

	December 31, 2005		January 1, 2005	
(in thousands of euro)	Assets	Liabilities	Assets	Liabilities
Derivatives on interest rates to hedge cash flows	167	32	766	18,108
Derivatives on interest rates to hedge fair value				
Derivatives on trading interest rates	1,323	874	121	710
Derivatives on interest rates	1,490	906	887	18,818
Derivatives on exchange rates to hedge cash flows	1,105	284	927	1,576
Derivatives on exchange rates to hedge fair value	163	107	85	
Derivatives on trading exchange rates	167	332	203	217
Derivatives on exchange rates	1,435	723	1,215	1,793
Total current instruments	2,925	1,629	2,102	20,611
Derivatives on interest rates to hedge cash flows	2,133	8,527	210	5,770
Derivatives on interest rates to hedge fair value	9,702		12,486	
Derivatives on interest rates	11,835	8,527	12,696	5,770
Derivatives on exchange rates to hedge cash flows				
Derivatives on exchange rates to hedge fair value		7,616		13,696
Derivatives on exchange rates		7,616		13,696
Total non-current instruments	11,835	16,143	12,696	19,466
Banking derivatives - forward	2,833	2,738	6,486	6,262
Banking derivatives - options	501	503	1,987	1,988
Banking derivatives	3,334	3,241	8,473	8,250
Total	**18,094**	**21,013**	**23,271**	**48,327**

Value of financial assets and liabilities

The following table shows the comparison by category of financial assets and liabilities between the carrying value and the fair value at December 31, 2005:

	December 31, 2005	
(in millions of euro)	Fair Value	Carrying amount
Financial assets		
Cash and cash equivalents	518.2	518.2
Current derivative instruments	14.8	14.8
Trade receivables	1,333.4	1,333.4
Bank deposits linked to FRSS	327.7	327.7
Equity investments in other companies	1,375.8	1,375.8
Other financial assets	803.7	803.7
Total	4,373.6	4,373.6
Financial liabilities		
Trade payables	745.4	745.4
Derivatives	17.8	17.8
Floating rate subordinated securities	327.7	327.7
Finance lease payables	7.0	7.0
Variable rate financial payables	3,181.0	3,180.8
Total	**4,278.9**	**4,278.7**

Trade receivables and payables are short term and their carrying amount represents a reasonable approximation of their fair value. Derivatives are accounted for and valued on the basis of their fair value. The fair value of interest rate contracts is determined on the basis of the discounted flows by using the zero coupon curve.
The fair value of contracts for the acquisition of forward currency is calculated with reference to the current exchange rates of contracts which have similar expiry conditions.
The fair value of payables and receivables in foreign currency is valued at the closing exchange rate for the period. The fair value of payables and receivables at fixed rates is determined by a fixed rate without any loan margin, net of the transaction costs which are directly attributable to the financial assets and liabilities.

19) Provisions

Non-current and current provisions totaled 324,050 thousand euro at December 31, 2005 and rose by 72,158 thousand euro compared with January 1, 2005:

(in thousands of euro)	Opening amount	Additions	Decreases	Translation differences	Other changes	Total changes	Closing amount
Tax risks	39,040	7,586	(16,488)	75	39,463	30,636	69,676
Restoration of quarries	73,480	10,673	(9,033)	2,898	2,911	7,449	80,929
Legal disputes	14,303	10,063	(5,568)	599	14,773	19,867	34,170
Other provisions	125,069	51,304	(26,423)	4,681	(15,356)	14,206	139,275
Total	**251,892**	**79,626**	**(57,512)**	**8,253**	**41,791**	**72,158**	**324,050**
Non-current portion	250,132						322,708
Current portion	1,760						1,342
Total	**251,892**						**324,050**

Provisions for tax risks

These totaled 69,676 thousand euro and reflect provisions for tax-related liabilities that are considered probable as a result of tax audits and adjustments to tax returns; adequate provision for tax has been made with respect to tax audits notified to Group companies during the year that are considered probable and well founded.
Other changes of 39,463 thousand euro mainly refers to tax disputes at the Suez Group owing to its entry into the consolidation area.

Other provisions

Other provisions include provisions of various types, including provisions for the restoration of urban and industrial areas, provisions for disputes with employees and the provision for the deficit on CO_2 emissions (see the following note on "Emission rights").
"Other provisions" also includes the provision for the reorganization plan, announced during the 4th quarter of 2005, for the French administrative and commercial structures. At December 31, 2005, this provision totaled 16.9 million euro and the provision made was recorded on the income statement under "Other income and charges" (see note 29).

20) Deferred tax liabilities

Total deferred tax liabilities, net of deferred tax assets, totaled 315,509 thousand euro at December 31, 2005, as follows:

(in thousands of euro)	January 1, 2005	Profit	Other changes	December 31, 2005
Tax benefit on losses to be carried forward	29,497	(4,938)	3,000	27,559
Property, plant and equipment	(306,549)	(15,817)	(88,273)	(410,639)
Equity investments in other companies	(867)	(75)	(21,643)	(22,585)
Inventories	(16,637)	(2,893)		(19,530)
Financial payables	(60,800)	60,800		
Non-current provisions and employee benefits	85,930	8,912	9,400	104,242
Other	**(18,277)**	**24,948**	**(1,227)**	**5,444**
Total	(287,703)	70,937	(98,743)	(315,509)
of which:				
Deferred tax assets	(322,286)			(346,551)
Deferred tax liabilities	34,583			31,042
Total	**(287,703)**			**(315,509)**

Other changes refers to deferred taxes on profits and losses recorded directly against shareholders' equity, the change in the consolidation area (due essentially to the consolidation of the Egyptian companies, deferred tax liabilities of 65.6 million euro) and translation differences.
The unrecognized total in the financial statements of deferred taxes relating to the losses in the year and in previous years is approximately 87.6 million euro (89.9 million euro at January 1, 2005) and relates to losses made by Group companies for which the prospects of a possible recovery are not currently high.

21) Trade payables

This was as follows:

(in thousands of euro)	December 31, 2005	January 1, 2005	Change
Payables due to suppliers	686,046	630,829	55,217
Bills payable	45,123	45,859	(736)
Other trade payables	14,196	3,767	10,429
Net amount	**745,365**	**680,455**	**64,910**

22) Tax payables

These totaled 63,288 thousand euro (39,778 thousand euro at January 1, 2005) and refer to the payable due to the tax authorities for income taxes accrued in the year.

23) Other liabilities

(in thousands of euro)	December 31, 2005	January 1, 2005	Change
Payables due to employees	100,316	84,141	16,175
Payables due to social security institutions	59,073	52,206	6,867
Payables due to tax authorities	68,010	62,703	5,307
Accrued liabilities and deferred income	17,823	17,156	667
Derivatives	1,629	20,611	(18,982)
Other payables	362,479	333,218	29,261
Total	**609,330**	**570,035**	**39,295**

Other payables include payments on account from customers, suppliers for assets and payables for the acquisition of equity investments and shares.

Dealings with related parties

Dealings with related parties are illustrated in the Directors' Report on Operations.

Payments to directors and the Chief Operating Officer

Here below are the payments made during the year to directors and to the Chief Operating Officer of Italmobiliare S.p.A. for the roles covered in the Group:

(in thousands of euro)	2005	2004	Change
Short-term benefits: wages and salaries	7,396	7,076	320
Post-employment benefits: provision for emp. leaving entitlements and TFM	1,845	1,224	621
Other long-term benefits: long-service bonusses and incentives	45	13	32
Stock options	1,122	483	639
Total	**10,408**	**8,796**	**1,612**

Investments in joint ventures

The Group's most significant joint ventures are the Indian companies Zuari Cement Co. and its subsidiary Sri Vishnu.
The interest recorded in the Group consolidated financial statements in the assets and liabilities and net sales and expense of the two companies is shown below:

(in millions of euro)	December 31, 2005	January 1, 2005
Current assets	9.2	8.3
Non-current assets	74.3	65.8
Total assets	**83.5**	**74.1**
Accrued liabilities and deferred income	22.9	15.4
Other payables	11.5	17.1
Total liabilities	**34.4**	**32.5**

(in millions of euro)	2005	2004
Net sales	49.0	38.9
Expense	(49.1)	(41.6)
Pre-tax income	**(0.1)**	**(2.7)**

At December 31, 2005 the Group had commitments totaling 10.4 million euro in relation to mortgage on the assets of the Indian companies.

Companies operating in hyperinflationary economies

The financial statements of the Turkish companies are set out in the local currency and then translated into euro as indicated in the section on accounting policies.
The trend in the index used for the reindexing of the Turkish lira is shown below:

Index	Value at December 31, 2005	Change 2005	Change 2004
Wholesale prices *	8,785.74	4.5%	13.8%

* Wholesales Price Index (WPI)

Commitments

(in millions of euro)	December 31, 2005	January 1, 2005
Guarantees provided	180.0	140.9
Deposits, guarantees, commitments etc.	217.9	120.9
Total	**397.9**	**261.8**

At December 31, 2005, guarantees provided mainly consisted of mortgages guaranteeing loans at the Thai and Indian subsidiaries and part of the borrowings of Asec Cement Company. The increase compared with 2004 is due to the consolidation of Asec Cement Company.

Following application of IAS 32-39, as from January 1, 2005 disposals of receivables have been re-recognized in the financial statements with the recording under liabilities of a guaranteed financial payable, of which the total at December 31, and at January 1, 2005 was 145 million euro.

Following the acquisition of Devnya Cement AD (Bulgaria) in 1988 the Group undertook to make investments totaling 100 million dollars over 10 years. The outstanding commitment at December 31, 2005 was 4.5 million US dollars.
As a result of the transaction through which control of the Suez Cement Company was acquired, the Group undertook to make investments of not less than 1 billion Egyptian lira (approximately 130 million euro) over the next ten years, for modernization work, extensions and environmental protection measures at the Suez and Tourah production sites.

Finter Bank Zürich provided guarantees for third parties, but on behalf of its own customers, for 17,309 thousand Swiss francs, against which customers made deposits to cover any waiver of the guarantees issued by Finter Bank Zürich.

Income statement

24) Net sales

Net sales from sales and services totaled 5,265,696 thousand euro, as follows:

(in thousands of euro)	2005	2004	Change	% change
Industrial net sales				
Product sales	4,995,064	4,530,556	464,508	10.3
Revenues from services	155,590	142,109	13,481	9.5
Other revenues	11,410	8,711	2,699	31.0
Total	**5,162,064**	**4,681,376**	**480,688**	**10.3**
Financial net sales				
Interest	14,428	17,825	(3,397)	-19.1
Dividends	31,092	24,711	6,381	25.8
Capital gains	5,119	3,240	1,879	58.0
Other revenues	6,449	2,423	4,026	166.2
Total	**57,088**	**48,199**	**8,889**	**18.4**
Banking net sales				
Interest	6,052	6,814	(762)	-11.2
Commissions	33,527	30,432	3,095	10.2
Other revenues	5,691	4,884	807	16.5
Total	**45,270**	**42,130**	**3,140**	**7.5**
Property and services net sales	**1,274**	**1,249**	**25**	**2.0**
Total	**5,265,696**	**4,772,954**	**492,742**	**10.3**

25) Goods and utlitly expense

This totaled 1,819,620 thousand euro, as follows:

(in thousands of euro)	2005	2004	Change	% change
Raw materials and semi-finished goods	590,200	547,499	42,701	7.8
Fuel	343,320	285,942	57,378	20.1
Packaging, materials and machinery	306,931	258,025	48,906	19.0
Finished goods	225,274	176,271	49,003	27.8
Electricity, water, gas	369,904	298,959	70,945	23.7
Change in inventories of raw materials, consumables and other	(16,009)	(26,319)	10,310	-39.2
Total	**1,819,620**	**1,540,377**	**279,243**	**18.1**

26) Services expense

Services expense was 1,261,064 thousand euro and referred to:

(in thousands of euro)	2005	2004	Change	% change
External services and maintenance	425,949	390,018	35,931	9.2
Transport	525,164	488,891	36,273	7.4
Legal fees and consultancy	54,235	46,934	7,301	15.6
Rents	85,517	79,829	5,688	7.1
Insurance	40,988	38,636	2,352	6.1
Subscriptions	9,945	9,691	254	2.6
Other	119,266	112,268	6,998	6.2
Total	**1,261,064**	**1,166,267**	**94,797**	**8.1**

27) Employee benefits expense

Total employee benefits expense was 910,501 thousand euro, as follows:

(in thousands of euro)	2005	2004	Change	% change
Wages and salaries	579,314	540,295	39,019	7.2
Social security contributions	199,677	187,077	12,600	6.7
Provisions and pension funds	28,946	34,488	(5,542)	-16.1
Cost of stock option plans	2,953	1,350	1,603	118.7
Other expense	99,611	77,289	22,322	28.9
Total	**910,501**	**840,499**	**70,002**	**8.3**

"Other expense" relates mainly to the cost of supply personnel, canteen costs, employee insurance costs, and personnel training and recruitment.

The number of employees is shown below:

(in heads)	2005	2004	Change
Number of employees at period end (*)	22.857	18.345	4.512
Average number of employees (*)	21.304	18.541	2.763

(*) includes personnel of the Suez Group companies as from April 1, 2005 and of ASEC as from August 1, 2005

28) Other operating income/(expense)

Other operating expense net of other operating income totaled 164,572 thousand euro, as follows:

(in thousands of euro)	2005	2004	Change	% change
Other taxes	65,440	64,754	686	1.1
Provision for bad debts	11,988	9,537	2,451	25.7
Provision for environmental restoration - quarries	26,319	22,880	3,439	15.0
Other expense	63,978	51,487	12,491	24.3
Other income	(3,153)	(4,173)	1,020	-24.4
Total	**164,572**	**144,485**	**20,087**	**13.9**

29) Other income/(expense)

Other expense net of other income was 14,386 thousand euro (income of 12,276 thousand euro at December 31, 2004), as follows:

(in thousands of euro)	2005	2004	Change	% change
Capital gains (losses) for assets	23,987	17,617	6,370	36.2
Provision for reorganization in France/Belgium	(20,345)		(20,345)	
Restructuring expense Tourah - Egypt	(17,243)		(17,243)	
Ready-mixed concrete fine Italy	1,000	(11,850)	12,850	-108.4
Other	(1,785)	6,509	(8,294)	-127.4
Total	**(14,386)**	**12,276**	**(26,662)**	**-217.2**

The item referring to the reorganization in France/Belgium for 20.3 million euro consists of the allocation to the reserve for company reorganization of 16.9 million euro (see note 19 “Other provisions”), the allocation to the reserve for early retirement of 7.2 million euro and the release of the early retirement reserve of 3.8 million euro (see note 17 “Benefits due to employees”).

30) Amortization and depreciation

The overall amount of 379,226 thousand euro (315,446 thousand euro at December 31, 2004) refers to depreciation of property, plant and equipment for 351,008 thousand euro (289,375 thousand euro at December 31, 2004) and the amortization of intangible assets for 28,118 thousand euro (26,071 thousand euro at December 31, 2004).

31) Finance costs, net

Finance costs, net of finance income amounted to 35,666 thousand euro, as follows:

(in thousands of euro)	2005	2004	Change	% change
Interest received	37,972	35,900	2,072	5.8
Interest paid	(118,327)	(117,268)	(1,059)	0.9
Net interest in relation to net fin. position	**(80,355)**	**(81,368)**	**1,013**	**-1.2**
Gains/(losses) from interest rate hedges	898		898	
Gains/(losses) from exchange rate hedges	516		516	
Translation differences	10,431	(6,167)	16,598	-269.1
Gains/(losses) on net monetary position in Turkey	1,029	6,658	(5,629)	-84.5
Dilution in Suez Cement Company share capital	7,992		7,992	
Net dividends	14,895	11,278	3,617	32.1
Capital gains on disposal of equity investments	8,239	3,103	5,136	165.5
Revaluations and writedowns	11,545	16,267	(4,722)	-29.0
Other net financial income/(charges)	(10,856)	(15,693)	4,837	-30.8
Total	**(35,666)**	**(65,922)**	**30,256**	**-45.9**

Net finance expense fell markedly from 65.9 million euro in 2004 to 35.7 million euro in 2005. This decrease was mainly due to the translation difference and the profit recorded following transactions to sell and dilute the equity investment in Suez Cement Company.

Net interest for 2005 related to the net debt was almost identical to that for 2004: 80.4 million euro in 2005 (81.4 million euro in 2004); excluding the impact of the acquisition in Egypt (financing for the operations and local finance charges of 16.2 million euro) the net finance expense fell by 17.2 million euro. The improvement was due to the decrease in average debt and the optimization of the debt structure.

The capital gains on equity investments include the capital gain of 7.0 million euro in relation to the sale, by Italcementi S.p.A., of the equity investment in Gemina S.p.A.

32) Share of results of associates

(in thousands of euro)	2005	2004	Change	% change
Suez Group (Egypt)	11,748	10,618	1,130	10.6
Vassiliko (Cyprus)	3,918	3,419	499	14.6
Ciment Quebec (Canada)	5,130	6,702	(1,572)	-23.5
Mittel (Italy)	2,122	2,252	(130)	-5.8
Universal imballaggi (Italy)	2	43	(41)	-95.3
Immobiliare Golf (Italy)	(59)	(38)	(21)	55.3
Other	(2,183)	(675)	(1,508)	223.4
Total	**20,678**	**22,321**	**(1,643)**	**-7.4**

33) Income tax expense

Income tax expense for the year of 201,015 thousand euro was as follows:

(in thousands of euro)	2005	2004	Change	% change
Current tax	279,977	254,551	25,426	10.0
Deferred tax	(70,937)	17,557	(88,494)	-504.0
Prior-year tax and other net prior-year fiscally driven items	(8,025)	(5,284)	(2,741)	51.9
Total	**201,015**	**266,824**	**(65,809)**	**-24.7**

The reduction in tax of 65.8 million euro includes an extraordinary positive effect of 42.8 million euro due to the application of the tax treatment of the FRSS established in France in the "Loi de finances 2006"; this led to the recovery of some deferred tax liabilities which had previously been set aside for 69.8 million euro against tax due for 2005 of 27 million euro. The national income tax rate, IRES, applied by the parent company on its estimated taxable income for the year was 33% (as in 2004), while the taxes for the other jurisdictions where the Group operates, are calculated in accordance with the tax rates in force in those countries.

The reconciliation between the theoretical income tax charge and that shown in the income statement was as follows:

(in thousands of euro)		2005
Consolidated pre-tax income		**807,077**
Current IRES (income tax) rate		33.0%
Theoretical tax		**(266,335)**
Effect of the reduction in the rate for tax relief and assistance		4,483
Tax effect on the permanent differences:		
- foreign dividends and other exempt income		31,633
- non-deductible costs		(15,949)
Taxable amounts at rates other than the current IRES rate		858
Net effect in the year of deferred tax assets and liabilities not recorded on termporary differences		633
Effect of the change in tax duty rates		(4)
Withholdings on foreing dividends		(4,764)
Effect of changes in estimate and/or recording of previously unrecorded deferred tax		2,549
Effect of the difference between the Italian and foreign tax rate		17,324
Net tax on FRSS		42,800
Other tax		4,139
Effective tax on income	**22.6%**	**(182,633)**
Effective IRAP (local manufacturing) tax charge		(18,382)
Effective tax charge recorded on the income statement		**(201,015)**

34) Earnings per share

Earnings per share at December 31, 2005 and 2004 is determined on the Parent Company result for the periods under review, and is stated separately for savings shares and for ordinary shares.

Basic earnings per share

Basic earnings per share is calculated by dividend the net profit for the year attributable to ordinary and savings shareholders, by the weighted average number of both ordinary and savings shares in circulation during the year. The earnings attributable to savings shares is increased compared with that for ordinary shares by 3% of the nominal value of the shares.

The table below shows the weighted average number of shares and the net attributable earnings:

	2005		2004	
(in thousands of shares)	ordinary shares	savings shares	ordinary shares	savings shares
No. of shares at January 1	22,183	16,343	22,183	16,343
Treasury shares at January 1	(893)	(28)	(890)	(28)
Weighted average number of treasury shares purchased during the period	(7)		(2)	
Total	**21,283**	**16,315**	**21,291**	**16,315**
Net earnings attributible in thousands of euro	**118,886**	**92,404**	**107,705**	**83,805**

The net earnings attributable by type of share was determined as follows:

(in thousands of euro)	2005 ordinary shares	2005 savings shares	2004 ordinary shares	2004 savings shares
Earnings reserved for savings shareholders (0.078 euro per share)		1,273		1,273
Residual earnings divided among all the shares	118,886	91,131	107,705	82,532
Total	**118,886**	**92,404**	**107,705**	**83,805**

Diluted earnings per share

Diluted earnings per share is calculated in the same way as basic earnings per share, taking account of the dilution caused by underwriting options.

The table below shows the average weighted number of shares and the net earnings attributable:

(in thousands of shares)	2005 ordinary shares	2005 savings shares	2004 ordinary shares	2004 savings shares
Average weighted number of shares at December 31	21,283	16,315	21,291	16,315
Dilution for underwriting options	51		14	
Total	**21,334**	**16,315**	**21,305**	**16,315**
Net earnings attributible in terms of diluted earnings per share in thousands of euro	119,009	92,281	107,735	83,775

The net earnings attributable by the type of share were calculated as follows:

(in thousands of euro)	2005 ordinary shares	2005 savings shares	2004 ordinary shares	2004 savings shares
Earnings reserved for savings shareholders (0.078 euro per share)		1,273		1,273
Residaul earnings divided among all shares	119,009	91,008	107,735	82,502
Total	**119,009**	**92,281**	**107,735**	**83,775**

Statement of cash flows

B) Cash flows from investments

Investments in equity net of liquid assets acquired

The following table shows the main equity investments made by the Group during 2005:

(in millions of euro)	Equity investments	Liquid assets acquired	Net
Suez Cement Company	105.8	58.3	47.5
Asec Cement Company	491.3	6.1	485.2
Ciments Français S.A. (*)	70.8		70.8
Cementificio di Montalto S.p.A.	38.8		38.8
Cemill S.p.A.	20.5		20.5
Calcestruzzi Lamon Beton S.p.A.	10.5		10.5
Capitalia S.p.A.	13.7		13.7
Mittel S.p.A.	8.7		8.7
GIM Generale Industrie Metallurgiche S.p.A.	6.1		6.1
Other	7.6	0.1	7.5
Total	**773.8**	**64.5**	**709.3**

(*) including treasury shares

Post balance sheet events

Post balance sheet events are described in the Directors' report on operations.

Annexes

Annex 1

Consolidated on a line-by-line basis

Parent company	Country
Italmobiliare S.p.A. - Capogruppo	**Italy**
Aliserio S.r.l.	Italy
Azienda vendite Acquisti A.V.A. S.r.l.	Italy
Axim Italia S.r.l.	Italy
BravoBus S.r.l.	Italy
BravoSolution S.p.A.	Italy
C.T.G. S.p.A.	Italy
Calcementi Jonici S.r.l.	Italy
Calcestruzzi S.p.A.	Italy
Cemencal S.p.A.	Italy
Cementi e calci di S. Marinella S.r.l.	Italy
Cementificio di Montalto S.p.A.	Italy
E.I.C.A. S.r.l.	Italy
E.S.A. Monviso S.p.A.	Italy
Franco Tosi S.r.l. (Ex Intermobiliare S.r.l.)	Italy
Gruppo Italsfusi S.r.l.	Italy
Intercom S.r.l.	Italy
Intertrading S.r.l.	Italy
Italcementi S.p.A.	Italy
Italmobiliare Servizi S.r.l.	Italy
Italgen S.p.A.	Italy
Italsintex S.p.A.	Italy
ITC - Factor S.p.A.	Italy
Nuova Sacelit S.r.l.	Italy
Populonia Italica S.r.l.	Italy
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Italy
SAMA S.r.l.	Italy
SICIL.FIN. S.r.l.	Italy
Silos Granari della Sicilia S.r.l.	Italy
Sirap Gema Insulation Systems S.r.l.	Italy
Sirap Gema S.p.A.	Italy
S.r.l. Nuove Costruzioni Edilizie Sance	Italy
Società del Gres ing. Sala S.p.A.	Italy
Speedybeton S.p.A.	Italy
Terminal Riuniti S.r.l.	Italy
Arena S.A.	France
Axim S.A.	France
BCE S.A.	France
BCEAP S.n.c.	France
Béton Controle de l'Adour S.A.	France
Béton Controle du Pays Basque S.A.	France
Bonafini S.A.	France
BravoSolution France S.a.s.	France
Chatelet S.A.	France

Annex 1 (continued)

Parent company	Country
Ciments Calcia S.A.	France
Ciments du Littoral S.A.	France
Ciments Français S.A.	France
Ciments Français Participations S.n.c.	France
Compagnie Financière et de Participations S.A.	France
Decoux S.A.	France
Essroc International	France
Eurarco France S.A.	France
Finter Bank France S.A.	France
Granulats de la Drôme S.a.s.	France
Granulats et Sables Marins S.a.s.	France
Granulats ouest - GO	France
GSM S.A.	France
Immobilière des Technodes S.A.	France
Investcim S.A.	France
Johar S.A.	France
Larricq S.A.	France
Menaf	France
Raingeard Carrières Bétons et Compagnie S.n.c.	France
Sables d’Armor S.a.s.	France
Sables et Graviers de la Garonne GIE	France
Sadecib S.A.	France
Sax S.a.s.	France
Sirap Gema France S.a.s.	France
Soc. Civile Française de Participations Financières et Immobilières in liquidation	France
Société Civile Immobilière Berault	France
Soc. Civile Immobilière d'Investissement et de Placement	France
Soc. Civile Immobilière Le Manet in liquidazione	France
Soc. Civile Particulière Immobail	France
Société Internationale Italcementi France S.a.s.	France
Socli S.A.	France
Sodecim S.a.s.	France
Ste d’Investissement & de Participations du Littoral	France
Technodes S.a.s.	France
Tercim S.A.	France
Tragor S.A.	France
Tratel S.A.	France
Unibéton S.A.	France
Unibéton Var S.a.s.	France
Uniwerbéton S.a.s.	France
V.B.H. S.n.c.	France
Ath Béton	Belgium
Compagnie des Ciments Belges S.A.	Belgium
Compagnie Financière des Ciments S.A.	Belgium
De Paepe Béton N.V.	Belgium
Sirap Gema International S.A. in liquidation	Belgium
Trabel Transports S.A.	Belgium

Parent company	Country
Petruzalek gesellschaft mbH	Austria
Sirap Gema GmbH in liquidation	Germany
Domiki Beton S.A.	Greece
ET Béton	Greece
Halyps Building Materials S.A.	Greece
BravoSolution UK Ltd	Great Britain
Italmobiliare International Finance Ltd	Ireland
Kayward Limited in liquidation	Ireland
Ciments Français International S.A.	Luxembourg
Sirap Gema Finance S.A.	Luxembourg
Société de Participation Financières Italmobiliare S.A.	Luxembourg
Société Internationale Italcementi (Luxembourg) S.A.	Luxembourg
Soparfinter S.A.	Luxembourg
Crédit Mobilier de Monaco	Monaco
Société d'Etudes de Participations et de Courtages	Monaco
Italmobiliare International BV	Holland
Ciments Français Europe N.V.	Holland
Petruzalek spol S.r.o.	Czech Rep.
Petruzalek spol S.r.o.	Slovak Rep.
Petruzalek d.o.o.	Slovenia
BravoSolution Espana S.A.	Spain
Cementos Capa S.L.	Spain
Centro Administrativo y de Servicios de Malaga S.A.	Spain
Compania General de Canteras S.A.	Spain
Hormigones y Minas S.A.	Spain
Inversiones e Iniciativas en Aridos S.L.	Spain
Sociedad Financiera y Minera S.A.	Spain
Ventore S.L.	Spain
Hungaropack Kft	Hungary
Petruzalek Kft	Hungary
Eurotech Cement S.h.p.k.	Albania
Petruzalek d.o.o.	Bosnia

Annex 1 (continued)

Parent company	Country
Bulgariapack GmbH	Bulgaria
Devnya Cement A.D.	Bulgaria
Marvex	Bulgaria
Vulkan A.D.	Bulgaria
Petruzalek d.o.o.	Croatia
Petruzalek Com S.r.l.	Romania
Petruzalek d.o.o.	Serbia
Fincomind AG	Switzerland
Finconsult AG	Switzerland
Finter Bank Zürich S.A.	Switzerland
Interbulk Trading S.A.	Switzerland
Petruzalek o.o.o.	Ukraine
Arrowhead Investment Company	USA
Axim Concrete Technologies Inc.	USA
Berkeley Resource Recovery Ltd	USA
Capitol Cement Corporation	USA
Consumer Materials Inc.	USA
ES Cement Co.	USA
Essroc Cement Corp.	USA
Essroc Corporation	USA
Essroc Puerto Rico Holdings Inc.	USA
Greyrock Inc.	USA
Greyrock WV Inc.	USA
IPTP Corporation	USA
Nadco Inc.	USA
Riverton Corporation	USA
Riverton Investment Corporation	USA
Riverton Lime&Stone Co. Inc.	USA
Tomahawk Inc.	USA
Essroc San Juan Inc.	Puerto Rico (USA)
155290 Canada Inc.	Canada
168232 Canada Inc.	Canada
168233 Canada Inc.	Canada
168257 Canada Inc.	Canada
Axim Concrete Technologies (Canada) Inc.	Canada
Essroc Canada Inc.	Canada
Asia Cement Products Co., Ltd	Thailand
Asia Cement Public Co., Ltd	Thailand

Parent company	Country
Jalaprathan Cement Public Co, Ltd	Thailand
Jalaprathan Concrete Products Co, Ltd	Thailand
Naga Property Co.	Thailand
Vaniyuth Co. Ltd	Thailand
Vesprapat Holding Co, Ltd	Thailand
Suez Bag Company	Egypt
Suez Cement Company	Egypt
Tourah Portland Cement Co.	Egypt
Axim Maroc	Morocco
Betomar S.A.	Morocco
Ciments du Maroc	Morocco
Industrie Sakia el Hamra "Indusaha" S.A.	Morocco
Procimar S.A.	Morocco
Finter Bank & Trust Ltd	Bahamas
Gacem Company Limited	Gambia
International Cement Traders Ltd	Sri Lanka
Mauritano-Française des Ciments	Mauritania
Italmed Cement Company Ltd	Cyprus
Shymkent Cement	Kazakistan
Afyon Cimento Sanayi Tas	Turchia
Anadolu Cimentolari Tas	Turchia
Set Beton Madencilik Sanayi ve Tas	Turchia
Set Cimento Sanayi ve Tas	Turchia
Set Group Holding	Turchia

Consolidated on a proportionate basis

Parent company	Country
Ecoinerti S.r.l.	Italy
GESVIM S.r.l.	Italy
GIST S.r. Gamma Iniziative Sportive Turistiche	Italy
Italsigma S.r.l.	Italy
Mantovana Inerti S.r.l.	Italy
Medcem S.r.l.	Italy
Béton Contrôle de Montceau le Creusot S.A.	France
Carrières Bresse Bourgogne	France
Dragages et Carrières S.A.	France
Graves de l'Estuaire de la Gironde L.G.E.G.	France
Les Calcaires Girondins S.a.s.	France

Annex 1 (continued)

Parent company	Country
Les Graves de l'Estuaire S.a.s.	France
Santes Béton S.a.r.l.	France
Société Calcaires Lorrains	France
Société Parisienne des Sablières S.A.	France
STE des Calcaires de Souppes sur Loing	France
Valoise S.a.s.	France
Société des Carrières du Tournaisis S.C.T. S.A.	Belgium
Atlantica de Graneles y Moliendas S.A.	Spain
Sitapuram Power Ltd	India
Sri Vishnu Cement Ltd	India
Zuari Cement Ltd	India

Consolidated on an equity basis

Parent company	Country
Cementi della Lucania S.p.A.	Italy
E.C.I.T. S.r.l.	Italy
General Cave S.r.l.	Italy
IMES S.r.l.	Italy
Immobiliare Golf di Punta Ala S.p.A.	Italy
Mittel S.p.A.	Italy
S.A.F.R.A. S.r.l.	Italy
Silicalcite S.r.l.	Italy
Soc. Editrice Siciliana S.E.S. S.p.A.	Italy
Universal Imballaggi S.r.l.	Italy
Béton Contrôle des Abers S.A.	France
Béton Saône S.A.	France
Dragages Transports & Travaux Maritimes S.A.	France
S.A. Dijon Béton	France
Stinkal S.a.s.	France
2003897 Ontario Inc.	Canada
Groupe Ciment Quebec Inc.	Canada
Innocon Partnership Agreement Inc.	Canada
Vassiliko Cement Works Ltd	Cyprus

Annex 2

Transition to the international reporting standards (IFRS)

In 2002, the European Union adopted regulation no. 1606 based on which companies whose securities are traded on the regulated markets of one EU Member State are required as of 2005 to report consolidated financial statements in accordance with the international financial reporting standards (IFRS). As a result, Italmobiliare S.p.A. consolidated financial statement in 2005 will be drawn up in accordance with IFRS which entail, among other things, redaction of comparative 2004 financial statements, reported using these same standards.

On the basis of resolution no. 14990 of April 14, 2005 by which the CONSOB made the modifications and integrations to regulation no. 11971 of May 14, 1999, the Group has taken advantage of the option to publish its consolidated interim reports, starting from January 1, 2005, in compliance with IFRS. Therefore, the first quarter 2005 report includes a reconciliation statement (as required under IFRS 1) of the starting and ending shareholders' equity in the 2004 financial year, as well as the economic results of this period and the relevant adjustments made to the cash flow statement, in comparison to the figures expressed using the previous standards.

The information contained in this note was approved by the Board of Directors during its meeting on May 19, 2005 and is subject to verification by the independent auditors who are performing a full audit on the data resulting from the transition process.

We should note that to the extent to which the financial statements for the year ended December 31, 2005 have to be prepared based on IFRS standards and interpretations in force at that date, it is quite possible that the financial information and impact of the financial year 2004, compared to the 2005 financial statements, may be different from those given in this document, prepared in accordance with the standards and interpretations existing to date.

Standards used for first-time adoption (FTA) of IFRS as of January 1, 2004

The standards applied for FTA are those contained in the EC regulations no. 1725/2003 of September 29, 2003, no. 707/2004 of April 6, 2004, no. 2236/2004, no. 2237/2004 (except for IAS 32) and no. 2238/2004 of December 29, 2004.

In the transition period to the new standards, the Group has decided to adopt in advance standard IFRS 2 (Share-based payments), endorsed by the European Commission on February 7, 2005.

The Group has also decided to prepare the 2004 comparative financial statements without applying standard IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement). The Group will adopt these standards, as endorsed by the European Union, starting as of 1 January 2005.

Options adopted by the Group in application of the IFRS

As regards the optional application contained in certain IFRS, the main decisions made by the Group are represented briefly below.

IAS 1 Presentation of Financial Statements:

- for the balance sheet, current and non-current assets and current and non-current liabilities are stated separately;
- for the income statement, the expenses analysis is made based on the nature of the expenses;
- for the cash-flow statement, the Group retained the indirect method whereby profit or loss of the period is adjusted by (a) the effects of any non-cash transactions, (b) any deferral or accrual of past or future operating cash receipts or payments, and (c) items of income or expense associated with investing or financing cash flows.

IAS 2 Inventories: the cost of inventories is calculated using the weighted averaged formula.

IAS 14 Segment Reporting: as before, the primary basis for segment reporting is the business segment, while the secondary basis is represented by the geographical area, based on location of the assets.

IAS 16 Property, Plant and Equipment and IAS 40 Investment Property: the valuation subsequent to the initial recognition is made based on the cost method.

IAS 19 Employee Benefits: the "corridor" method was used by the Group. This method allows to recognize and amortize only actuarial gains and losses in excess of 10% limit of greater of the defined benefit obligation or the fair value of the plan asset.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance: government grants related to depreciable assets are represented as deferred revenues and recognized as income on the basis of the useful life of the asset to which they refer.

IAS 23 Borrowing Costs: borrowing costs, when related to the purchase, construction or production of an asset, are booked as an expense in the period in which they are incurred.

IAS 31 Financial Reporting of interests in joint ventures: the accounting and presentation criterion is the proportionate method.

Options relating to first-time adoption

Based on the matters provided by IFRS 1 (First Time Adoption), the Group has retained the options described below.

Employee Benefits: actuarial gains and losses accumulated from the start of the plans until the transition date to IFRS are fully recognized to shareholders' equity.

Differences from exchange rate conversion: cumulative exchange rate differences for all foreign operations were presumed to be equal to zero at FTA date. The previous accumulated conversion differences, a loss of 40.5 million euro, were set off against retained earnings.

Business Combinations: IFRS 3 was not applied retrospectively for business combinations which occurred before January 1, 2004.

Property, Plant, Equipment and Investment Property: option of measuring assets at fair value was generally not used.

Reclassification of balance sheet (January 1, 2004 and December 31, 2004) and income statement (financial year 2004)

Concerning the consolidated financial statements, the primary differences between the Italmobiliare Group balance sheet and income statement drawn up in observance of Leg. Decree no. 127/91, and the scheme adopted for the application of the new IFRS are given in the notes at the end of the reconciliation statements presented in the following pages:

(i) Balance sheet at the date of First Time Adoption, namely at January 1, 2004;
(ii) Income Statement of the financial year ended as of December 31, 2004;
(iii) Balance Sheet as of December 31, 2004.

The application of the IFRS has led to a marked change in the consolidation area, in particular:

- the Balance Sheet at 1.1.2004 and 12.31.2004 and the Income Statement for 2004 include on a line-by-line basis the companies in the banking sector, which were previously consolidated on an equity basis since their business was different from the main business of the Group;
- the Balance Sheet at 1.1.2004 also includes the line-by-line consolidation of the companies in the Petruzalek Group, (food packaging sector) which were consolidated in the balance sheets at 12.31.2003, under local GAAP, on an equity basis since they were acquired at the end of 2003.

This different consolidation methodology has led to a change in most of the financial statement headings compared to the same headings in the consolidated financial statements drawn up using the previous accounting principles.

Primary differences between previous accounting standards and IFRS

- ***Inventories Cost Formulas:*** in compliance with IAS 2, the LIFO method, where applied, was discontinued in favor of the weighted average cost method.
- ***Property, Plant and Equipment:*** the Group has adopted IAS 16 which requires that each part of PP&E with a significant cost in relation to the total cost of the item shall be depreciated separately.
- ***Business Combinations and Impairment of Assets:*** in application of IFRS 3, goodwill is no longer subject to amortization but is subject, at least annually, to a test of impairment. Tests were made in compliance with IAS 36,

Impairment of Assets, whose methods differ from those previously applied by the Group.

- *Employee Benefits:* the valuation and accounting methods of some of these benefits, based on IAS 19, differ from those previously applied by the Group.
- *Financial Reporting in Hyperinflationary Economies (Turkey):* the accounts of the Turkish subsidiaries had been previously reported in Euro, based on the historical exchange rate method. According to IAS 29, the values must now be reported in local currency, adjusted for the effects of inflation and subsequently consolidated according to exchange rate at period-end.
- *Deferred Tax:* unlike the standards previously used by the Group, deferred taxes are presently recognized for companies operating in hyperinflationary economies (Turkey).

Evidence of the main impacts in the financial statements related to the transition to IFRS is given in the notes.

The reconciliation schedules, since they are prepared solely for the transition in order to draw up the consolidated financial statements for 2005 in accordance with the IFRS adopted by the European Commission, exclude comparative data and the explanatory notes which would have been required to give a true and fair view of the balance sheet and financial and equity situation and the consolidated economic result of the Italmobiliare Group in compliance with the IFRS.

Impact of the transition to IFRS on the consolidated accounts

(in millions of euro)	Notes	Shareholders' equity January 1, 2004	Net income (loss) 2004	Shareholders' equity December 31, 2004
According to previous accounting standards		**3,638.7**	**451.8**	**3,898.3**
IAS 2 Change in cost formula: weighted average vs. LIFO	1	28.7	2.7	31.2
IAS 38 Write-off of intangible assets and related lower amortization	2	(5.6)	1.6	(2.5)
IAS 36 - IFRS 3 Writedown of goodwill	3	(4.3)	64.0	56.0
IAS 19 Employee benefits: change in employee leaving entitlements and other benefits	4	(29.8)	1.8	(25.1)
IAS 17 Recognition of financial leasing	5	1.1	0.2	1.1
IAS 27 - IAS 28 Change in consolidation area	6	16.7	0.2	18.2
IAS 12 - Deferred tax assets on amortization of investment property - Deferred tax recognition in Turkey	7	4.1 (16.5)	(4.0) (3.6)	(1.8) (21.8)
IAS 16 Write-off of capitalized maintenance and capitalized borrowing costs, components approach, review of useful lives, cancellation of acc. amortization of land	8	(4.2)	12.0	8.2
IAS 20 Contributions and public grants	9	(1.1)	0.2	(0.7)
IAS 37 Cancellation of provisions for potential liabilities and discounting of long-term reserves	10	4.9	(0.4)	4.3
IAS 29 Accounting for hyperinflation in Turkey	11	(1.3)	0.4	10.9
IFRS 2 Stock options	12	-	(1.3)	-
Other changes		(0.6)	0.8	(0.2)
According to IFRS		**3,630.8**	**526.4**	**3,976.1**
Change		**(7.9)**	**74.6**	**77.8**

Impact of IFRS on Group's main economic, financial and equity figures in 2004

(in millions of euro)	Notes	2004 previous standards (*)	Total impact of IFRS	2004 IFRS
Net sales	(a)	4,682.1	90.9	4,773.0
Gross operating profit		1,111.0	43.3	1,154.3
Operating income	(b)	717.3	119.6	836.9
Net income before minority interest	(c)	451.8	74.6	526.4
Group net income	(c)	166.1	25.4	191.5
As of December 31, 2004				
Total shareholders' equity	(d)	3,898.3	77.8	3,976.1
Group shareholders' equity	(d)	1,754.1	44.0	1,798.1
Net debt	(e)	1,352.6	(40.1)	1,312.5

(*) published figures

(a) The difference is due in part to the change in the consolidation area (the line-by-line inclusion of the banking sector), in part to the change in the treatment, on the basis of IAS 29, of the accounts of the companies operating in Turkey and finally to the reclassification, on the basis of IAS 18, under financial revenues (dividends, commissions, interest, etc.) of the financial sector business. Previously financial revenues were recorded under "financial income and charges".

(b) The main effects on the operating profit are due to:
- ending of goodwill amortization and to lesser depreciation of tangible assets;
- eclassification of non-recurring income/charges in the relevant expense and revenue items;
- reduction of the operating profit of the Turkish companies in application of IAS 29 (hyperinflation);
- reclassification of financial income from the financial sector under net sales.

(c) Main changes to net income, in addition to those described above, are due to a heavier impact of deferred taxes.

(d) The increase of shareholders' equity, total and Group, is due to the increase in 2004 net income according to IFRS, net of exchange rate conversion differences and the line-by-line consolidation of the banking sector.

(e) The change mainly refers to net F.R.S.S. (floating rate subordinated securities) equal to 22.5 million euro, the recognition of financial lease contracts, and the inclusion of the net financial position of the banking companies which were previously consolidated on an equity basis.

Reconciliation statements 2004

Changes in each item of balance sheet and income statement refer to the application of many IFRS, some of which only had a marginal effect. **The notes describe the standards which impacted the most on the Group's financial statements.**

(i) Reconciliation of opening balance sheet as of January 1, 2004

Balance sheet

(in millions of euro)	Notes	Previous standards according to IFRS format *	Changes	Values according to IFRS
Non-current assets				
Property, plant and equipment	5 - 8	2,881.2	37.9	2,919.1
Investment property	8	39.7	(2.0)	37.7
Goodwill	3	1,193.0	(1.9)	1,191.1
Intanigble assets	2	54.6	(6.8)	47.8
Equity investments valued on equity basis	6	260.0	37.6	297.6
Equity investments in other companies	6	627.3	(109.7)	517.6
Receivables and other non-current assets	4	377.5	15.1	392.6
Deferred tax assets	7	23.6	6.7	30.3
Total non-current assets		**5,456.9**	**(23.1)**	**5,433.8**
Current assets				
Inventories	1	461.4	55.7	517.1
Trade receivables	13	1,022.9	11.7	1,034.6
Other current assets	13	270.3	99.9	370.2
Tax receivables		44.0	0.2	44.2
Equity investments, debentures and current financial receivables	14	688.7	125.6	814.3
Cash and cash equivalents	14	221.1	138.0	359.1
Total current assets		**2,708.4**	**431.1**	**3,139.5**
Total assets		**8,165.3**	**408.0**	**8,573.3**
Shareholders' equity				
Share capital		100.2	-	100.2
Reserves		177.2	31.7	208.9
Retained earnings		1,368.8	(15.8)	1,353.0
Total		**1,646.2**	**15.9**	**1,662.1**
Minority interest		1,992.5	(23.8)	1,968.7
Total shareholders' equity		**3,638.7**	**(7.9)**	**3,630.8**
Non-current liabilities				
Non-current financial payables	5	1,732.9	8.1	1,741.0
Employee benefits	4	169.6	29.6	199.2
Non-current provisions	4 - 10	244.1	(6.6)	237.5
Other payables and non-current liabilities		0.1	-	0.1
Deferred tax liabilities	7	288.6	15.3	303.9
Total non-current liabilities		**2,435.3**	**46.4**	**2,481.7**
Current liabilities				
Payables due to banks and short-term financing	14	779.0	22.1	801.1
Current financial payables	5	250.2	8.8	259.0
Trade payables	15	640.9	10.3	651.2
Current provisions		1.7	-	1.7
Tax payables		38.9	-	38.9
Other liabilities	14	380.6	328.3	708.9
Total current liabilities		**2,091.3**	**369.5**	**2,460.8**
Total liabilities		**4,526.6**	**415.9**	**4,942.5**
Total shareholders' equity and liabilities		**8,165.3**	**408.0**	**8,573.3**

(*) the values indicated refer to the financial statements drawn up in accordance with local GAAP reclassified in accordance with the format indicated by IFRS

(ii) Reconciliation of 2004 income statement

Income statement

(milioni di euro)	Notes	Previous standards according to IFRS format *	Changes	Values according to IFRS
Net sales	**16**	**4,732.6**	**40.4**	**4,773.0**
Other operating income	6-11	46.4	(0.4)	46.0
Change in inventories	1-11	(2.1)	1.2	(0.9)
Internal work capitalized		13.5	-	13.5
Raw, ancillary and consumable materials and supplies	1-8-11-16	(1,545.3)	4.9	(1,540.4)
Services	5-11-6-16	(1,159.7)	(13.0)	(1,172.7)
Personnel expenses	4-12-16	(813.0)	(21.1)	(834.1)
Other operating income and charges	10-11-16	(130.8)	(3.9)	(134.7)
Other income and charges	3-11	16.1	(11.5)	4.6
Gross operating profit		**1,157.7**	**(3.4)**	**1,154.3**
Amortization, depreciation and writedowns	2-5-8-16	(330.8)	15.4	(315.4)
Adjustments to asset values		(62.8)	60.7	(2.1)
Operating income		**764.1**	**72.7**	**836.8**
Financial income and charges	10-11	(77.5)	11.6	(65.9)
Income of companies valued on equity basis	3	21.4	0.9	22.3
Pre-tax income		**708.0**	**85.2**	**793.2**
Tax for the period		(256.2)	(10.6)	(266.8)
Income before minority interest		**451.8**	**74.6**	**526.4**
Attributable to:				
Group net income		166.1	25.4	191.5
Minority interest		285.7	49.2	334.9

(*) the values indicated refer to the financial statements drawn up in accordance with local GAAP reclassified in accordance with the format indicated by IFRS

Main reclassification to income statement “Previous standards according to IFRS format”

Non-recurring income and charges, whose existence is no longer allowed in the IFRS format, were reclassified both by nature (personnel expenses, tax for the period, financial income and charges), and under the heading other income and charges.

(iii) Reconciliation of the balance sheet at December 31, 2004

Balance sheet

(milioni di euro)	Notes	Previous standards according to IFRS format *	Changes	Values according to IFRS
Non-current assets				
Property, plant and equipment	5 - 8	2,872.1	61.0	2,933.1
Investment property	8	37.0	(2.0)	35.0
Goodwill	3	1,125.7	55.2	1,180.9
Intangible assets	2	47.4	(4.4)	43.0
Equity investments valued on equity basis	6	289.7	43.2	332.9
Equity investments in other companies	6	675.9	(74.7)	601.2
Receivables and other non-current assets	4	405.9	0.9	406.8
Deferred tax assets	7	30.8	3.3	34.1
Total non-current assets		**5,484.5**	**82.5**	**5,567.0**
Current assets				
Inventories	1	487.7	58.2	545.9
Trade receivables	13	1,061.4	1.3	1,062.7
Other current assets	13	287.8	80.3	368.1
Tax receivables		19.8	4.3	24.1
Equity investments, debentures and current financial receivables	14	644.5	26.5	671.0
Cash and cash equivalents	14	276.6	96.7	373.3
Total current assets		**2,777.8**	**267.3**	**3,045.1**
Total assets		**8,262.3**	**349.8**	**8,612.1**
Shareholders' equity				
Share capital		100.2	-	100.2
Reserves		177.2	31.8	209.0
Retained earnings		1,476.7	12.2	1,488.9
Total		**1,754.1**	**44.0**	**1,798.1**
Minority interest		2,144.2	33.8	2,178.0
Total shareholders' equity		**3,898.3**	**77.8**	**3,976.1**
Non-current liabilities				
Non-current financial payables	5	2,011.4	9.4	2,020.8
Employee benefits	4	182.1	18.9	201.0
Non-current provisions	4 - 10	250.2	(0.1)	250.1
Other payables and non-current liabilities		0.1	0.1	0.2
Deferred tax liabilities	7	295.2	33.9	329.1
Total non-current liabilities		**2,739.0**	**62.2**	**2,801.2**
Current liabilities				
Payables due to banks and short-term financing	14	436.0	8.5	444.5
Current financial payables	5	119.9	5.0	124.9
Trade payables	15	677.8	2.2	680.0
Current provisions		1.8	-	1.8
Tax payables		35.3	4.4	39.7
Other liabilities	14	354.2	189.7	543.9
Total current liabilities		**1,625.0**	**209.8**	**1,834.8**
Total liabilities		**4,364.0**	**272.0**	**4,636.0**
Total shareholders' equity and liabilities		**8,262.3**	**349.8**	**8,612.1**

(*) the values indicated refer to the financial statements drawn up in accordance with local GAAP reclassified in accordance with the format indicated by IFRS

Main adjustments to the cash flow statement for 2004

Italmobiliare S.p.A. already used, on the basis of previous accounting standards, the indirect method to represent its consolidated cash flow statement.

The major impact arises from the change in defining cash and cash equivalents, which has led to inclusion in the line "Cash and cash equivalents" of investments readily convertible into cash, subject to an irrelevant risk of value change and with maturity date not later than three months after the date of purchase.

Based on the new definition and taking account of the changes in the consolidation area, cash and cash equivalents increased by 138.0 million euro (from 221.1 million euro to 359.1 million euro) in the IFRS format at January 1, 2004 and by 96.7 million euro (from 276.6 million euro to 373.3 million euro) at December 31, 2004.

Notes

(1) IAS 2 Inventories

The change refers primarily to Italcementi S.p.A., which previously had valued most of its inventory categories using the LIFO method (no longer allowed under IFRS) and now uses the weighted average cost method. The change in the valuation method has raised the value of the inventories by 44.0 million euro at January 1, 2004 with a positive impact of 28.7 million euro on opening shareholders' equity, net of 15.3 million euro in deferred taxation. The 2004 impact was positive and amounted to 2.7 million euro on the result and 31.2 million euro on ending shareholders' equity.

The change at 1.1.2004 also includes the positive impact of 11.7 million euro from the change in the consolidation area of the Petruzalek Group (food packaging sector), which was consolidated on an equity basis in the local GAAP financial statements as at 12.31.2003.

(2) IAS 38 Intangible assets

Some assets (multi-annual charges), classified as intangible assets but not meeting the recognition criteria established under IAS 38, have been written-off. The write-offs totaled 7.3 million euro as of January 1, 2004, with a negative impact on shareholders' equity of 5.6 million euro after an effect on deferred tax assets of 1.5 million euro. The positive impact on 2004 result, due to lesser amortization charges, totaled 1.6 million euro. The contribution from the new consolidated companies was marginal.

(3) IAS 36 Impairment of Assets - IFRS 3 Business Combinations

On the basis of IFRS 3, goodwill is no longer subject to amortization but is tested for impairment at least annually.

As of January 1, 2004 and as of December 31, 2004 following IAS 36, the Group carried out appropriate impairment tests on all its cash generating units (CGU) to which goodwill was allocated.

These tests were made by discounting the estimated cash flows expected from each individual CGU or, where available, using the market value relating to recent transactions of comparable businesses. Under the estimated future cash flows approach, the discount rate was determined for each country where the Group operates, according to the WACC (weighted average cost of capital) method.

The tests described above have not given rise to any impairment of opening shareholders' equity as of January 1, 2004 nor on 2004 financial results. Nevertheless, on first-time adoption of the IFRS the Group wrote-off the value of a plurality of residual goodwills with a negative impact of 4.3 million euro, and an increase of 3.6 million euro following the line-by-line consolidation of the Petruzalek Group which had previously been consolidated on an equity basis under the local GAAP at 12/31/2003.

This change in method has generated a positive effect of 64.0 million euro in 2004 financial results.

(4) IAS 19 Employee benefits

The valuation of defined benefit plans and other employee benefits has been carried out with the support of an international firm specialized in actuarial calculations.

IFRS impact on the balance sheet for FTA as of January 1, 2004 can be summarized as follows:

(in millions of euro)

Non-current deferred tax assets	0.4
Receivables and other non-current assets	(26.6)
Other current assets	(0.4)
Total assets	**(26.6)**
Employee benefits	29.6
Non-current provisions	(6.3)
Deferred tax liabilities	(18.9)
Other current liabilities	(1.2)
Total liabilities	**3.2**
Shareholders' equity	**(29.8)**

The change in shareholders' equity is due to the negative impact of foreign companies' plans combined with a slightly positive impact of Italian companies' plans.

The decrease in the entry "Receivables and other non-current assets" in the opening balance sheet at January 1, 2004 (+15.1 million euro) refers to booking actuarial differences not amortized as of January 1, 2004 (25.8 million euro) and changes connected to the inclusion of the new banking companies which were consolidated on a line-by-line basis.

The increase in the entry "Employee benefits" (29.6 million euro), related to the decrease in non-current reserves (6.3 million euro) and other current assets (0.3 million euro), is due to (a) changes to the calculation method of some plans valued in compliance with IAS 19 according to the "projected unit credit method", (b) a review of some actuarial assumptions and (c) the way of allocating deferred elements, with an overall negative effect of 23.6 million euro.

Deferred tax liabilities referring to the aforementioned entries had an overall positive effect of 19.4 million euro.

As of December 31, 2004, the impact on shareholders' equity was negative for 25.1 million euro.

(5) IAS 17 Leasing

Adoption of IAS 17 for FTA has led to the recognition of financial lease contracts previously booked as operating leases. The impact as of January 1, 2004 translated into an increase of 14.0 million euro in "Property, plant and equipment", an increase in current and non-current financial payables of 9.4 million euro, and an increase in shareholders' equity of 1.1 million euro.

(6) IAS 27 and 28 Equity investments

The change in equity investments in associated companies reflects largely the reclassifications of the companies Ses e Mittel, both at 1.1.2004 and 12.31.2004. The reclassifications (37 million euro at 1/1/2004 and 42 million euro at 12.31.2004) have not had any effect on the shareholders' equity and the income for the period.

The line-by-line consolidation of the banking companies (Finter Bank Zürich S.A., Finter Bank France S.A. and Credit Mobilier de Monaco S.A.), the financial companies Fincomind A.G., Soparfinter S.A. and Kayward S.A., the foreign subsidiaries of the Petruzalek Group and of Aliserio S.r.l. and Mantovana Inerti S.r.l. (Gesvim S.r.l., Gist S.r.l. consolidated on a proportionate basis in the IFRS), which were all previously consolidated on an equity basis, as well as of the companies Ecoinerti S.r.l. and Cantiere Navale di Punta Ala S.p.A. in liquidation, previously consolidated at cost, have led to a reduction in the carrying value of the equity investments of approximately 70 million euro at January 1, 2004, compared to the value recorded in the financial statements drawn up using the previous accounting standards.

Against this reduction the IFRS consolidated financial statements include all the assets and liabilities of these subsidiaries with a positive impact on shareholders' equity at January 1, 2004, of 16.7 million euro.

The effect is mainly due to the recording under shareholders' equity of the reserve for general banking risks of Finter Bank Zürig S.A.; this amount was previously considered as a provision for risks.

(7) IAS 12 Income taxes

(7a) As of January 1, 2004, deferred tax assets of 4.1 million euro were activated with reference to taxed accumulated depreciation on investment properties owned by Italcementi S.p.A.. Reporting these taxes in the consolidated financial statements (prepared under previous accounting standards), has caused an equivalent negative effect on 2004 IFRS results with an offset of the impact on IFRS shareholders' equity as of December 31, 2004.

The IFRS shareholders' equity at December 31, 2004 also includes the negative impact of 1.8 million euro for deferred taxes, in relation to the Sirap Gema Group, for the different various amounts of amortization following the review of the useful lives.

(7b) As of January 1, 2004, deferred tax liabilities were posted (16.5 million euro) in relation to Group companies operating in Turkey. As of December 31, 2004, recognition of the same deferred tax liabilities has caused a negative effect of 21.8 million euro on shareholders' equity.

(8) IAS 16 Property, plant and equipment

The Group, in agreement with the rules established by IAS 16, has defined a new structure of assets "by components" and established, in accordance with its historical data, the expected useful life for each component of an asset.

The application of the component approach led to the write-off of the value related to maintenance costs, previously capitalized. The negative impact as of January 1, 2004 on shareholders' equity was equal to 4.1 million euro.

As already anticipated, the Group chose to recognize borrowing costs related to the acquisition/construction of items of property, plant and equipment as charges during the period in which they incurred. As of January 1, 2004, the resulting write-off of the value of borrowing costs, previously capitalized, led to a negative impact on shareholders' equity of 2.7 million euro, net of deferred tax.

The recalculation of the accumulated amortization, applied to the Group's intangible assets, following the division between land and buildings, has had a positive impact on the balance sheet at January 1, 2004 of 2.6 million euro.

The component approach, the review of the useful lives and the effect of the items mentioned above determined a positive impact of 12.0 million euro on 2004 income and 8.2 million euro on ending shareholders' equity.

The change in plant, property and equipment also shows a change arising from the adjustment to the consolidation area of approximately 13 million euro, as well as modest reclassification from the property investment heading.

(9) IAS 20 Government grants and disclosure of government assistance

Based on IAS 20, government grants must be represented by reporting the grant as a deferred revenue (option chosen by the Group) or as a deduction from the asset's carrying amount. The impact, recorded on FTA (decrease in shareholders' equity of 1.1 million euro), relates to the accounting treatment of grants credited directly to shareholders' equity.

(10) IAS 37 Provisions, contingent liabilities and contingent assets

In compliance with IAS 37, provisions for long-term risks for which it is possible to reasonably estimate the future cost and the respective date of disbursement were measured at discounted present value in order to attribute a current value to these future liabilities. These provisions refer mainly to provisions for quarries restorations.

The effects arising from changes in the discount rate are accounted in the income statement as "Financial income and charges".

As of January 1, 2004, the discount of the provisions, together with the reversal of potential liabilities, has led to an increase in shareholders' equity of 4.9 million euro, net of deferred taxes of 2.8 million euro.

The impact on 2004 profit was negative by 0.4 million euro.

(11) IAS 29 Financial reporting in hyperinflationary economies

Based on the standards previously applied, the financial statements of Group's companies operating in Turkey were converted into Euro using the historical rate method. The basic principle in IAS 29 is that the financial statements must be reported in Turkish lira (TRL), adjusted by the effects of inflation and converted using the year-end closing rate.

The primary impacts arising from application of IAS 29 are summarized below:

(in millions of euro)	
Shareholders' equity as of January 1, 2004	(1.3)
Net income for the year 2004	0.4
Translation differences recognized as consolidated reserves	11.8
Shareholders' equity as of December 31, 2004	**10.9**

In 2004, the restatement of the reserves in accordance with IAS 29 led to a reduction of 5.9 million euro in the contribution to operating profit and to an improvement in the financial income of 6.3 million euro.

(12) IFRS 2 - Stock options

The Group has decided to apply IFRS 2 starting from January 1, 2004.

The options related to plans granted after November 7, 2002 are valued at fair value on the date of the grant and depreciated over the vesting period.

Options granted are valued using the binomial method adjusted for dividends.

Adoption of IFRS 2 has not generated any impact on opening shareholders' equity as of January 1, 2004 or on ending balance as of December 31, 2004. Costs charged to 2004 financial year and accounted for in personnel expenses were 1.3 million euro and refer solely to Italmobiliare S.p.A., Italcementi S.p.A. and Ciments Français S.A.

(13) Trade receivables and other assets

Trade receivables and other assets showed a marked rise at both January 1, 2004 and December 31, 2004.

This change was due, in the case of the trade receivables, largely to the line-by-line consolidation of the Petruzalek Group at 1.1.2004, while, for other current assets, the change was largely due to the inclusion of the other assets of companies in the banking sector.

(14) Equity investments, debentures and current financial receivables - Cash and cash equivalents - Payables due to banks

Equity investments, debentures and current financial receivables, and also cash and cash equivalents, rose by approximately 263 million euro at January 1, 2004 largely owing to the active balances contributed by the banking companies, net of intercompany transactions with other Group companies.

Similarly the items payables due to banks for short-term borrowings and other liabilities rose respectively by 22 and 328 million euro at 1.1.2004, mainly due to the contributions from the Group's banks.

These items fell at 31 December 2004 also in view of the reduction in business at the subsidiary Finter Bank France S.A.

(15) Trade payables

Trade payables at 1.1.2004 rose by around 10 million euro largely due to the contribution from Petruzalek.

(16) Operating income and charges

The change in income is largely due to the financial income from the Group's banking companies, especially banking commissions, interest and income from trading.

Likewise the IFRS income statement reflects a similar increase in costs for services, personnel, operating charges and income, amortization, depreciation and writedowns, and financial charges.

Ernst & Young

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**INDEPENDENT AUDITOR'S REPORT
ON THE STATEMENTS OF RECONCILIATION
TO INTERNATIONAL FINANCIAL REPORTING STANDARDS
("IFRS")**
(Translation from the original Italian text)

To the Shareholders
of Italmobiliare S.p.A.

1. We have audited the accompanying statements of reconciliation to International Financial Reporting Standards ("IFRS") of the Italmobiliare Group, comprising the consolidated balance sheets as of January 1, 2004 and December 31, 2004 and the consolidated statement of income for the year ended December 31, 2004, the reconciliations of the consolidated shareholders' equity as of January 1, 2004 and December 31, 2004 and of the consolidated net income for the year ended December 31, 2004 and the related explanatory notes (hereinafter, the "IFRS Reconciliation Statements"), as presented in the document "Transition of International Financial Reporting Standards (IFRS)" attached to the Quarterly Report for the quarter ended March 31, 2005. These IFRS Reconciliation Statements are based on the consolidated financial statements of the Italmobiliare Group as of December 31, 2004, prepared in accordance with the Italian regulations governing the criteria for their preparation, which we have previously audited and on which we issued our auditor's report dated April 20, 2005. The IFRS Reconciliation Statements have been prepared as part of the Group's conversion to International Financial Reporting Standards (IFRS) as adopted by the European Commission. These IFRS Reconciliation Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these IFRS Reconciliation Statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards in Italy. In accordance with such standards we planned and performed the audit to obtain the information necessary in order to determine whether the IFRS reconciliations are materially misstated. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS Reconciliation Statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The audit of the data of certain subsidiaries and affiliates included in the IFRS Reconciliation Statements, which represent 13% of consolidated total assets at December 31, 2004 and 13% of consolidated revenues for the year ended December 31, 2004, is the responsibility of other auditors.

Reconta Ernst & Young S.p.A.
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3. In our opinion, the IFRS reconciliation statements identified in paragraph 1. above, taken as a whole, have been prepared in all material respects in accordance with the criteria and principles set out in article 82 of CONSOB **(the Italian Stock Exchange Regulatory Agency)**[(1)] Regulation no. 11971/1999 adopted by Resolution no. 14990 of April 14, 2005.

4. We draw your attention to the fact that, as described in the introductive paragraph of the explanatory notes, the IFRS Reconciliation Statements may require adjustments before their inclusion as comparative information in the first complete set of consolidated financial statements, as a result of new standards, changes or interpretations of IFRS.

Milan, June 13, 2005

Reconta Ernst & Young S.p.A.
Signed by: Alberto Coglia
(Partner)

[(1)] **Words added in translation from original Italian text**

Annex 3

The following table has been prepared in accordance with CONSOB resolution no. 11971, article 126, of May 14, 1999 which requires listed companies to disclose their equity investments in unlisted companies where such investments exceed 10% of the companies' share capital with voting rights.
To be consistent with the list of consolidated equity investments shown in the explanatory notes, equity investments in listed companies where such investments exceed 10% of the companies' share capital with vot-ing rights are also included.

List of companies

Company	Registered office			Share capital	% direct	% indirect	Interest held by Group companies %	
Parent company **Italmobiliare S.p.A.**	Milan	IT	EUR	100,166,937				
Azienda Vendite Acquisti A.V.A. S.r.l.	Milan	IT	EUR	2,550,000	100.00	-	100.00	Italmobiliare S.p.A.
Bulgariapack GmbH	Sofia	BG	BGN	5,000	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)
Cartiere Burgo S.p.A.	Cuneo	IT	EUR	205,443,391.40	-	11.68	11.68	Société de Participation Financière Italmobiliare S.A.
Compagnia Fiduciaria Nazionale S.p.A.	Milan	IT	EUR	312,000	16.67	-	16.67	Italmobiliare S.p.A.
Credit Mobilier de Monaco S.A.	Monte Carlo	PM	EUR	5,355,000	-	99.91	99.91	Société de Participation Financière Italmobiliare S.A.
Fin.Priv. S.r.l.	Milan	IT	EUR	20,000	14.28	-	14.28	Italmobiliare S.p.A.
Fincomind A.G.	Zürich	CH	CHF	10,010,000	69.93	30.07	69.93 30.07	Italmobiliare S.p.A. Société de Participation Financière Italmobiliare S.A.
Finconsult A.G.	Zürich	CH	CHF	500,000	-	100.00	100.00	Finter Bank Zürich S.A.
Finter Bank & Trust (Bahamas) Ltd.	Nassau	BS	USD	5,000,000	-	100.00	100.00	Finter Bank Zürich S.A.
Finter Bank Zürich S.A.	Zürich	CH	CHF	45,000,000	-	100.00	100.00	Fincomind S.A.
Franco Tosi S.r.l.	Milan	IT	EUR	5,160,000	100.00	-	100.00	Italmobiliare S.p.A.
GESVIM S.r.l.	Milan	IT	EUR	Resolved 1,500,000 Subscribed and paid up: 10,000	-	50.00	50.00	Azienda Vendite Acquisti A.V.A. S.r.l.
GIST S.r.l. Gamma Iniziative Sportive Turistiche	Milan	IT	EUR	612,000	-	50.00	50.00	Franco Tosi S.r.l.
Hungaropack Kft	Budapest	HU	HUF	4,800,000	-	100.00	69.80 30.20	Petruzalek Kft (Hungary) Sirap Gema Finance S.A.
Immobiliare Golf Punta Ala S.p.A.	Punta Ala (GR)	IT	EUR	5,164,000	-	36.50	11.75 24.75	Punta Ala Promozione e Sviluppo Immobiliare S.r.l. Azienda Vendite Acquisti A.V.A. S.r.l.
Immobiliare Lido di Classe S.p.A. in liquidation	Rome	IT	EUR	255,000	18.04	-	18.04	Italmobiliare S.p.A.
Italmobiliare International BV	Amsterdam	NL	EUR	Delib. 75,000 Sott. 19,500	100.00	-	100.00	Italmobiliare S.p.A.
Italmobiliare International Finance Ltd.	Dublin	IR	EUR	1,300,000	99.99	0.01	99.99 0.01	Italmobiliare S.p.A. Franco Tosi S.r.l.
Italmobiliare Servizi S.r.l.	Milan	IT	EUR	260,000	100.00	-	100.00	Italmobiliare S.p.A.
Mittel S.p.A.	Milan	IT	EUR	66,000,000	12.91	-	12.91	Italmobiliare S.p.A.
Neyrtec Industrie S.A.	Le Pont de Claix	FR	FF	10,000,000	100.00	-	100.00	Italmobiliare S.p.A.
Petruzalek Com S.r.l. (Romania)	Bucarest	RO	ROL	26,000,000	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)
Petruzalek d.o.o. (Bosnia)	Sarajevo	BA	BAM	10,000	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)
Petruzalek d.o.o. (Croatia)	Samobor	HR	HRK	129,500	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)
Petruzalek d.o.o. (Serbia)	Belgrade	YU	CSD	1,027,618		100.00	100.00	Petruzalek Gesellschaft mbH (Austria)

Annex 3 (continued)

Company	Registered office			Share capital	% direct	% indirect	Interest held by Group companies %	
Petruzalek d.o.o. (Slovenia)	Maribor	SI	SIT	2,386,595	-	100.00	100.00	Petruzalek Gesellschaft mbH (Austria)
Petruzalek Gesellschaft mbH (Austria)	Vösendorf	AT	EUR	1,000,000	-	100.00	100.00	Sirap Gema Finance S.A.
Petruzalek Kft (Hungary)	Budapest	HU	HUF	600,000,000	-	100.00	100.00	Sirap Gema Finance S.A.
Petruzalek o.o.o. (Ukraine)	Odessa	UA	UAH	214,831	-	90.00	90.00	Petruzalek Gesellschaft mbH (Austria)
Petruzalek spol. S.r.o. (Czech Rep.)	Breclav	CZ	CZK	2,300,000	-	100.00	100.00	Sirap Gema Finance S.A.
Petruzalek spol. S.r.o. (Slovak Rep.)	Bratislava	SK	SKK	460,000	-	100.00	100.00	Sirap Gema Finance S.A.
Populonia Italica S.r.l.	Milan	IT	EUR	1,040,000	100.00	-	100.00	Italmobiliare S.p.A.
Punta Ala Promozione e Sviluppo Immobiliare S.r.l.	Milan	IT	EUR	1,300,000	99.48	0.52	99.48 0.52	Italmobiliare S.p.A. SICIL.FIN. S.r.l.
S.r.l. Nuove Costruzioni Edilizie Sance	Milan	IT	EUR	139,725	100.00	-	100.00	Italmobiliare S.p.A.
Sirap Gema Finance S.A.	Luxembourg	LU	EUR	7,797,220	-	100.0	0.03 99.97	Franco Tosi S.r.l. Sirap Gema S.p.A.
Sirap Gema France S.a.s.	Noves	FR	EUR	3,520,000	-	100.00	100.00	Sirap Gema S.p.A.
Sirap Gema Insulation Systems S.r.l.	Verolanuova (BS)	IT	EUR	2,715,000	-	100.00	100.00	Sirap Gema Finance S.A.
Sirap Gema International S.A. in liquidation	Bruxelles	BE	EUR	12,000,000	-	100.00	99.83	Sirap Gema Finance S.A.
							0.17	Société de Participation Financière Italmobiliare S.A.
Sirap Gema S.p.A.	Verolanuova (BS)	IT	EUR	17,020,905	100.00	-	100.00	Italmobiliare S.p.A.
Soc. Civile Immobilière d'Investissement et de Placements	Nice	FR	EUR	15,244.90	-	100.00	99.00 1.00	Soc. d'Etudes de Participations et de Courtages Soc. Civile Particulière Immobail
Soc. Civile Particulière Immobail	Cagnes sur Mer	FR	EUR	94,518.39	-	100.00	99.84 0.16	Soc. d'Etudes de Participations et de Courtages Soc. Civile Immobilière d'Investissement et de Placements
Soc. Editrice Siciliana S.E.S. S.p.A	Messina	IT	EUR	5,112,900	33.00	-	33.00	Italmobiliare S.p.A.
Société d'Etudes de Participations et de Courtages	Monte Carlo	PM	EUR	1,290,000	-	99.84	99.84	Société de Participation Financière Italmobiliare S.A.
Société de Participation Financière Italmobiliare S.A.	Luxembourg	LU	EUR	103,118,928	99.94	0.06	99.94 0.06	Italmobiliare S.p.A. Franco Tosi S.r.l.
Soparfinter S.A.	Luxembourg	LU	CHF	5,000,000	-	100.00	97.85 2.15	Fincomind S.A. Société de Participation Financière Italmobiliare S.A.
Terfin S.A. in liquidation	Paris	FR	EUR	440,400	-	100.00	98.40 1.60	Soparfinter S.A. Fincomind S.A.
Universal Imballaggi S.r.l.	Palermo	IT	EUR	1,731,588	-	24.90	24.90	Sirap Gema S.p.A.
Italcementi S.p.A.	Bergamo	IT	EUR	282,548,942	36.82	1.40	36.82 1.40 58.74	Italmobiliare S.p.A. Italcementi S.p.A. voting rights: Italmobiliare S.p.A.
Aliserio S.r.l.	Bergamo	IT	EUR	2,270,000	10.00	90.00	10.00 90.00	Italmobiliare S.p.A. Italcementi S.p.A.
Axim Italy S.r.l.	Sorisole (BG)	IT	EUR	2,000,000	-	100.00	99.90 0.10	Italcementi S.p.A. SICIL.FIN. S.r.l.
Azienda Agricola Lodoletta S.r.l.	Bergamo	IT	EUR	10,400	-	75.00	75.00	Italcementi S.p.A.
Betodomi S.A.	Iraklion	GR	EUR	117,200	-	30.00	30.00	Domiki Béton S.A.
Betongenova S.r.l. - in liquidation	Genova	IT	EUR	10,400	-	36.12	22.68 13.44	Calcestruzzi S.p.A. Cemencal S.p.A.
BravoBus S.r.l.	Bergamo	IT	EUR	600,000	-	51.00	51.00	BravoSolution S.p.A.
BravoSolution Espana S.A.	Madrid	ES	EUR	120,400	-	99.99	99.99	BravoSolution S.p.A.

Annex 3 (continued)

Company	Registered office			Share capital	% direct	% indirect	Interest held by Group companies %	
BravoSolution France S.a.s.	Boulogne Billancourt	FR	EUR	5,700,000	-	100.00	100.00	BravoSolution S.p.A.
BravoSolution S.p.A.	Bergamo	IT	EUR	21,437,379	8.29	80,24	8.29	Italmobiliare S.p.A.
							80.24	Italcementi S.p.A.
BravoSolution UK Ltd	London	GB	GBP	50,000	-	100.00	100.00	BravoSolution S.p.A.
C.T.G. S.p.A.	Bergamo	IT	EUR	500,000	-	100.00	50.00	Italcementi S.p.A.
							50.00	Ciments Français S.A.
Calcementi Jonici S.r.l.	Siderno (RC)	IT	EUR	9,000,000	-	100.00	99.90	Italcementi S.p.A.
							0.10	SICIL.FIN. S.r.l.
Calcestruzzi S.p.A.	Bergamo	IT	EUR	138,000,000	-	100.00	99.90	Italcementi S.p.A.
							0.10	SICIL.FIN. S.r.l.
Cava delle Capannelle S.r.l.	Bergamo	IT	EUR	31,200	-	49.00	49.00	Calcestruzzi S.p.A.
Cemencal S.p.A.	Bergamo	IT	EUR	12,660,000	-	85.00	85.00	Calcestruzzi S.p.A.
Cementi della Lucania S.p.A.	Potenza	IT	EUR	619,746	-	30.00	30.00	Italcementi S.p.A.
Cementi e Calci di S. Marinella S.r.l.	Bergamo	IT	EUR	10,000	-	66.67	66.67	Italcementi S.p.A.
Cementificio di Montalto S.p.A.	Bergamo	IT	EUR	10,000,000	-	100.00	100.00	Italcementi S.p.A.
DO CLAS S.r.l.	Milan	IT	EUR	12,000	-	100.00	100.00	Calcestruzzi S.p.A.
Domiki Beton S.A.	Iraklion	GR	EUR	2,309,423	-	98.59	98.59	Calcestruzzi S.p.A.
E.C.I.T. S.r.l.	Ravenna	IT	EUR	104,208	-	50.00	50.00	Calcestruzzi S.p.A.
E.I.C.A. S.r.l.	Norcia (PG)	IT	EUR	49,500	-	66.67	66.67	Calcestruzzi S.p.A.
E.S.A. Monviso S.p.A.	Bergamo	IT	EUR	1,340,000	-	100.00	59.00	Calcestruzzi S.p.A.
							41.00	Cemencal S.p.A.
Ecoinerti S.r.l.	Recanati (MC)	IT	EUR	91,800	-	50.00	50.00	Calcestruzzi S.p.A.
Ecoserio S.r.l.	Bergamo	IT	EUR	48,960	-	12.50	12.50	Calcestruzzi S.p.A.
General Cave S.r.l.	Fiumicino (RM)	IT	EUR	31,200	-	50.00	50.00	Speedybeton S.p.A.
Gres Dalmine Resine Wavin S.c.a.r.l.	Sorisole (BG)	IT	EUR	91,800	-	35.00	35.00	Società del Gres ing. Sala S.p.A.
Gruppo Italsfusi S.r.l.	Savignano s/P. (MO)	IT	EUR	156,000	-	100.00	99.50	Italcementi S.p.A.
							0.50	SICIL.FIN. S.r.l.
I.GE.PO. - Impresa Gestione Porti S.r.l. in liquidation	Vibo Valentia	IT	EUR	25,500	-	18.00	18.00	Italcementi S.p.A.
IMES S.r.l.	S. Cipriano Pic. (SA)	IT	EUR	206,000	-	100.00	99.00	Italcementi S.p.A.
							1.00	SICIL.FIN S.r.l.
Immobiliare Salesiane S.r.l.	Bergamo	IT	EUR	350,000	-	100.00	99.00	Italcementi S.p.A.
							1.00	SICIL.FIN S.r.l.
Intercom S.r.l.	Bergamo	IT	EUR	2,750,000	-	100.00	99.50	Italcementi S.p.A.
							0.50	SICIL.FIN S.r.l.
Intertrading S.r.l.	Bergamo	IT	EUR	4,160,000	-	100.00	99.50	Italcementi S.p.A.
							0.50	SICIL.FIN. S.r.l.
Italcementi Ingegneria S.r.l.	Bergamo	IT	EUR	266,220	-	100.00	100.00	Italcementi S.p.A.
Italgen S.p.A.	Bergamo	IT	EUR	20,000,000	-	100.00	99.90	Italcementi S.p.A.
							0.10	SICIL.FIN S.r.l.
Italsigma S.r.l.	Bergamo	IT	EUR	1,500,000	-	50.00	50.00	Axim Italy S.r.l.
Italsintex S.p.A.	Bergamo	IT	EUR	120,000	-	100.00	99.00	Società del Gres ing. Sala S.p.A.
							1.00	SICIL.FIN. S.r.l.
ITC-Factor S.p.A.	Bergamo	IT	EUR	1,500,000	-	100.00	99.50	Italcementi S.p.A.
							0.50	SICIL.FIN. S.r.l.
Mantovana Inerti S.r.l.	Cavriana (MN)	IT	EUR	702,000	-	50.00	50.00	Calcestruzzi S.p.A.
Medcem S.r.l.	Naples	IT	EUR	5,500,000	-	50.00	50.00	Intercom S.r.l.
Nuova Sacelit S.r.l.	Sorisole (BG)	IT	EUR	7,500,000	-	100.00	99.00	Italcementi S.p.A.
							1.00	Franco Tosi S.r.l.

Company	Registered office			Share capital	% direct	% indirect	Interest held by Group companies %	
Procalmi S.r.l. in liquidation	Milan	IT	EUR	51,000	-	11.52	11.52	Cemencal S.p.A.
S.A.F.R.A. S.r.l.	Bologna	IT	EUR	51,480	-	33.33	33.33	Calcestruzzi S.p.A.
SAMA S.r.l.	Bergamo	IT	EUR	1,000,000	-	100.00	99.00	Italcementi S.p.A.
							1.00	SICIL.FIN S.r.l.
SICIL.FIN. S.r.l.	Bergamo	IT	EUR	650,000	-	100.00	99.50	Italcementi S.p.A.
							0.50	Franco Tosi S.r.l.
Silicalcite S.r.l.	Bergamo	IT	EUR	4,000,000	-	100.00	100.00	Italcementi S.p.A.
Silos Granari della Sicilia S.r.l.	Bergamo	IT	EUR	5,980,000	-	100.00	99.90	Intertrading S.r.l.
							0.10	SICIL.FIN S.r.l.
Società del Gres ing. Sala S.p.A.	Sorisole (BG)	IT	EUR	5,858,722	-	100.00	99.90	Nuova Sacelit S.r.l.
							0.10	SICIL.FIN S.r.l.
Société Internationale Italcementi (Luxembourg) S.A.	Luxembourg	LU	EUR	17,715,000	-	100.00	99.87	Italcementi S.p.A.
							0.13	SICIL.FIN S.r.l.
Société Internationale Italcementi France S.a.s.	Paris	FR	EUR	1,621,075,000		99.99	99.99	Italcementi S.p.A.
SO.RI.TE. S.r.l.	Turin	IT	EUR	100,000	-	25.00	25.00	Calcestruzzi S.p.A.
Speedybeton S.p.A.	Pomezia (RM)	IT	EUR	300,000	-	70.00	70.00	Calcestruzzi S.p.A.
Terminal Riuniti S.r.l.	Bergamo	IT	EUR	1,000,000	-	100.00	99.90	Italcementi S.p.A.
							0.10	SICIL.FIN S.r.l.
Ciments Français S.A.	Puteaux	FR	EUR	153,837,876	-	76.83	75.76	Société Int. Italcementi France S.a.s.
							1.07	Ciments Français S.A.
								(voting rights:
							86.54	Société Int. Italcementi France S.a.s.)
155290 Canada Inc.	Mississauga	CA	-	-	-	100.00	100.00	Essroc Canada Inc.
168232 Canada Inc.	Picton	CA	CAD	1	-	100.00	100.00	Essroc Canada Inc.
168233 Canada Inc.	Picton	CA	CAD	1	-	100,00	100.00	Essroc Canada Inc.
168257 Canada Inc.	Picton	CA	CAD	1	-	100.00	100.00	Essroc Canada Inc.
2003897 Ontario Inc.	Concord	CA	CAD	18,300,000.20	-	50.00	50.00	Essroc Canada Inc.
Afyon Cimento Sanayi Tas	Istanbul	TR	TRL	120,000,000,000	-	78.49	76.51	Ciments Français S.A.
							1.02	Set Group Holding
							0.96	Set Cimento Sanayi ve Tas
Altas Ambarlj Liman Tesisleri Tas	Istanbul	TR	YTL	500,000	-	12.25	12.25	Anadolu Cimentolari Tas
Anadolu Cimentolari Tas	Istanbul	TR	YTL	7,886,160	-	99.87	48.89	Devnya Cement AD
							40.96	Set Group Holding
							10.02	Set Cimento Sanayi ve Tas
Arena S.A.	Guerville	FR	EUR	126,000,000	-	99.99	99.99	Ciments Français S.A.
Arrowhead Investment Company	Carson City	US	USD	1,000	-	100.00	100.00	Essroc Corporation
Asec Cement Company	Cairo	EG	EGP	1,176,967,750	-	98.69	98.69	Suez Cement Company
Asia Cement Products Co., Ltd	Bangkok	TH	THB	10,000,000	-	39.03	39.03	Asia Cement Public Co., Ltd (1)
Asia Cement Public Co., Ltd	Bangkok	TH	THB	4,680,000,000	-	39.03	24.96	Ciments Français S.A.
							14.07	Vaniyuth Co. Ltd (1)
Asment (Ciments de Temara)	Temara	MA	MAD	171,875,000	-	37.01	19.99	Ciments Français S.A.
							17.02	Procimar S.A.
Asociacion de Empresas de Transporte a Granel	S. Sebastian	ES	EUR	23,138.41	-	92.86	92.86	Sociedad Financiera y Minera S.A.
Ath Béton	Ghilblingren	BE	EUR	125,000	-	99.60	99.60	Compagnie des Ciments Belges S.A.
Atlantica de Graneles y Moliendas S.A.	Vizcaya	ES	EUR	5,000,000	-	50.00	50.00	Sociedad Financiera y Minera S.A.
Axim Building Technologies S.A.	Malaga	ES	EUR	60,500	-	100.00	99.00	Sociedad Financiera y Minera S.A.
							1.00	Compania General de Canteras S.A.
Axim Concrete Technologies (Canada) Inc.	Cambridge	CA	CAD	1,275,600	-	100.00	100.00	Axim Concrete Technologies Inc.

1 percentage of interest of the Ciments Français Group

Annex 3 (continued)

Company	Registered office			Share capital	% direct	% indirect	Interest held by Group companies %	
Axim Concrete Technologies Inc.	Middlebranch	US	USD	1,000	-	100.00	100.00	Essroc Corporation
Axim Maroc	Casablanca	MA	MAD	1,000,000	-	99.96	99.96	Ciments du Maroc
Axim S.A.	Guerville	FR	EUR	495,625	-	99.93	99.93	Ciments Calcia S.A.
Bayarne S.a.s.	Guerville	FR	EUR	112,000	-	100.00	100.00	Ciments Calcia S.A.
BCE S.A.	Tourcoing	FR	EUR	38,250	-	99.80	99.80	Unibéton S.A.
Berkeley Resource Recovery Ltd	Winchester	US	USD	1,000	-	100.00	100.00	Riverton Investment Corporation
Betomar S.A.	Casablanca	MA	MAD	84,397,800	-	99.99	99.99	Ciments du Maroc S.A.
Béton Contrôle de Gascogne S.A.	Soorts Hossegor	FR	EUR	40,000	-	37.00	37.00	Béton Contrôle du Pays Basque S.A.
Béton Contrôle de l'Adour S.A.	Bayonne	FR	EUR	150,000	-	59.96	59.96	Béton Contrôle du Pays Basque S.A.
Béton Contrôle de Montceau le Creusot S.A.	Montceau Les M.	FR	EUR	588,000	-	49.99	49.99	Unibéton S.A.
Béton Contrôle des Abers S.A.	Lannilis	FR	EUR	104,000	-	34.00	34.00	Unibéton S.A.
Béton Contrôle du Pays Basque S.A.	Bayonne	FR	EUR	120,000	-	59.95	59.95	Unibéton S.A.
Béton Saône S.A.	Macon	FR	EUR	40,000	-	35.00	35.00	Unibéton S.A.
Bonafini S.A.	Argences	FR	EUR	45,392	-	100.00	96.79	Tratel S.A.
							3.21	Larric S.A.
Bureau Engineering Travaux Publics (SA BETP)	Guerande	FR	EUR	523,205.03	-	99.94	79.94	Comp. Financière et de Participations S.A.
							20.00	Arena S.A.
Canteras Aldoyar S.L.	Olazagutia	ES	EUR	1,508,510	-	20.00	20.00	Hormigones y Minas S.A.
Capitol Cement Corporation	Winchester	US	USD	1,000,000	-	100.00	100.00	Riverton Investment Corporation
Cementos Capa S.L.	Archidona	ES	EUR	1,260,000	-	63.00	63.00	Sociedad Financiera y Minera S.A.
Centro Administrativo y de Servicios de Malaga S.A.	Malaga	ES	EUR	60,200	-	99.99	99.99	Sociedad Financiera y Minera S.A.
Chatelet S.A.	Cayeux s/M.	FR	EUR	118,680	-	99.95	99.95	GSM S.A.
Ciments Calcia S.A.	Guerville	FR	EUR	593,836,525	-	99.99	99.99	Ciments Français S.A.
Ciments du Littoral S.A.	Bassens	FR	EUR	37,000	-	99.99	99.99	Ste d'Investissement & de Partecipations du Littoral
Ciments du Maroc	Casablanca	MA	MAD	721,800,200	-	61.82	58.30	Ciments Français S.A.
							3.52	Procimar S.A.
Ciments du Nord	Nouadhibou	MR	MRO	1,340,000,000	-	15.00	15.00	Ciments du Maroc
Ciments Français Europe N.V.	Amsterdam	NL	EUR	378,503,130	-	100.00	66.80	Sodecim S.a.s.
							33.20	Ciments Français S.A.
Ciments Français International S.A.	Luxembourg	LU	EUR	8,928,500	-	99.99	50.99	Ciments Français S.A.
							49.00	Ciments Français Europe N.V.
Ciments Français Participations S.n.c.	Puteaux	FR	EUR	1,500	-	100.00	50.00	Ciments Français S.A.
							50.00	Comp. Financière et de Participations S.A.
Cisnel Descargas S.L.	Madrid	ES	EUR	3,010	-	100.00	100.00	Sodecim S.a.s.
Compagnie des Ciments Belges S.A.	Tournai	BE	EUR	291,499,929.23	-	99.91	36.94	Ciments Français Europe N.V.
							29.11	Ciments Français S.A.
							25.28	Ciments Calcia S.A.
							8.58	Compagnie Financière des Ciments S.A.
Compagnie Financière des Ciments S.A.	Tournai	BE	EUR	5,580,000	-	99.99	99.99	Ciments Français S.A.
Compagnie Financière et de Participations S.A.	Puteaux	FR	EUR	180,000	-	99.99	99.99	Ciments Français S.A.
Compania General de Canteras S.A.	Malaga	ES	EUR	479,283,69	-	99.41	96.12	Sociedad Financiera y Minera S.A.
							3.29	Sax S.a.s.
Conglomerantes Hidraulicos Especiales S.A.	Madrid	ES	EUR	2,511,960	-	85.00	85.00	Sociedad Financiera y Minera S.A.
Consumer Materials Inc.	Winchester	US	USD	1,000	-	100.00	100.00	Riverton Investment Corporation
De Paepe Béton N.V.	Gent	BE	EUR	500,000	-	99.98	99.98	Compagnie des Ciments Belges S.A.
Decoux S.A.	Beaucaire	FR	EUR	120,000	-	100.00	100.00	Tratel S.A.
Devnya Cement A.D.	Devnya	BG	BGN	1,028,557,000	-	99.97	99.97	Marvex

Company	Registered office			Share capital	% direct	% indirect	Interest held by Group companies %	
Devnya Cement St	Devnya	BG	BGN	1,500,000	-	74.00	74.00	Devnya Cement A.D.
Devnya Finance	Devnya	BG	BGN	50,000,000	-	50.00	50.00	Devnya Cement A.D.
Dobrotitsa BSK A.D.	Dobritch	BG	-	-	-	26.40	26.40	Devnya Cement A.D.
Dragages et Carrières S.A.	Saint Marcel	FR	EUR	1,000,000	-	49.99	49.99	GSM S.A.
Dragages Transports & Travaux Maritimes S.A.	La Rochelle	FR	EUR	1,702,272	-	39.99	39.99	GSM S.A.
Ecocem Valorizacion de Residuos S.A.	Barcellona	ES	EUR	300,000	-	16.33	16.33	Sociedad Financiera y Minera S.A.
Entreprise Lorraine d'Agriculture - ELDA S.A.R.L.	Heillecourt	FR	EUR	10,000	-	100.00	100.00	GSM S.A.
ES Cement Co.	Nazareth	US	-	-	-	100.00	100.00	Essroc Cement Corp.
Essroc Canada Inc.	Mississauga	CA	CAD	307,936,000	-	100.00	100.00	Essroc Corporation
Essroc Cement Corp.	Nazareth	US	USD	8,330,000	-	100.00	100.00	Essroc Corporation
Essroc Corporation	Nazareth	US	USD	1,000	-	100.00	100.00	Essroc International
Essroc International	Puteaux	FR	EUR	244,398,096	-	100.00	100.00	Ciments Français S.A.
Essroc Puerto Rico Holdings Inc.	Nazareth	US	USD	1,000	-	100.00	100.00	Essroc San Juan Inc.
Essroc San Juan Inc.	Espinosa	PR	USD	10,000	-	100.00	100.00	Essroc Cement Corp.
ET Béton	Aspropyrgos	GR	EUR	2,616,757.95	-	99.99	99.99	Halyps Building Materials S.A.
Eurarco France S.A.	Les Crotoy	FR	EUR	1,520,000	-	64.99	64.99	GSM S.A.
Eurocalizas S.L.	Cantabria	ES	EUR	783,000	-	26.00	26.00	Hormigones y Minas S.A.
Eurotech Cement S.h.p.k.	Durres	AL	ALL	270,000,000	-	84.99	84.99	Halyps Building Materials S.A.
Exportaciones de Cemento del Norte de Espana S.A.	Bilbao	ES	EUR	60,099.77	-	45.00	45.00	Sociedad Financiera y Minera S.A.
Fraimbois Granulats S.A.R.L.	Moncel les Luneville	FR	EUR	75,000	-	50.00	50.00	GSM S.A.
Gacem Company Limited	Serrekunda	GM	GMD	4,500,000	-	80.00	80.00	Tercim S.A.
Granulats de la Drôme S.a.s.	Saint Jean de Vedas	FR	EUR	1,686,000	-	51.01	51.01	GSM S.A.
Granulats et Sables Marins S.a.s.	Pessac	FR	EUR	40,000	-	99.99	99.99	GSM S.A.
Granulats Ouest - GO	Saint Herblain	FR	EUR	784,657.44	-	100.00	100.00	GSM S.A.
Greyrock Inc.	Nazareth	US	USD	1,000	-	100.00	100.00	Essroc Cement Corp.
Greyrock WV Inc.	Nazareth	US	USD	10,000	-	100.00	100.00	Riverton Investment Corporation
Groupe Ciment Quebec Inc.	St. Basile	CA	CAD	57,000,000	-	50.00	50.00	Essroc Canada Inc.
GSM S.A.	Guerville	FR	EUR	18,675,840	-	99.99	99.99	Arena S.A.
H.C. Plasier Beheer B.V.	Vlaardingen	NL	EUR	18,151.21	-	100.00	100.00	Rular Trading B.V.
Halyps Building Materials S.A.	Aspropyrgos	GR	EUR	34,951,441.14	-	99.84	59.82 40.02 59.85 39.99	Ciments Français S.A. Sociedad Financiera y Minera S.A. (voting rights: Ciments Français S.A. Sociedad Financiera y Minera S.A.)
Helleniki Lithotomi S.A.	Atene	GR	EUR	60,000	-	100.00	100.00	Compagnie Financière et de Participations S.A.
Hormigones Olatzi S.A.	Olazagutia	ES	EUR	283,803.11	-	25.00	25.00	Hormigones y Minas S.A.
Hormigones Txingudi S.A.	San Sebastian	ES	EUR	60,099.77	-	50.00	50.00	Hormigones y Minas S.A.
Hormigones y Minas S.A.	San Sebastian	ES	EUR	8,689,378.20	-	99.99	99.99	Sociedad Financiera y Minera S.A.
Immobilière des Technodes S.A.	Guerville	FR	EUR	8,024,400	-	99.99	59.97 40.02	Ciments Français S.A. Ciments Calcia S.A.
Industrie Sakia el Hamra "Indusaha" S.A.	Laayoune	MA	MAD	55,550,000	-	91.00	91.00	Ciments du Maroc
Innocon Partnership Agreement Inc.	Richmond Hill	CA	CAD	2,003	-	48.50	48.50	Essroc Canada Inc
Interbulk Trading S.A.	Lugano	CH	CHF	7,470,600	-	99.99	66.75 15.00 18.24	Ciments Français International S.A. Intertrading S.r.l. Ciments Français Europe N.V.
International Cement Traders Ltd	Colombo	LK	LKR	401,416,620	-	80.00	80.00	Ciments Français S.A.

Annex 3 (continued)

Company	Registered office			Share capital	% direct	% indirect	Interest held by Group companies %	
Inversiones e Iniciativas en Aridos S.L.	Madrid	ES	EUR	3,010	-	100.00	100.00	Ciments Français S.A.
Investcim S.A.	Puteaux	FR	EUR	124,874,000	-	99.99	99.99	Ciments Français S.A.
IPTP Corporation	Las Vegas	US	USD	1,000	-	100.00	80.00	Riverton Corporation
							20.00	Capitol Cement Corporation
Italmed Cement Company Ltd	Limassol	CY	CYP	12,318,000	-	99.99	99.99	Halyps Building Materials S.A.
ITC Cimento Maden Ve Insaat Sanayi Ticaret	Istanbul	TR	YTL	50,000	-	99.99	99.99	Set Beton Madencilik Sanayi ve Tas
Jalaprathan Cement Public Co, Ltd	Bangkok	TH	THB	1,200,000,000	-	58.80	12.26	Asia Cement Public Co., Ltd (2)
							37.00	Ciments Français S.A.
							9.54	Vesprapat Holding Co, Ltd (2)
Jalaprathan Concrete Products Co, Ltd	Bangkok	TH	THB	280,000,000	-	57.39	57.39	Jalaprathan Cement Public Co, Ltd (2)
Johar S.A.	Luxemont et Villotte	FR	EUR	1,221,632	-	100.00	100.00	Tratel S.A.
JTC	Bangkok	TH	THB	11,000,000	-	57.39	57.39	Jalaprathan Concrete Products Co, Ltd (2)
Larricq S.A.	Airvault	FR	EUR	508,000	-	99.98	99.98	Tratel S.A.
Les Calcaires Girondins S.a.s.	Cenon	FR	EUR	100,000	-	50.00	50.00	GSM S.A.
Les Calcaires Sud Charentes	Cherves Richemont	FR	EUR	1,524.49	-	34.00	34.00	GSM S.A.
Les Graves de l'Estuaire S.a.s.	Le Havre	FR	EUR	297,600	-	33.33	33.33	GSM S.A.
Lyulyaka E.A.D.	Devnya	BG	BGN	759,372	-	100.00	100.00	Devnya Cement A.D.
Marvex	Devnya	BG	BGN	89,424,100	-	100.00	100.00	Sociedad Financiera y Minera S.A.
Matériaux Routiers du Bearn S.A.R.L.	Rebenacq	FR	EUR	15,000	-	33.30	33.30	GSM S.A.
Mauritano-Française des Ciments	Nouakchott	MR	MRO	1,111,310,000	-	51.11	51.11	Ciments Français S.A.
Menaf	Puteaux	FR	EUR	352,500,000	-	100.00	95.74	Ciments Français S.A.
							4.26	Ciments Français Participations S.n.c.
Met Teknik Servis ve Maden Sanayi Ticaret A.S.	Istanbul	TR	YTL	50,000	-	99.99	99.99	Set Group Holding
MTB - Marittime Trading & Brokerage S.r.l.	Genoa	IT	EUR	70,000	-	33.33	33.33	Interbulk Trading S.A.
Nadco Inc.	Nazareth	US	USD	1,000	-	100.00	100.00	Essroc Cement Corp.
Naga Property Co.	Bangkok	TH	THB	100,000,000	-	57.43	57.43	Jalaprathan Cement Public Co. Ltd (2)
Neuciclaje S.A.	Bilbao	ES	EUR	364,000	-	32.69	32.69	Sociedad Financiera y Minera S.A.
Novhorvi S.A.	Vitoria	ES	EUR	180,300	-	25.00	25.00	Hormigones y Minas S.A.
Nugra S.A.	Madrid	ES	EUR	60,100	-	100.00	100.00	Sociedad Financiera y Minera S.A.
Port St. Louis Aménagement S.n.c.	Guerville	FR	EUR	8,000	-	51.00	51.00	GSM S.A.
Port St. Louis Remblaiement S.A.R.L.	Guerville	FR	EUR	7,622.45	-	51.00	51.00	GSM S.A.
Procimar S.A.	Casablanca	MA	MAD	27,000,000	-	99.99	99.99	Ciments Français S.A.
Provence Aménagement S.A.	Port Frejus	FR	EUR	480,000	-	35.00	35.00	Arena S.A.
R.G. Aggregates B.V.	Vlaardingen	NL	EUR	18,151.21	-	100.00	100.00	Compagnie des Ciments Belges S.A.
Raingeard Carrières Bétons et Compagnie S.n.c.	Saint Herblain	FR	EUR	705,000	-	100.00	99.98	GSM S.A.
							0.02	Arena S.A.
Riverton Corporation	Winchester	US	USD	859,310	-	100.00	100.00	Riverton Investment Corporation
Riverton Investment Corporation	Winchester	US	USD	8,340	-	100.00	100.00	Essroc Cement Corp.
Riverton Lime&Stone Co. Inc.	Winchester	US	USD	3,000	-	100.00	100.00	Riverton Corporation
Rular Trading B.V.	Vlaardingen	NL	EUR	18,151.21	-	100.00	100.00	R.G. Aggregates B.V.
S.A. Dijon Béton	Dijon	FR	EUR	184,000	-	15.00	15.00	GSM S.A.
Saarlandische Zementgesellschaft MBH	Saarbrucken	DE	EUR	52,000	-	80.00	80.00	Ciments Français International S.A.
Sadecib S.A.	Puteaux	FR	EUR	40,000	-	99.96	99.96	Ciments Français S.A.
Sas des Gresillons	Guerville	FR	EUR	40,000	-	35.00	35.00	GSM S.A.
Sax S.a.s.	Guerville	FR	EUR	482,800	-	99.99	99.99	Ciments Français S.A.
SCI Batlongue	Arudy	FR	EUR	53,504	-	100.00	100.00	GSM S.A.

2 percentage of interest of the Ciments Français Group

Company	Registered office			Share capital	% direct	% indirect	Interest held by Group companies %	
SCI Coralie	Allonnes	FR	EUR	3,048.98	-	100.00	80.00	Bonafini S.A.
							20.00	Larricq S.A.
SCI de Balloy	Avon	FR	EUR	20,310	-	100.00	99.95	GSM S.A.
							0.05	Arena S.A.
SCI Delrieu Frères	Fumel	FR	EUR	17,379.19	-	100.00	50.00	Ciments Français S.A.
							50.00	Socli S.A.
SCI des Granets	Cayeux sur M.	FR	EUR	4,695	-	47.33	47.33	GSM S.A.
SCI du Colombier	Rungis	FR	EUR	2,000	-	63.00	63.00	GSM S.A.
SCI du Domaine de Saint Louis	Guerville	FR	EUR	6,720	-	99.76	99.76	GSM S.A.
SCI Lepeltier	S. Doulchard	FR	EUR	6,150	-	99.76	99.76	GSM S.A.
SCI Taponnat	Cherves Richemont	FR	EUR	1,500	-	50.00	50.00	GSM S.A.
SCI Triel Carrières	Guerville	FR	EUR	13,500	-	99.89	99.89	GSM S.A.
Scori S.A.	Plaisir	FR	EUR	1,092,800	-	13.95	13.95	Ciments Calcia S.A.
Set Beton Madencilik Sanayi ve Tas	Istanbul	TR	YTL	21,494,800	-	99.99	99.99	Ciments Français S.A.
Set Cimento Sanayi ve Tas	Istanbul	TR	YTL	24,893,900	-	99.81	98.62	Set Group Holding
							1.19	Anadolu Cimentolari Tas
Set Group Holding	Istanbul	TR	YTL	18,508,410	-	99.99	99.99	Ciments Français S.A.
Sitapuram Power Limited	Hyderabad	IN	INR	140,000,000	-	30.60	30.60	Zuari Cement Ltd
Shymkent Cement	Shymkent	KZ	KZT	350,000,000	-	99.75	99.75	Ciments Français S.A.
Skyra S.r.l.	Mandra	GR	EUR	8,804.11	-	100.00	100.00	Halyps Building Materials S.A.
Snc Rouennaise de Transformation	Grand Couronne	FR	EUR	7,500	-	60.00	60.00	Ciments Calcia S.A.
Sociedad Financiera y Minera S.A.	Madrid	ES	EUR	39,160,000	-	99.73	56.58	Sodecim S.a.s.
							39.87	Ciments Français Europe N.V.
							3.02	Hormigones y Minas S.A.
							0.26	Sociedad Financiera y Minera S.A.
								(voting rights:
							56.73	Sodecim S.a.s.
							39.98	Ciments Français Europe N.V.
							3.03	Hormigones y Minas S.A.)
Société Calcaires Lorrains	Heillecourt	FR	EUR	40,000	-	49.92	49.92	GSM S.A.
Société Civile Bachant le Grand Bonval	Guerville	FR	EUR	1,500	-	80.00	80.00	GSM S.A.
Société Civile Carrière de Maraval	Frejus	FR	EUR	1,524.49	-	100.00	100.00	GSM S.A.
Société Civile d'Exploitation Agricôle de l'Avesnois	Reims	FR	EUR	3,000	-	90.00	50.00	Société Civile Bachant le Grand Bonval
							40.00	GSM S.A.
Société Civile Immobilière Berault	Guerville	FR	EUR	3,840	-	99.95	99.95	GSM S.A.
Société de la Grange d'Etaule	Gray	FR	EUR	3,750	-	99.60	99.60	Ciments Calcia S.A.
Société des Carrières du Tournaisis S.C.T. S.A.	Tournai	BE	EUR	12,297,053.42	-	65,00	23.90	Ciments Français Europe N.V.
							18.79	Ciments Français S.A.
							16.31	Ciments Calcia S.A.
							5.54	Compagnie Financière des Ciments S.A.
							0.46	Compagnie des Ciments Belges S.A.
Société Foncière de la petite Seine S.a.s.	Saint Sauveur les Bray	FR	EUR	50,000	-	40.00	40.00	GSM S.A.
Société Immobilière Marguerite VIII	Casablanca	MA	MAD	100,000	-	98.00	98.00	Ciments du Maroc
Société Immobilière Marguerite X	Casablanca	MA	MAD	100,000	-	98.00	98.00	Ciments du Maroc
Société Parisienne des Sablières S.A.	Pont de L'Arche	FR	EUR	320,000	-	50.00	50.00	GSM S.A.
Socli S.A.	Izaourt	FR	EUR	144,960	-	99.94	99.94	Ciments Calcia S.A.
Sodecim S.a.s.	Puteaux	FR	EUR	458,219,678	-	99.99	99.99	Ciments Français S.A.
Ste d'Investissement & de Partecipations du Littoral	Guerville	FR	EUR	37,000	-	99.90	99.90	Ciments Calcia S.A.

Annex 3 (continued)

Company	Registered office			Share capital	% direct	% indirect	Interest held by Group companies %	
STE des Calcaires de Souppes sur Loing	Souppes sur Loing	FR	EUR	2,145,000	-	50.00	50.00	GSM S.A.
Ste Extraction & Amenagement de la Plaine de Marolles	Avon	FR	EUR	40,000	-	56.40	56.40	GSM S.A.
Stinkal S.a.s.	Ferques	FR	EUR	1,120,000	-	35.00	35.00	GSM S.A.
Suez Bag Company	Cairo	EG	EGP	9,000,000	-	57.84	53.32	Suez Cement Company
							4.52	Tourah Portland Cement Company
Suez Cement Company (3)	Cairo	EG	EGP	909,282,535	-	50.99	25.01	Menaf
							12.38	Ciments Français S.A.
							9.47	Ciments du Maroc
							4.13	Tercim S.A.
Sukanit	Bangkok	TH	THB	500,000	-	56.91	56.91	Jalaprathan Concrete Products Co, Ltd (4)
Technodes S.a.s.	Guerville	FR	EUR	3,200,000	-	99.99	99.99	Ciments Français S.A.
Tercim S.A.	Puteaux	FR	EUR	45,000	-	99.99	99.99	Ciments Français S.A.
Tomahawk Inc.	Wilmington	US	USD	1,000	-	100.00	100.00	Essroc Cement Corp.
Tourah Portland Cement Company	Cairo	EG	EGP	238,414,000	-	66.12	66.12	Suez Cement Company
Trabel Affretement	Gaurain Ramecroix	BE	EUR	61,500	-	100.00	99.84	Tratel S.A.
							0.16	Ciments Calcia S.A.
Trabel Transports S.A.	Gaurain	BE	EUR	750,000	-	100.00	91.00	Tratel S.A.
							9.00	Compagnie des Ciments Belges S.A.
Tragor S.A.	Pessac	FR	EUR	892,048	-	100.00	100.00	Tratel S.A.
Tratel S.A.	L'Ile S. Denis	FR	EUR	6,025,580	-	100.00	100.00	Ciments Calcia S.A.
Unibéton Est S.a.s.	Heillcourt	FR	EUR	40,000	-	100.00	100.00	Unibéton Holding S.A.
Unibéton Holding S.A.	Guerville	FR	EUR	45,000	-	99.88	99.88	Arena S.A.
Unibéton Ile de France S.a.s.	L'Ile Saint Denis	FR	EUR	40,000	-	100.00	100.00	Unibéton Holding S.A.
Unibéton Luxembourg S.A.	Luxembourg	LU	EUR	35,000	-	99.71	99.71	Unibéton S.A.
Unibéton Med S.a.s.	Lambesc	FR	EUR	40,000	-	100.00	100.00	Unibéton Holding S.A.
Unibéton Normandie S.a.s.	Rouen	FR	EUR	40,000	-	100.00	100.00	Unibéton Holding S.A.
Unibéton S.A.	Guerville	FR	EUR	27,159,732	-	99.99	99.99	Arena S.A.
Unibéton S.O. S.a.s.	Pessac	FR	EUR	40,000	-	100.00	100.00	Unibéton Holding S.A.
Unibéton Var S.a.s.	Lambesc	FR	EUR	40,000	-	99.96	99.96	Unibéton S.A.
Uniwerbéton S.a.s.	Heillecourt	FR	EUR	160,000	-	70.00	70.00	Unibéton S.A.
Valoise S.a.s.	Pierrelaye	FR	EUR	39,000	-	60.00	60.00	GSM S.A.
Vaniyuth Co. Ltd	Bangkok	TH	THB	100,000	-	48.80	48.80	Investcim S.A.
Vassiliko Cement Works Ltd	Nicosia	CY	CYP	13,434,018.75	-	33.00	20.00	Italmed Cement Company Ltd
							13.00	Comp. Financière et de Participations S.A.
Ventore S.L.	Malaga	ES	EUR	14,400	-	100.00	99.56	Sociedad Financiera y Minera S.A.
							0.44	Hormigones y Minas S.A.
Vesprapat Holding Co, Ltd	Bangkok	TH	THB	20,000,000	-	49.00	49.00	Sax S.a.s.
Vulkan AD	Dimitrovgrad	BG	BGN	452,967,000	-	94.95	70.00	Ciments Français S.A.
							24.95	Devnya Cement AD
Zuari Cement Ltd	Goa	IN	INR	4,279,614,000	-	50.00	50.00	Ciments Français S.A.

3 net of purchase options granted to minority shaholders
4 percentage of interest of the Ciments Français Group

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INDEPENDENT AUDITORS' REPORT
pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

To the Shareholders of
Italmobiliare S.p.A.

1. We have audited the consolidated financial statements of Italmobiliare S.p.A. and its subsidiaries (the Italmobiliare Group) as of and for the year ended December 31, 2005, comprising the balance sheet, the statements of income, changes in shareholders' equity and cash flows and the related explanatory notes. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. These consolidated financial statements represent the first consolidated financial statements prepared by Italmobiliare S.p.A. in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

2. We conducted our audit in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The audit of the financial statements of certain consolidated subsidiaries and associates, which represent 10% of consolidated total assets and 11% of consolidated revenues, is the responsibility of other auditors.

   For comparative purposes, the consolidated financial statements include the corresponding information for the prior year prepared in accordance with consistent accounting principles, except for the effects of IAS 32 and IAS 39 which have been applied from January 1° 2005 in accordance with the exemption allowed by IFRS 1. In addition, the explanatory notes to the consolidated financial statements explain the effects of transition to IFRS as adopted by the European Union. As indicated in the explanatory notes to the financial statements, the Directors have modified certain information relating to the transition to IFRS previously approved by the Board of Directors and published as an attachment to the quarterly report for the 1st quarter 2005 in the reconciliation statements required by IFRS 1 which have been audited by us. Reference should be made to our audit report dated June 13, 2005. The information presented in the explanatory notes to the financial statements has been examined by us as part of our audit of the consolidated financial statements for the year ended December 31, 2005.

3. In our opinion, the consolidated financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of Italmobiliare Group as of December 31, 2005, and for the year then ended in accordance with IFRS as adopted by the European Union.

Milan, April 10, 2006

Reconta Ernst & Young S.p.A.
Signed by: Alberto Coglia, Partner

2005 Parent company financial statements

Financial statements

Assets

(euro)		12.31.2005	12.31.2004
A) Amounts due from shareholders		-	-
B) Fixed assets			
I - Intangible assets:			
1) Start-up and capital expenses		-	3,862
4) Concessions, licenses, trademarks and similar rights		7,688	8,667
7) Other		38,470	58,470
	Total	46,158	70,999
II - Tangible assets:			
1) Land and buildings		3,216,668	3,369,347
2) Plant and machinery		87,201	9,097
4) Other		221,880	214,927
	Total	3,525,749	3,593,371
III - Financial assets:			
1) Equity investments in:			
a) subsidiaries		990,047,105	989,854,783
b) associated companies		24,712,635	15,996,181
d) other companies		382,034,509	321,960,404
2) Receivables:			
a) due from subsidiaries			
- due within 12 months		-	178,195
- due after more than 12 month		15,500,000	32,000,000
b) due from associated companies			
- due within 12 months		5,896,663	5,946,663
d) due from others			
- due after more than 12 months		74,525	77,296
4) Treasury shares - overall nominal value € 2,443,041		22,175,652	21,192,005
	Total	1,440,441,089	1,387,205,527
	Total fixed assets	1,444,012,996	1,390,869,897
C) Current assets			
I - Inventories		-	-
	Total	-	-
II - Receivables:			
1) due from customers			
- due within 12 months		18,606	2,636
2) due from subsidiaries			
- due within 12 months		2,263,098	3,238,238
3) due from associated companies			
- due within 12 months		72,590	64,202

(euro)	12.31.2005	12.31.2004
4-bis) due from tax authorities		
- edue within 12 months	17,248,990	9,096,696
- due after more than 12 months	23,796,923	23,368,892
5) due from others		
- due within 12 months	203,374	138,159
- due after more than 12 months	37,813	-
Total	**43,641,394**	**35,908,823**
III - Financial assets which do not represent fixed assets:		
4) Other equity investments	2,680,328	2,696,918
6) Other securities	28,752,239	18,845,052
7) Financial receivables:		
a) due from subsidiaries		
- due within 12 months	5,083,633	1,624,116
Total	**36,516,200**	**23,166,086**
IV - Cash and cash equivalents:		
1) Bank and postal accounts	30,219,000	215,599
2) Checks on hand	-	9,750
3) Cash-in-hand and cash equivalents	22,377	16,375
Total	**30,241,377**	**241,724**
Total current assets	**110,398,971**	**59,316,633**
D) Prepayments and accrued income		
b) Other prepayments and accrued income	136,111	112,378
Total assets	**1,554,548,078**	**1,450,298,908**

Liabilities

(euro)		12.31.2005	12.31.2004
A) Shareholders' equity			
I - Share capital		100,166,937	100,166,937
II - Share premium reserve		177,191,252	177,191,252
III - Revaluation reserves		86,760,127	86,760,127
IV - Legal reserve		20,033,387	20,033,387
V - Statutory reserves		-	-
VI - Reserve for treasury stock held		22,175,653	21,192,005
VII - Other reserves:			
1) Extraordinary		312,718,249	290,699,597
2) Substitute tax reserves		2,163,956	2,163,956
3) Merger reserves		57,715,013	57,715,013
4) Reserve in accordance with art. 55 DPR 597/1973 and 917/1986		1,771,133	1,771,133
5) Reserve in accordance with art. 54 DPR 597/1973 and 917/1986		184,679	184,679
6) Reserve in accordance with art. 33 Law 413/91 (amnesty)		1,704	1,704
7) Reserve in accordance with Law 2/12/75 no. 576 art. 34		93,242,488	93,242,488
8) Other reserves		(1)	(6)
VIII - Retained earnings		90,008,025	80,000,000
IX - Net income for the period		71,319,697	76,379,726
	Total	**1,035,452,299**	**1,007,501,998**
B) Provisions for contingencies and charges			
3) Other		26,287,520	26,010,131
	Total	**26,287,520**	**26,010,131**
C) Employees' leaving entitlements		**1,610,779**	**1,299,829**
D) Payables			
4) Payables due to banks			
- due within 12 months		148,779,514	110,700,000
- due after more than 12 months		316,018,150	285,010,150
6) Payments on account			
- due within 12 months		4,000	8,000
7) Payables due to suppliers			
- due within 12 months		1,098,483	1,744,067
9) Payables due to subsidiaries			
- due within 12 months		20,551,382	14,451,226
- due after more than 12 months		7,522	7,382
12) Payables due to tax authorities			
- due within 12 months		1,636,515	438,134
- due after more than 12 months		-	23,896
13) Payables due to social security authorities			
- due within 12 months		503,504	449,462

(euro)		12.31.2005	12.31.2004
14) Other payables			
- due within 12 months		1,618,123	1,682,412
- due after more than 12 months		16,230	15,924
	Total	**490,233,423**	**414,530,653**
E) Accruals and deferred income			
b) Other accruals and deferred income		964,057	956,297
Totalliabilities and shareholders' equiti		**1,554,548,078**	**1,450,298,908**

Memorandum and contigency accounts:			
- Guarantees provided:			
	subsidiaries	1,870,909	1,870,909
- Guarantees to third parties for payables on the balance sheet:			
	other companies	21,438,776	21,438,776
- Other guarantees in favor of:			
	other companies	1,391,399	1,391,399
- Other commitments:			
	other companies	11,170,108	9,910,931
Memorandum accounts			
- Assets held by third parties		225,990,548	196,785,951
- Third-party assets held		4,482,402	4,482,402
- Assets held by third parties against loan		16,125,000	16,550,000
Total memorandum and contingency accounts		**282,469,142**	**252,430,368**

Income statement

(euro)	12.31.2005	12.31.2004
A) Value of production		
1) Net sales	3,744,375	3,445,710
5) Other revenues	1,079,947	386,812
Total value of production	**4,824,322**	**3,832,522**
B) Costs of production		
6) Raw, ancillary and consumable materials and supplies	92,488	109,506
7) For services	6,908,631	6,047,590
8) For use of third-party assets	184,725	258,589
9) Personnel expenses:		
- wages and salaries	4,641,636	4,293,893
- social security contributions	1,385,750	1,281,911
- employees' leaving entitlements	360,189	551,659
Total	**6,387,575**	**6,127,463**
10) Amortization, depreciation and writedowns:		
- amortization of intangible assets	29,872	159,671
- depreciation of tangible assets	114,441	101,027
Total	**144,313**	**260,698**
14) Other operating costs	1,248,116	1,063,957
Total costs of production	**14,965,848**	**13,867,803**
Difference between value and costs of production (A-B)	**(10,141,526)**	**(10,035,281)**
C) Financial income and charges		
15) Income from equity investments:		
a) subsidiaries	38,689,919	50,515,059
b) associated companies	1,566,580	1,566,580
c) other companies	28,274,163	22,468,621
Total	**68,530,662**	**74,550,260**
16) Other financial income:		
a) from receivables recorded under fixed assets:		
- from subsidiaries	151,256	368,076
- from third parties	2,052	2,305
b) from securities recorded under fixed assets which are not held as equity investments	-	1,789
c) from securities recorded under current assets which are not held as equity investments	768,829	747,665
d) other income:		
- from subsidiaries	86,694	69,925
- from associated companies	-	4,819
- from third parties	6,958,016	966,865
Total	**7,966,847**	**2,161,444**
17) Interest and other financial charges:		
a) due to subsidiaries	(166,462)	(125,508)
c) due to others	(10,384,230)	(9,241,874)
Total	**(10,550,692)**	**(9,367,382)**
17 bis) Profit and loss on exchanges	(6,563)	(598)
Total financial income and charges	**65,940,254**	**67,343,724**

(euro)	12.31.2005	12.31.2004
D) Adjustments to financial asset values		
18) Revaluations:		
a) of equity investments		
- in subsidiaries	51,638	3,277
- in other companies	11,378,676	409,303
Total	11,430,314	412,580
19) Writedowns:		
a) of equity investments		
- in subsidiaries	-	(34,902)
- in other companies	-	(496,019)
c) of securities recorded under current assets which are not held as equity investments	(1,379)	-
Total	(1,379)	(530,921)
Total adjustments to financial asset values	11,428,935	(118,341)
E) Non-recurring income and charges		
20) Income, with separate indication of capital gains from disposals, the income from which cannot be recorded at no. 5):		
- capital gains from disposals	54,170	243,722
- other	616,905	20,052,048
Total	671,075	20,295,770
21) Charges, with separate indication of capital losses from disposals, the accounting effects of which cannot be recorded at no. 14, and of taxes relating to previous years:		
- other	(949,752)	(3,816,135)
Total	(949,752)	(3,816,135)
Total non-recurring income and charges	(278,677)	16,479,635
Income before tax	66,948,986	73,669,737
22) Taxes on income for the year, current, deferred and prepaid taxes	4,370,711	2,709,989
23) Net income for the year	**71,319,697**	**76,379,726**

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INDEPENDENT AUDITORS' REPORT
pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

To the Shareholders of
Italmobiliare S.p.A.

1. We have audited the financial statements of Italmobiliare S.p.A. as of and for the year ended December 31, 2005. These financial statements are the responsibility of Italmobiliare S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The audit of the financial statements of certain investments in subsidiaries and associated companies, which respectively represent 34% and 31% of total investments and of total assets, is the responsibility of other auditors.

   For our opinion on the financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated April 20, 2005.

3. In our opinion, the financial statements of Italmobiliare S.p.A. comply with the Italian regulations governing financial statements; accordingly, they present clearly and give a true and fair view of the financial position of Italmobiliare S.p.A. as of December 31, 2005, and the results of its operations for the year then ended.

Milan, April 10, 2006

Reconta Ernst & Young S.p.A.
Signed by: Alberto Coglia, Partner

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.259.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)

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INDEPENDENT AUDITORS' REPORT
pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

To the Shareholders of
Italmobiliare S.p.A.

1. We have audited the consolidated financial statements of Italmobiliare S.p.A. and its subsidiaries (the Italmobiliare Group) as of and for the year ended December 31, 2005, comprising the balance sheet, the statements of income, changes in shareholders' equity and cash flows and the related explanatory notes. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. These consolidated financial statements represent the first consolidated financial statements prepared by Italmobiliare S.p.A. in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

2. We conducted our audit in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The audit of the financial statements of certain consolidated subsidiaries and associates, which represent 10% of consolidated total assets and 11% of consolidated revenues, is the responsibility of other auditors.

   For comparative purposes, the consolidated financial statements include the corresponding information for the prior year prepared in accordance with consistent accounting principles, except for the effects of IAS 32 and IAS 39 which have been applied from January 1° 2005 in accordance with the exemption allowed by IFRS 1. In addition, the explanatory notes to the consolidated financial

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statements explain the effects of transition to IFRS as adopted by the European Union. As indicated in the explanatory notes to the financial statements, the Directors have modified certain information relating to the transition to IFRS previously approved by the Board of Directors and published as an attachment to the quarterly report for the 1st quarter 2005 in the reconciliation statements required by IFRS 1 which have been audited by us. Reference should be made to our audit report dated June 13, 2005. The information presented in the explanatory notes to the financial statements has been examined by us as part of our audit of the consolidated financial statements for the year ended December 31, 2005.

3. In our opinion, the consolidated financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of Italmobiliare Group as of December 31, 2005, and for the year then ended in accordance with IFRS as adopted by the European Union.

Milan, April 10, 2006

Reconta Ernst & Young S.p.A.
Signed by: Alberto Coglia, Partner

Summary of resolutions

The Shareholders' meeting held on second call on April 28, 2006 in Milan, Piazza Belgioioso no. 1 at the Assembly Hall of Banca Intesa, under the chairmanship of Giampiero Pesenti and with the participation in person and by proxy of n. 53 shareholders, holders of n. 16,068,555 shares overall out of the 22,182,583 ordinary shares in circulation,

resolved

1) - to approve the Board of Directors' Report on Operations and the financial statements as at December 31, 2005, and also the related Report on Operations;
   - to use the net income for the year plus the sum for "Retained earnings" of 90,008,024.50 euro as follows:
   - 1.27 euro for ordinary shares;
   - 1.348 euro for savings shares;

to be paid as from May 25, 2006 with dividend to shareholders registered on May 22, 2006,
and to carry forward the sum of 111,628,825.17 euro;

2) subject to revocation, for the unimplemented part, of the resolution to authorize the purchase and disposition of treasury shares adopted by the ordinary Shareholders' meeting on May 19, 2005:
   a) to authorize, in accordance with and in application of art. 2357 of the Italian Civil Code, the purchase of both ordinary and savings treasury shares, in the following number, price, and terms and conditions:
      - the purchase may be carried out on one or more occasions, within 18 months of the date of the resolution;
      - the purchase price for each share must not be more than 15% above or below the average prices recorded on the Italian stock exchange in the three sessions prior to each transaction;
      - the overall value cannot, in any event, be above 50 million euro;
      - the maximum number of shares acquired, whether ordinary or savings, cannot have an overall nominal value which, including the treasury shares already owned at today's date by the Company and its subsidiaries, exceeds a tenth of the share capital;
   b) to establish that the sum paid or received in relation to the purchase/sale of treasury shares is recorded directly under Shareholders' equity in accordance with IAS 32 and that is any case the accounting treatment is undertaken in the forms envisaged by the regulations as and when in force;
   c) to authorize the Chairman, Deputy Chairman, Chief Executive Officer and the Director/Chief Operating Officer to make use of the treasury shares acquired, without any time restriction, including in the period before the purchases are finished;
3) to agree for Reconta Ernst & Young S.p.A. a supplementary overall fee of 81,000 euro for carrying out the additional audit work arising from the full adoption of the new IAS/IFRS accounting standards by Italmobiliare S.p.A. and its subsidiaries;
4) to modify art. 10 of the By-laws relating to participation in and representation at Shareholders' meetings;
5) to give the Board of Directors the right in accordance with art. 2443 of the Italian Civil Code to increase the paid-up share capital on one or more occasions, within five years from this resolution, for a maximum amount of 910,000 euro through the issue of 350,000 Italmobiliare ordinary and/or savings shares, of a nominal value of euro 2.60 each, to be reserved, in accordance with art. 2441 of the Italian Civil Code, paragraph 8, to employees of Italmobiliare S.p.A. and its subsidiaries both in Italy and abroad in compliance with the regulations in force in the respective countries of the beneficiaries.

Corporate governance

Corporate governance

As is now tradition for both Italmobiliare S.p.A. and its main subsidiary Italcementi S.p.A., which is also listed, as regards corporate governance the companies have made consolidated choices aimed at ensuring increasingly high levels of transparency and efficiency in their corporate governance system.

The regulations which the company has equipped itself with over recent years are reproduced in the following codes and/or regulations (the texts of which are all available on the Internet site of the company at 'www.italmobiliare.it'):

- Code of Self-discipline;
- Code of ethics;
- Treatment of confidential information;
- Internal dealing code;
- Code of procedure for dealings with related parties.

The Company has also adopted its own «Model of Organization, management and control», in application of Legislative Decree no. 231/01 regarding the issue of the discipline of companies' administrative responsibilities, with the aim of preventing the commission of crimes against the Public Administration and the commission of corporate crime.

The examination of the corporate governance structure, as set out in the binding regulations of the By-laws and in the arrangements adopted by the Company in its own codes and/or regulations, shows the commitment of Italmobiliare S.p.A. to duly adhere to best practice rules which are generally agreed on and set outs, with reference to board resolutions and specific instructions, the path to implementation.

The Code of Self-discipline and the collection of corporate governance rules

The Code of Self-discipline (the «Code») represents a self-regulatory system, which integrates legislative, regulatory and statutory provisions, which the Company and its directors and officers voluntarily adhere to. It aims to make clear the corporate organization model to which Italmobiliare S.p.A. aspires in pursuing the objective of maximizing value for its shareholders.

The «Code» revisits and integrates the rules set out in the «Code of Self-discipline» (in its latest version, approved in July 2002) proposed by the Committee for Corporate Governance of listed companies (the so-called «Preda Code»).

The «Code» envisages, in keeping with the indications in the «Preda Code», the establishment of organisms and offices as well as the adoption of specific procedures and codes of behavior, with the sole exceptions which will be explained later and with some adaptations linked to the particular nature of Italmobiliare S.p.A.

The Board of Directors, at its meeting held in March 2005, arranged to make some changes to the Code of Self-discipline, of which the most important concerned the Internal Control Manager, the appointment of whom, in order to reinforce their independence, was, on the proposal of the Chief Executive Officer, appropriated to the Board of Directors instead of being appointed directly by the former.

The Board of Directors, moreover, is willing to consider further new developments should they be applied to the «Code of self-discipline» and will assess the introduction into its own system of Corporate Governance of the proposals which, if compatible with the company situation, will enable investors' confidence in the reliability of the Company to grow even further.

a) the shareholding structure and the organizational structure

Share capital majority shareholding

The share capital is 100,166,937 euro, divided into 38,525,745 shares of 2.60 euro each, of which 22,182,583 are ordinary shares and 16,343,162 savings shares.

Within the context of the authorizations passed by the shareholders' meetings of May 18, 2004 and May 19, 2005, during the year the Company acquired 18,785 treasury shares for an overall value of 982,491.43 euro. During the year the Company did not purchase any savings shares.

Therefore, at December 31, 2005, the Company owned:

- 911,131 treasury shares, or 4.107% of the share capital represented by ordinary shares, a part of which is to be used to service the "Stock option plan for directors" and the "Stock option plan for Directors";

- 28,500 treasury savings shares, or 0.17% of the share capital represented by savings shares.

Efiparind B.V. is the majority shareholder: according to the latest indication available it owns directly and indirectly, net of the treasury stock held by the Company, 46.219% of the Italmobiliare S.p.A. ordinary shares.

In accordance with the arrangement set out by articles 2497 sexies of the Italian Civil Code and 2359 Italian Civil Code, no company or body exercises management and coordination control of Italmobiliare S.p.A.

As far as the Company is aware there are no shareholder agreements in existence.

Board of Directors

In accordance with the By-laws, the Board of Directors has the widest possible powers for the ordinary and extraordinary management of the company. Thus it can undertake all the acts, including disposition, which it considers opportune for the achievement of the business purposes, with the sole exclusion of those which the law reserves expressly for the shareholders' meeting.

Besides the rights allocated to it by law and the By-laws regarding the issue of shares and bonds, the Board of Directors, in accordance with art. 2436 of the Italian Civil Code - as well as the extraordinary shareholders' meeting, which is legally competent - also has responsibility for resolutions concerning the following subjects:

- incorporation of wholly owned companies or companies which are owned up to ninety percent;
- transfer of the company headquarters, provided that they stay in Italy;
- the establishment or closure of secondary sites, both in Italy and abroad;
- reduction of the share capital in the case of a withdrawal by shareholders;
- adjustment of the By-laws to obligatory legal requirements.

Currently neither the Company By-laws nor the «Code» include specific arrangements regarding the composition of the Board of Directors. In addition, at the moment, the By-laws do not contain any particular provisions relating to any requirements for the personal standing, professionalism and independence of the directors. The «Code» - as specified in the other part of the report - defines the independence criteria for directors.

However, the proposals to appoint directors - presented at the shareholders' meeting or during co-option, to the Board of Directors - are always accompanied by curricula vitae which highlight the aspects regarding the personal reputation and professional suitability of the candidates.

There are no limits to the re-electability of directors.

The Board of Directors, in compliance with the provisions of the By-laws, meets at least once every solar quarter. At this meeting the delegated bodies refer to the Board and to the Board of Statutory Auditors concerning the important transactions undertaken in exercise of the delegated powers conferred.

The «Code» highlights the centrality of the role carried out by the Board of Directors and sets out their specific competences: it examines and approves the business and financial plans and assesses the forecasts for operations; it attributes and revokes the delegated powers for the management functions; it generally supervises business performance with particular attention to situations of conflict of interests; it examines and approves the accounting situations during the period; it checks the important transactions, with special reference to dealings with related parties; it checks the organizational structure and the operative structure of the company; it determines the remuneration of the directors with particular duties; it reports to the shareholders' meeting; and it establishes the rules of corporate governance.

The Board of Directors is mainly composed of non-executive members and among these a due number are independent. The «Code» requires that, during the shareholders' meeting, during the presentation of candidates to be directors, there be given an indication of who, among them, can be considered as independent.

The Chairman of the Company - who currently also covers the role of Chief Executive Officer - coordinates the activities and leads the holding of meetings of the Board of Directors and takes steps to ensure that its members are given in good time, on particularly important points, useful information to take active part, without prejudice to any requirements of need, urgency or confidentiality. The Chief Executive Officer, in addition, through the competent company functions, informs the directors about the main legislative and regulatory innovations which concern the Company and its boards.

The directors act and pass resolutions as fit and independently and cover the role, conscious of being able to dedicate to the task the time needed for diligent fulfillment. Here below are the positions as director, auditor and chief executive covered by each director in other companies which are listed on regulated markets, including abroad, in finance, banking, insurance or major companies:

Giampiero Pesenti	Italcementi S.p.A.	Chairman
	Franco Tosi S.r.l.	Chairman
	Ciments Français S.A. *(representing Italcementi S.p.A.)*	Deputy Chairman
	Fincomind A.G.	Deputy Chairman
	Ciments du Maroc	Director
	Compagnie Monegasque de Banque	Director
	Credit Mobilier de Monaco	Director
	Finter Bank Zürich	Director
	Mittel S.p.A.	Director
	Pirelli & C. S.p.A.	Director
	RAS S.p.A.	Director
	Soparfinter S.A.	Director
Mauro Bini	IGD Immobiliare Grande Distribuzione	Director
Pier Giorgio Barlassina	Cemital S.p.A.	Director
	Finanziaria Aureliana S.p.A.	Director
	Fincomind A.G.	Director
	Finter Bank Zürich S.A.	Director
	Franco Tosi S.r.l.	Director
	Privital S.p.A.	Director
	Soparfinter S.A.	Director
Gabriele Galateri di Genola	Mediobanca S.p.A.	Chairman
	Istituto Europeo di Oncologia S.r.l.	Chairman
	Assicurazioni Generali S.p.A.	Director
	Banca Esperia	Director
	Cassa di Risparmio di Savigliano	Director
	IFI	Director
	Pirelli & C. S.p.A.	Director
	RCS MediaGroup	Director
	Accor	Member of the Supervisory Body
Italo Lucchini	Italcementi S.p.A.	Director
	Banche Popolari Unite S.c.p.a.	Director
	BMW Italia S.p.A.	Chairman Board of Statutory Auditors
	BMW Financial Services Italia S.p.A.	Chairman Board of Statutory Auditors
Luca Minoli	Cemital S.p.A.	Chairman
	Finanziaria Aureliana S.p.A.	Chairman
	Privital S.p.A.	Chairman
Giorgio Perolari	Banche Popolari Unite S.c.p.a.	Director
	Mercato Impresa	Director
	Banca 24-7	Director
Carlo Pesenti	Italcementi S.p.A.	Chief Executive Officer
	Banche Popolari Unite S.c.p.a.	Director
	Ciments Français S.A.	Director
	Mediobanca S.p.A.	Director
	RCS MediaGroup S.p.A.	Director
	Sesaab S.p.A.	Director
	Unicredito Italiano	Director

Livio Strazzera	Serfis S.p.A.	Sole Director
	Banca Regionale Europea	Director
	Vittoria Assicurazioni S.p.A.	Acting Auditor

Here below are the roles as director or auditor in other listed companies in regulated Italian markets, covered by members of the Board of Statutory Auditors:

Luigi Guatri	Vittoria Assicurazioni S.p.A.	Chairman
	Banco di Desio e della Brianza S.p.A.	Director
	Granitifiandre S.p.A.	Director
	Maffei S.p.A.	Director
	Negri Bossi S.p.A.	Director
	SO.PA.F. S.p.A.	Director
	Banche Popolari Unite S.c.p.a.	Chairman Board of Statutory Auditors
	Italcementi S.p.A.	Chairman Board of Statutory Auditors
	Permasteelisa S.p.A.	Chairman Board of Statutory Auditors
	Pirelli & C. S.p.A.	Chairman Board of Statutory Auditors
Claudio De Re	Italcementi S.p.A.	Acting Auditor
	Milano Assicurazioni S.p.A.	Substitute Auditor
Eugenio Mercorio	Credito Bergamasco S.p.A.	Acting Auditor
	Italcementi S.p.A.	Substitute Auditor
Dino Fumagalli	Italcementi S.p.A.	Substitute Auditor

Legal representation - Delegated boards

The legal representation of the company in relation to third parties and the courts, by statute is the responsibility of the Chairman and, where appointed, the Deputy Chairman (or the Deputy Chairmen) and the Chief Executive Officer, indistinctly among them.

The Board of Directors has conferred to an executive committee all its powers except those which the Italian Civil Code and the By-laws do not allow to be delegated.

The resolutions of the Executive committee are referred to the Board of Directors in the first subsequent meeting.

The Board of Directors - as referred to previously - has attributed to the Chairman also the position of Chief Executive Officer, and has appointed a Deputy Chairman and a Chief Operating Officer. On appointment, each of these is given the powers which will be described shortly.

In accordance with the «Code», the Board of Directors, in the first subsequent meeting and, in any case, at least on a quarterly basis, is informed of the activities undertaken by the Chief Executive Officer and by the other executive directors, and in particular of the most important transactions, the main dealings with related parties and those in potential conflict of interests.

The Board of Directors, in the absence of those concerned, defines the remuneration and any stock option allocations for directors invested with particular roles in compliance with the memorandum of association, after hearing the opinion of the Board of Statutory Auditors and having examined the proposals of the Remuneration Committee. This can also be delegated by the Board of Directors to one or more of its members with the obligation to make a due report. The Chief Executive Officer can have part of their retribution linked to economic results and the achievement of specific objectives.

A single orientation and management of the various activities is ensured by the presence on the Board of Directors of the main subsidiaries of the Chairman-Chief Executive Officer, the Deputy Chairman, the Chief Operating Officer, and directors and managers of Italmobiliare S.p.A.

Dealings with related parties

The «Code» envisages that dealings with related parties are carried out in respect of criteria for substantial and procedural correctness. Therefore, directors who have an interest, including potential or indirect interests, in the transaction must:

a) provide due and complete information to the Board on the existence of the interest and on its circumstances;

b) leave the Board meeting at the moment of the passing of the resolution.

Where the nature, value or other features of the transaction require it, the Board of Directors, in order to avoid that different conditions are applied to the transaction from those which would have probably been negotiated between unrelated parties, ensures that the transaction is concluded with the assistance of independent experts in order to evaluate the assets in question and the financial, legal or technical consultancy.

Establishment of committees

Italmobiliare S.p.A. has included in the «Code» that the Board of Directors appoints from among its own members the Remuneration Committee and the Internal Control Committee, whose resolutions are given by way of suggestions without being binding for the Board.

The Remuneration Committee has the duty of formulating for the Board, in the absence of those concerned, proposals for remuneration and any stock option plans or allocation of shares to directors invested with particular roles, as well as, on the indication of the Chief Executive Officer, proposals to determine the criteria for the remuneration of senior management. The Remuneration Committee has the task also of proposing to the Board of Directors the retribution to be paid to the Internal Control Manager.

The Internal Control Committee assists the Board of Directors in the periodic review and effective operation of the internal control system and the confirmation that the main business risks are adequately identified and managed. The Internal Control Committee also assesses the work plan prepared by the internal control managers and, together with the Company managers and auditors, the adequacy of the accounting principles used and their uniformity for the purposes of drawing up the consolidated financial statements; it assesses the proposals of the independent auditors in order to obtain the appointment to the position, the work plan and the results shown in the reports of the auditors; it reports, at least on a half yearly basis, to the Board of Directors and carries out further duties allocated to it by the Board.

Involved in the works of the Committee are the Chairman of the Board of Statutory Auditors, or other auditor appointed by him, and the Chairman and the Chief Executive Officer can take part, as well as, on invitation, the Chief Operating Officer, the internal control managers and the managers of some company functions.

Each Committee elects its own Chairman and secretary (also coming from outside the Committee) and meets at the call of the Chairman or their Deputy. The summons can happen informally (also orally) and requires prior notice.

The meetings of each Committee are considered validly constituted with the involvement, also in audio or video-conference, of the majority of its members. Each Committee deliberates on an absolute majority basis of the members taking part in the meeting.

The Board of Directors must be informed of the resolutions at the first available meeting.

The aforementioned committees have the possibility of making use of external consultants.

Among the committees indicated by the «Preda Code», the «Code» of Italmobiliare S.p.A. has not included the «Appointments Committee». This is in keeping with the shareholding structure of the Company in which there is constantly present a shareholder who can exercise a dominant influence on the shareholders' meeting. The shareholders' meeting called to deliberate on appointments is given data and professional details on the candidates by the Chairman, as well as their possible suitability to qualify as independent directors.

In similar cases, the «Preda Code» has stressed "the opportunity of not institutionalizing this committee".

The presentation of candidate lists within 10 days before the shareholders' meeting is statutorily envisaged only for the Auditors, in accordance with the indication of the By-laws which, in this regard, have incorporated the provisions of Legislative Decree no. 58/98.

Shareholders' meetings

The «Code» envisages that the Board of Directors takes action to encourage and facilitate the widest possible involvement of shareholders and recommends that all directors be involved.

There is no regulation on shareholders' meetings: the broad powers which the law and intepretation recognize for the Chairman, as well as the statutory provision (art. 13) which expressly gives the Chairman the power to direct the discussion and establish the order and means of the voting, provided that they are transparent, have been considered sufficient instruments for an ordered holding of shareholders' meetings.

Board of Statutory Auditors

The appointment of the Board of Statutory Auditors takes place on the basis of the lists aimed at securing for minority interests the appointment of an Acting Auditor and Substitute Auditor.

The «Code», recapitulating the statutory regulations relating to the appointment of the Board of Statutory Auditors (candidatures deposited at least 10 days before the shareholders' meeting), reiterates its independence, and recalls for the auditors the obligation of confidentiality and the ban on the use of confidential information for personal gain.

The By-laws, besides envisaging specific requirements in terms of professional skills among the members of the Board of Statutory Auditors, envisage that they cannot be elected as Auditors, and if elected they lose their appointment, all those who are in situations of incompatibility as envisaged by the law and those who cover the role of Acting Auditor in more than five companies listed on regulated Italian markets with the exclusion of parent companies, subsidiaries of Italmobiliare S.p.A., and subsidiaries under their parent company.

The Company, during the presentation of the lists by the shareholders, requires the deposit of the curriculum vitae of each candidate, complete with their respective characteristics and with the indication of the requirements of professional skills and standing required by the regulation in force and by the By-laws.

Therefore, it is worth underlining that the key regulation (the "Unified Finance Act" - T.U.F. - approved in 1998), has now been modified by Law no. 262 of December 28, 2005, "Provisions for the protection of savings and the discipline of the financial markets" and, now, envisages that i) CONSOB will establish by regulation the means for electing an acting member of the Board of Statutory Auditors by minority shareholders and that ii) the Chairman of the Board of Statutory Auditors will be appointed by the shareholders' meeting from among the auditors elected by the minority shareholders. Although the CONSOB Regulation has still not been approved, academic interpretation, almost unanimously, considers that the regulation which envisages the appointment of the Chairman of Board of Statutory Auditors from among the auditors elected by the minority shareholders should be considered imperative and, therefore, already in force independently from any other statutory provision to the contrary.

The majority shareholder, moreover, during the appointment of the Board of Statutory Auditors for the period 2005-2007, presented the Company, in the terms and means envisaged by the By-laws, with its own list of candidates to be put for approval at the shareholders' meeting.

b) Implementation of the corporate governance rules

The By-laws envisage that the Company be administered by a Board of Directors consisting of a minimum of 5 to a maximum of 15 directors who remain in post for the period established at their appointment, but in any case no more than three years, and may be reelected.

The shareholders' meeting of May 19, 2005 arranged the appointment of the Board of Directors for the period 2005 - 2007, and set the number of Directors at 10.

The new Board of Directors, at the end of the shareholders' meeting, met for the allocation of corporate positions, the conferment of delegated powers, and the appointment of the Executive committee and of the consultative Committees envisaged by the Code of Self-discipline adopted by the Company.

Division of responsibilities and allocation of delegated powers

The Board of Directors, which met on May 19, 2005, attributed:

- to Giampiero Pesenti,
  - in his role as **Chairman - Chief Executive Officer**, the powers envisaged by art. 19 of the By-laws and thus he is the company's representative to third parties and in law, with the right to give mandates or delegated powers to lawyers;
  - in his role as **Chief Executive Officer**, the powers to undertake all the administrative acts, including those of disposition, except for the provision of guarantees in favor of subjects which are not subsidiaries or associated companies, and with the limit of 150 million euro for each transaction (a limit reduced to 25 million euro for real estate transactions);
- Italo Lucchini, in his role as **Deputy Chairman**, solely the powers of company representation, in accordance with art. 19 of the By-laws, to be exercised indistinctly in relation to the Chairman - Chief Executive Officer;
- Carlo Pesenti, in his role as **Chief Operating Officer**, as part of the directives issued by the Chief Executive Officer, the task of managing the direction of the specific company activity with powers to undertake transactions that fall within the ordinary operations of the company, with a limit of 75 million euro for each transaction.

Other delegated powers are conferred to the Co-Chief Operating Officer for Administration and Finance and to the Secretary of the Board, within their respective competences.

Given the quantitative limits envisaged for all the delegated powers allocated by the Board of Directors and given the explicit and particular obligation, envisaged by the corporate governance system adopted by the Company, to provide adequate information to the Board of Directors "on the most important economic, financial and asset operations undertaken by the company or by subsidiaries, on the main dealings with related parties as well as on operations with a potential conflict of interest", no limit has been established in relation to the preventative approval by the Board of Directors of significant transactions or with related parties (see the limits imposed in the "Code of procedure for dealings with related parties" which is attached).

The Chairman - Chief Executive Officer and the Chief Operating Officer have informed the Board of Directors and the Board of Statutory Auditors, using the timetable envisaged by the «Code» and by the By-laws, of the activity undertaken during the period using the respective delegated powers. In addition, the most important economic, financial and asset transactions undertaken by the Company, the main dealings with related parties as well as the transactions in potential conflict of interests, have been put for examination to the Board of Directors, provided that they are within the limits of the delegated powers conferred.

Composition of the Board of Directors and its meetings

Italmobiliare S.p.A. has on its Board of Directors 8 non-executive directors out of a total of 10. Among the non-executive directors 2 are independent.

The Code of Self-discipline adopted by the company has taken on in full the provisions of the «Preda Code» relating to independent directors. At the meeting of March 21, 2006, having taken account of the information supplied by the individuals concerned, the Board of Directors assessed the independence and personal standing of the directors, the results of which are shown in the page relating to the company boards, at the start of this section as well as in the table attached to this report.

The Board of Directors, during 2005, met 5 times; taking into account that a director was nominated for the first time during the year and that, consequently, for him, only the meetings of the Board of Directors after his appointment were considered, 8 directors, of whom 2 were independent, took part in all the meetings, 1 director, not independent, took part in just one and 1 director, not independent, took part twice.

The Board of Statutory Auditors was always fully attended.

The Executive committee never met during 2005.

During 2006 the Board of Directors met on March 21 to approve the draft financial statements for 2005. During the year, it is envisaged, as of today, to hold no fewer than three further Board meetings to approve the interim accounts.

Remuneration and stock options for directors and the Chief Operating Officer

The amount which, in accordance with the By-laws, is attributed to the Board of Directors during the division of income for the year, is divided among all the directors in equal shares, with a double share for the Chairman, one and a half for the Deputy Chairman, and half a share more for members of the Executive committee.

The Board of Directors also resolved at the proposal of the Remuneration Committee on the remuneration and, after hearing the view of the Board of Statutory Auditors, the amount to be allocated to the Chief Executive Officer and to the Chief Operating Officer, the amount of which, to be defined year by year, is determined in one set part and one variable part, in relation to the achievement of the objectives set.

An annual fixed compensation was set for the Deputy Chairman at the start of the mandate.

Again at the start of the mandate, the Chief Executive Officer was given a "Severance package" which will mature at the end of the position.

In addition, the Chief Executive Officer and the Chief Operating Officer are annually allocated, at the proposal of the Remuneration Committee, stock options in a number that varies in relation to the achievement of the objectives defined by the Board of Directors in conformity with the Regulation for stock options plans for directors.

Composition and work of the Committees

The Board of Directors of May 19, 2005 nominated the Remuneration Committee for the period 2005-2007, consisting of three non-executive members, of whom one is independent. During 2005 it met three times (always with all its members present), to formulate proposals relating to remuneration and to the allocation of stock options to directors and managers.

The Board of Directors of the May 19, 2005 appointed the Internal Control Committee for the period 2005-2007, consisting of 3 members, all non-executive directors, of whom two directors are independent.

During 2005 the Internal Control Committee met three times (again with all members present); in particular, it examined the reports prepared by the internal control members and by the independent auditors in order to verify the adequacy of the internal control system and referred to the Board of Directors, during approval of the financial statements and the half year report, on the activity undertaken and on the adequacy of the internal control system.

Internal control system

The internal control system is defined as the collection of processes aimed at monitoring the efficiency of the company's transactions, the reliability of financial information, the respect of laws and regulations, and the protection of company assets.

The Board of Directors has the responsibility for the internal control system, of which it periodically checks the adequacy and effective operation.

The Chief Executive Officer arranges to identify the main company risks, by subjecting them to the examination of the Board of Directors. He implements the orientations of the Board through the design, management and monitoring of the internal control system.

The Board of Directors appoints the internal control manager on the proposal of the Chief Executive Officer who also arranges to equip them with suitable organizational means and structures.

The internal control manager, who is under the Internal Auditing section, does not depend hierarchically on a manager from the operative areas and refers their work to the Board of Directors, to the Internal Control Committee, to the Chairman, to the Chief Executive Officer, as well as to the Board of Statutory Auditors in the legally established terms and methods.

The Internal Control Committee assesses the work plan prepared by the internal control manager and receives their periodic reports.

In particular, the internal control division has the duty to:

I) check the correct application of all the principles, regulations and internal procedures in the companies which are part of the Group, in order to guarantee an efficient, correct and transparent operation of the company bodies;
II) check the financial statements of the Group companies which are not subject to audit by the independent auditors;
III) assess the risks connected to the typical activity of the individual parts of the company, weigh the various risks, and plan the audit operations;
IV) see that no violations of the company's Code of Ethical Behavior take place.

The internal control manager also holds periodic meetings with the Board of Statutory Auditors and the independent auditors.

Italmobiliare S.p.A. has implemented a project to systematically control the management of the parent company and of the companies for which it carries out administrative services. The centralization in the administrative and financial system of some “smaller” subsidiaries, which has been going on for some time, enables the achievement of a single operational and managerial orientation.

In the Group there are design and control systems, as part of which the internal control function is located, and which can provide, on a periodic basis, useful reports that can help monitor the development of the corporate business in the various aspects in which it evolves.

Italmobiliare S.p.A. has arranged a collection of principles, criteria and methodologies which regulate, for the whole Group, the accounting treatment of the administrative and financial details and their aggregation, thus constituting the basis for the elaboration of Group consolidated financial statements and aimed also at providing overall indications, by sector and by geographical area. These principles are periodically updated to take account of the new regulations and for specific operational needs of each business sector.

The Internal Control Committee, to complete its own activity of checking the adequacy of the system, takes information and maintains contact with the managers of other company functions which are directly involved in the control activity. The Board of Directors, whose Internal Control Committee reports on a half yearly basis on the activity undertaken, considers the internal control adequate for the Group structure and the nature of its business.

Board of Statutory Auditors

During the renewal of the Board of Statutory Auditors by the shareholders’ meeting of May 19 2005, the majority shareholder presented its own list of candidates. The other shareholders did not present a list.

Therefore, among the Auditors currently employed there is no representative for the minority interest.

Structure of the board of directors and of the committees

Board of directors							Executive Committee		Internal control Committee		Remuneration Committee	
Position	Member	Executive	Non executives	Independ.	Attendance	No. of other roles	Member	Attendance	Member	Attendance	Member	Attendance
Chairman Chief Executive Officer	Giampiero Pesenti	●			5/5	12	●					
Deputy Chairman	Giovanni Giavazzi (until May 19, 2005)		●		2/2	-	●				●	2/2
Deputy Chairman	Italo Lucchini (since May 19, 2005)		●		5/5	4	●		●	1/1	●	1/1
Director	Pier Giorgio Barlassina		●		5/5	7						
Director	Mauro Bini		●	●	5/5	1			●	3/3		
Director	Giorgio Bonomi		●		5/5	1			●	3/3		
Director	Gabriele Galateri di Genola (since May 19, 2005)		●		1/3	9						
Director	Luca Minoli		●		5/5	3					●	3/3
Director	Giorgio Perolari		●	●	5/5	3	●		●	3/3	●	3/3
Director	Carlo Pesenti	●			5/5	7	●					
Director	Livio Strazzera		●		5/5	3						

Board of statutory auditors

Role	Member	Presences	No. other roles (*)
Chairman	Luigi Guatri	4/7	10 (4)
Acting Auditor	Claudio De Re	7/7	2 (1)
Acting Auditor	Eugenio Mercorio (from May 19, 2005)	4/4	2 (1)
Acting Auditor	Paolo Marchi (up to May 19, 2005)	3/3	-
Substitute Auditor	Dino Fumagalli	-	1
Substitute Auditor	Pietro Curcio	-	-
Substitute Auditor	Enrico Locatelli	-	-

(*) the brackets indicate other positions as Acting Auditor held in companies listed on regulated stock markets

In accordance with the By-laws of Italmobiliare S.p.A., it is impossible to elect as Auditors, and if elected they forego the position, people who cover the role of Acting Auditor in more than five companies listed on regulated Italian markets with the exclusion of the parent companies, the subsidiaries of Italmobiliare S.p.A., and the subsidiaries under its parent companies.

The appointment of the Board of Statutory Auditors takes place on the basis of lists aimed at ensuring for minority shareholders the appointment of an Acting Auditor and a Substitute Auditor. Lists may be presented only by shareholders who, alone or together with other shareholders, can provide documentation to be overall holders of shares with voting rights for ordinary shareholders' meetings representing at least 3% of the share capital with voting rights.

Other provisions of the code of self-discipline

	Yes	NO	Summary of the reason for any move away from the recommendations of the «Code»
System of delegated powers and dealings with related parties			
Has the Board of Directors attributed delegated powers setting their: a) limits b) means of exercise c) and timetable for provision of information?	 ● ● ●		
Has the Board of Directors reserved for itself the examination and approval of transactions with a particular economic, asset and financial importance (including dealings with related parties)?	●		
Has the Board of Directors set guidelines and criteria for the identification of "significant" transactions?	●		
Are the guidelines and criteria above described in the report?	●		
Has the Board of Directors defined specific procedures for the examination and approval of dealings with related parties?	●		
Are the procedures for the approval of dealings with related parties described in the report?	●		
Procedures for the most recent appointment of directors and auditors			
Did the deposit of the candidatures for the position of director take place at least ten days beforehand?		●	The choice is coherent with the decisions not to set up the Appointments Committee.
Were the candidatures for the position of director accompanied by the due information?	●		
Were the candidatures for the position of director accompanied by indication of the suitability to qualify as an independent director?	●		
Did the deposit of the candidatures for the position of auditor take place at least ten days beforehand?	●		
Were the candidatures for the position of auditor accompanied by due information?	●		
Shareholders' meetings			
Has the company approved a Regulation for the shareholders' meeting?		●	The broad powers which the law and interpretation recognize in the person of the Chairman, as well as the statutory provision which expressly gives the Chairman the power to direct the debate and establish the order and means of voting, provided that they are transparent, were considered sufficiently adequate tools for the smooth running of shareholders' meetings.
Is the Regulation attached to the report (or is there an indication of where it can be obtained/downloaded)?		-	
Internal control			
Has the company appointed internal control managers?	●		
Are these managers hierarchically detached from the managers of the operational areas?	●		
Organizational unit for internal control (in accordance with art. 9.3 del «Code»)			Internal control Division
Investor relations			
Has the company appointed an investor relations manager?	●		
Organizational unit and details of investor relations manager			Italmobiliare S.p.A. via Borgonuovo 20, 20121 Milan tel. 02-29.02.42.12 - fax 02-29.02.43.07 info@italmobiliare.it

Code of ethics

The Code, approved during 2001, envisages that all employees and those who have dealings with the Group or work to achieve its objectives base their dealings and behavior on the principles of honesty, correctness, integrity, transparency, confidentiality and reciprocal respect.

To this end the Board of Directors of Italmobiliare S.p.A., during their meeting of February 9, 2001, approved a «Code» of ethics which establishes the rules of loyalty and trustworthiness, impartiality, protection of privacy and confidentiality of information, protection of the person, environmental protection and protection of the company's assets, includes regulations which are the basis for the control processes and the accounting and management information, introduces rules which discipline dealings with customers, suppliers, public institutions, political and union organizations, and the information-giving bodies.

Confidential information

Regarding the management of confidential information, the Code, recalling the obligation for discretion and the ban on using such information for personal advantage, envisages the adoption of procedures for the external communication of documents and information, with particular reference to price-sensitive information which must be externally communicated only by people who are generally or specifically authorized.

The Board of Directors of the Company, at their meeting of February 9, 2001 approved a specific procedure which imposes the rigorous observance of the means and terms of communication as set out by the regulation in force, in full respect of the principle of evenhandedness and immediacy in information-giving.

As for dealings with institutional investors and other shareholders, the «Code» envisages that they are based on constant attention; the instructions issued by the Chief Executive Officer have set out the general guidelines and identified the company structures dedicated to this.

Code of behavior

The Board of Directors of your Company has adopted its own ‘Code of behavior’, in application of the regulations issued by the Borsa Italiana S.p.A. with its own rules.

The ‘Code of behavior’ disciplines the information to be given to the Company, and by the Company to the market, during transactions of any kind carried out on their own account by ‘Interested persons’ on financial instruments listed on regulated markets of the European Union and issued by Italmobiliare S.p.A. and/or by its subsidiaries (in the current composition of the Group the concept refers only to Italcementi S.p.A. and Ciments Français S.A.).

In accordance with the ‘Code of behavior’ those considered as ‘Interested persons’ are, among others, the members of the Board of Directors and the Board of Statutory Auditors of Italmobiliare S.p.A., as well as all the ‘Interested persons’ mentioned in the Code of behavior of the subsidiary Italcementi S.p.A. In addition, in relation to the business undertaken, the role assigned or the specific position covered in the Group, further ‘Interested persons’ can be identified by the Chief Executive Officer of Italmobiliare S.p.A., also for limited periods of time. Consequently, the application of the Code of behavior has been extended to other company functions in the finance and administration area.

In particular, the interested parties must inform Italmobiliare S.p.A., so that it may inform the market, of the undertaking of those transactions completed in each calendar quarter which, taken together, overall exceed the sum of 50,000 euro for the declarer. In addition, should the interested parties in the period undertake a transaction which, accumulated with other previously uncommunicated transactions, exceeds the amount of 250,000 euro, they must inform the Company by the 3rd market day following the “significant” transaction so that the Company may give timely information to the market.

Given the particular nature of the Group, the ‘Code of behavior’ coordinates with the «Code» adopted by Italcementi S.p.A., in the sense of providing that indications of transactions completed on Italmobiliare S.p.A. shares by those who are at the same time ‘Interested persons’ for both companies, are made solely by Italcementi S.p.A., which will see to the provision of information to the market also on behalf of the parent company.

In addition, the ‘Code of behavior’, envisages that the ‘Interested persons’ must refrain from undertaking transactions on shares which are subject to communication to the Company:

- *on derivatives listed in foreign regulated markets (provided that they are in the European Union) issued by companies controlled directly or indirectly by Italmobiliare S.p.A.*
  - in the 15 calendar days preceding the Board of Directors meeting of each subsidiary called to approve the financial statements for the period and the half year report, including the day on which the meeting is held;
  - in the 8 calendar days preceding the Board of Directors meeting of each subsidiary called to approve the quarterly interim reports, including the day on which the meeting is held;
- *on listed derivatives issued by the subsidiary Italcementi S.p.A.:*
  - in the 30 calendar days prior to the Board of Directors meeting of Italcementi S.p.A. called to approve the financial statements for the period and the half year report including the day on which the meeting is held;
  - in the 15 calendar days prior to the Board of Directors meeting of Italcementi S.p.A. called to approve the quarterly interim reports, including the day on which the meeting is held;

- *on listed derivatives issued by Italmobiliare S.p.A.*
  - in the 30 calendar days prior to the Board of Directors meeting of Italmobiliare S.p.A. called to approve the financial statements for the period and the half year report including the day on which the meeting is held;
  - in the 15 calendar days prior to the Board of Directors meeting of Italmobiliare S.p.A. called to approve the quarterly interim reports, including the day on which the meeting is held.

Moreover, it should be noted that the Italian lawmakers, during the inclusion of EU regulations regarding "Market abuse", included among the regulations of Legislative Decree no. 58 of February 24, 1998 also the aforementioned obligations of communication and gave CONSOB a mandate to regulate the operational aspects.

CONSOB, as part of the its own Regulations for issuers, regulated the implementation of the provisions of the above Decree, by defining the concepts of "listed issuer", "derivatives linked to shares", "interested parties", by establishing its field of application as well as the means and times of the communications to the Company, to CONSOB itself and to the market.

Your Board of Directors, therefore, at its meeting of March 21, 2006, arranged to adjust the "Code of behavior" to the new regulations which come into force as from April 1.

The main changes made concern:

- a different definition of "interested parties" (the members of the Board of Directors and the Board of Statutory Auditors and the Chief Operating Officer, who uniquely among managers, besides having "regular access to privileged information" also holds "the power to take management decisions which can have an impact on the development and future prospects of the listed issuer"), and of those closely connected to "interested parties";
- a much lower threshold (5,000 euro on an annual basis) beyond which the communication obligation is triggered.

Code of procedure for dealings with related parties

The Code of Self-discipline of the Company, taking the indications made by the Italian Stock Market, gives the Board of Directors the duty to examine transactions of particular economic or strategic importance, with specific reference to dealings with related parties.

The "Code of procedure for dealings with related parties", adopted with a resolution of the Board of Directors on March 24, 2003, integrates the regulations already contained in the Code of Self-discipline of the Company, and aims to provide all the interested parties with procedural regulations for the communication to the company of their own position as a related party in their dealings with Italmobiliare S.p.A.

These transactions are divided in the «Code» of procedures into three distinct categories on the basis of the size and subjects involved.

There is, therefore, the category of "Important transactions", i.e. those of major size and impact on the asset and economic structure, which require, as per the CONSOB regulation, the obligation to provide information to the market. Then there are "Transactions with infragroup companies", i.e. with subsidiaries by Italmobiliare S.p.A. and, finally, "Dealings with other related parties" (for example directors, auditors, relatives etc.).

As part of these last two categories, a distinction should be made between current dealings and atypical, unusual or non-standard dealings.

Beyond the thresholds envisaged it is necessary to have the prior authorization of the Board of Directors; for other transactions it is not necessary to have prior authorization, but the Board of Directors must nonetheless be informed in good time. Transactions of a lower value and those that fall within the typical business of Italmobiliare S.p.A. do not require any particular procedure.

The «Code» of procedure also envisages that the Company be put in a position, through the communications of the interested parties, to identify the dealings with related parties in order to fulfill the consequent obligations.

During 2005 CONSOB abrogated its Communication of September 30 which defined the persons to which the regulations regarding dealings with related parties should be applied and also changed the Regulation for Issuers by introducing, among other things, at art. 2, letter h) on the basis of which by "related parties" must be understood "subjects defined as such by the international accounting standard regarding financial statement disclosure on dealings with "related parties"".

Therefore, in order to proceed to a correct identification of the notion of "related parties", it is now necessary to follow IAS 24.

In particular, compared to the previous provisions by which under "related parties" should be considered, among others, "….the husband/wife not legally separated, relatives to the second degree and the partners in general of people", now we may consider as "related parties" those who it may be expected can influence the person, or be influenced, in their dealings with Italmobiliare S.p.A.. In accordance with the accounting standards these may include:

i) partners and children;

ii) partner's children;

iii) people under the care of the person or their partner.

As a consequence, the Board of Directors of your Company, at the meeting of March 21, 2006, arranged to make the due adjustments to the Code in question and, at the same time, it also modified the "Code of self-discipline" in the section regarding the identification of "related parties".

CONSOB, with its resolution of April 6, 2001, suggested to Boards of Statutory Auditors for listed companies to prepare a summary sheet of the control activity carried out during the year. Among the information which must be supplied, there is, among other things, the indication of any dealings with related parties. The directors, therefore, in the meeting of March 27, 2002, agreed to inform the Board of Statutory Auditors of any position as a related party in dealings with the company.

Organization, management and control model

In order to make the control and Corporate Governance system more effective, with the aim of preventing the committing of corporate crimes, including against the Public Administration, the Board of Directors of your Company adopted, during 2004, in application of Legislative Decree 231/01 the «Organization, management and control model» (the «Model»).

With the adoption of the «Model» the Company has aimed to disseminate and affirm a business culture based on legality, with the express reproach of any illegal behavior or behavior contrary to the regulations contained in the «Model» itself.

The Board of Directors of your Company, at the meeting held on March 21, 2006, arranged to extend the provisions contained in the Model also to the crimes envisaged by the new regulation on market abuse and failure to communicate a conflict of interests by directors.

The task of supervising the effective operation and observance of the «Model», as well as of proposing its updating, is entrusted to a body, the Supervisory Body, which is independent, professional and autonomous.

The Supervisory Body, currently consists of an independent director, an external professional and the Company's internal control manager.

Annexes

Annex 1

Equity investments of Directors, Statutory Auditors and Chief operating Officers

Full name	Investee company	Number of shares held at the end of the previous period	Number of shares bought	Number of shares sold	Number of shares owned at the end of the current period
Giampiero Pesenti	Italmobiliare S.p.A.	ord. shares: 24,411 [1]	ord. shares: 289	ord. shares: -	ord. shares: 24,700 [1]
		savings shares: 119	savings shares: -	savings shares: -	savings shares: 119
	Italcementi S.p.A.	ord. shares: 12,012 [1]	ord. shares: -	ord. shares: 1,040	ord. shares: 10,972 [1]
		savings shares: 10,608 [2]	savings shares: -	savings shares: -	savings shares: 10,608 [2]
Giovanni Giavazzi	Italmobiliare S.p.A.	ord. shares: 1,000	ord. shares: -	ord. shares: -	ord. shares: 1,000
		savings shares: 1,000	savings shares: -	savings shares: -	savings shares: 1,000
	Italcementi S.p.A.	ord. shares: 10,000	ord. shares: -	ord. shares: -	ord. shares: 10,000
		savings shares: 5,000	savings shares: -	savings shares: -	savings shares: 5,000
Carlo Pesenti	Italcementi S.p.A.	ord. shares: 1,500 [2]	ord. shares: -	ord. shares: -	ord. shares: 1,500 [2]
		savings shares: 3,000 [2]	savings shares: -	savings shares: -	savings shares: 3,000 [2]
	Ciments Français S.A.	ord. shares: 50	ord. shares: -	ord. shares: -	ord. shares: 50
Pier Giorgio Barlassina	Italmobiliare S.p.A.	ord. shares: 1,500	ord. shares: -	ord. shares: -	ord. shares: 1,500
	Italcementi S.p.A.	ord. shares: 13,000	ord. shares: -	ord. shares: 2,000	ord. shares: 11,000
Giorgio Bonomi	Italmobiliare S.p.A.	ord. shares: -	ord. shares: 1,900	ord. shares: 1,900	ord. shares: -
	Italcementi S.p.A.	ord. shares: -	ord. shares: 8,000	ord. shares: 8,000	ord. shares: -
Giorgio Perolari	Italmobiliare S.p.A.	ord. shares: 16,735	ord. shares: -	ord. shares: -	ord. shares: 16,735
		savings shares: 8,800 [1]	savings shares: -	savings shares: -	savings shares: 8,800 [1]
	Italcementi S.p.A.	ord. shares: 20,280	ord. shares: -	ord. shares: -	ord. shares: 20,280
		savings shares: 130,000 [2]	savings shares: -	savings shares: -	savings shares: 130,000 [2]
Livio Strazzera	Italmobiliare S.p.A.	ord. shares: 100	ord. shares: -	ord. shares: -	ord. shares: 100
Luigi Guatri	Italmobiliare S.p.A.	ord. shares: 1,000	ord. shares: -	ord. shares: -	ord. shares: 1,000
		savings shares: 1,000	savings shares: -	savings shares: -	savings shares: 1,000
	Italcementi S.p.A.	savings shares: 10,000	savings shares: -	savings shares: -	savings shares: 10,000
Claudio De Re	Italmobiliare S.p.A.	ord. shares: 316	ord. shares: -	ord. shares: -	ord. shares: 316
		savings shares: 1,000	savings shares: -	savings shares: -	savings shares: 1,000
	Italcementi S.p.A.	ord. shares: 2,600	ord. shares: -	ord. shares: -	ord. shares: 2,600
		savings shares: 6,000	savings shares: -	savings shares: -	savings shares: 6,000

1 shares held in part directly, in part by spouse
2 shares held by spouse

Stock option plans

Stock option plan for directors

In execution of the resolution of the shareholders' meeting of May 3, 2002, the Board of Directors of the company, at their meeting of May 14, 2002, approved the stock option plan for directors who cover particular roles in accordance with the memorandum of association or who have specific operational roles.

In relation to this stock option plan, in 2005 the Chief Executive Officer, on the basis of the results achieved in 2004, was allocated 55,000 options. These options can be exercised as from January 1, 2008.

Overall at December 31, 2005 100,000 options were assigned.

The elements in the plan are as follows:

a) Reasons for adoption of the plan

These are the wish to link the overall treatment of those involved in the plan to the medium/long-term success of the company and to the creation of value as shareholders, as well as rewarding the results achieved, creating the conditions to ensure the greater involvement of all the senior management in achieving the Company's results.

b) Beneficiaries of the Plan

The beneficiaries of the Plan are some members of the Board of Directors of Italmobiliare S.p.A. and its subsidiaries who fulfill particular roles in accordance with the memorandum of association or who have specific operational roles.

c) Quantity of options allocated

The quantity of the options allocated to each beneficiary will be defined by the Board of Directors of Italmobiliare S.p.A. at the proposal of the Remuneration Committee and once the regulations on conflicts of interest have even examined.

The options, if exercised, give the right to underwrite or buy shares in the ratio of 1:1.

d) Duration and objectives

The Plan envisages annual cycles of allocation; the options can be exercised for a period including between the fourth and tenth year following the allocation. In any case, should the position as director reach the end of the mandate, without a subsequent renewal, the options can be exercised immediately, provided that it is within the maximum term of 10 years from their allocation.

The allocation of options will be dependent on the results achieved compared to the objectives set by the Board of Directors. These objectives will be communicated to the beneficiaries.

e) Terms and conditions of the Plan

The exercise of option rights is subordinate to the condition that the director benefiting from the Plan has regularly ended their mandate during which the options were allocated without resigning early and without any revocation provision by the shareholders' meeting.

The options are named, personal and non-transferable, except in the terms envisaged in case of death.

The total of Italmobiliare S.p.A. shares reserved to cover the Plan is initially established at 350,000 shares.

f) Increase in share capital; disposal of shares

In the case of options for the underwriting of shares, the Board of Directors, by virtue of the delegated power given by the shareholders' meeting, will pass a resolution to increase the paid-up share capital through the issue of shares to be reserved in accordance with art. 2441, para. 5, Italian Civil Code, to members of the Board of Directors of Italmobiliare S.p.A. and/or of its subsidiaries and to be issued at a price equal to the arithmetic mean of the share price recorded in the period between the date of the offer of the option rights and the same day one calendar month previously. To this end the independent auditors have issued their view on the congruity of the issue price of the new shares, as envisaged by art. 158 of Legislative Decree 58/98.

In the same way, in the case of options for the purchase of shares the Board of Directors, by virtue of the authorization for the purchase and arrangement of own shares resolved by the shareholders' meeting, will dispose of Italmobiliare S.p.A. shares at a price equal to the arithmetic mean of the share price recorded in the period between the date of the offer of the option rights and the same day of the previous calendar month.

g) Features of the shares

The shares held by the participants in the Plan following the exercise of the option will be freely available and can be sold on the market as from the start of the fifth year after the allocation of the options.

Italmobiliare S.p.A. will have a right of pre-emption on the shares put up for sale.

In the case of merger or demerger the options allocated will give the right to underwrite or acquire Italmobiliare S.p.A. shares in a measure proportionate to the rate of exchange; in the case of the cancellation of Italmobiliare S.p.A. from stock market listing, the limit for the exercise of the option will be duly brought forward and the shares will be immediately tradable.

h) Other allocations for the Board of Directors

The Board of Directors can temporarily suspend the exercise of the option right in specific cases envisaged by the Regulations and in the face of specific and particular needs; it can also modify some conditions of the Plan in order to ensure beneficiaries an equivalent treatment to that offered initially.

Stock option plan for managers

With the resolution of the Board of Directors of March 27, 2001, the Company approved a stock option plan for managers, in relation to which, during 2005, Group managers, on the basis of the results achieved in 2004, were allocated 53,437 options overall, of which 37,500 options were for the Chief Operating Officer. These options can be exercised as from January 1, 2008.

Overall to the end of the December 31, 2005, Group managers had been allocated 153,800 options, of which 88,500 to the Chief Operating Officer.

The elements characterizing the Plan are the following:

a) Reasons for adoption of the Plan

These are the wish to link the overall treatment of the beneficiaries of the plan to the medium/long-term success of the company and to the creation of value as shareholders, as well as increasing the sense of belonging felt by managers, thus providing incentives for them to stay at the company.

b) Beneficiaries of the plan

Beneficiaries of the Plan are some members of the Human Resources division of Italmobiliare S.p.A. and its subsidiaries, in service at the deadlines envisaged for the allocation of the options, who will be nominated by the Chief Executive Officer of Italmobiliare S.p.A., in accordance with the criteria established by the «Remuneration Committee», on the basis of the essential nature of the roles covered and the organizational level.

c) Quantity of options to be allocated

The quantity of the options to be allocated to each beneficiary will be established by virtue of the organizational level of each individual, and the company and individual's level of performance.

The options, if exercised, give the right to underwrite or buy shares in the ratio of 1:1.

As a general rule - there will not be recognized - except in the case of retirement - the unexercised option rights in the case of the employment relationship with the Group coming to an end.

In the case of the death of the option right holder, these rights can be exercised by their legal successors within six months of the death provided that this term falls within the period of exercise for the options.

d) Duration and objectives

The Plan envisages annual allocation cycles; the options can be exercised for a period between the fourth and tenth year following their allocation.

The allocation of options will depend on the results achieved in relation to the objectives communicated to each individual.

e) Terms and conditions of the Plan

The options are named, personal and non-transferable, except in the terms envisaged in case of death.

The total of Italmobiliare S.p.A. shares reserved to cover the Plan is initially established at 350,000 shares.

f) Loans or assistance for the underwriting or purchase of shares

The management company can indicate to those concerned lending institutions which may be willing to provide loans against a pledge of the shares, in order to facilitate their underwriting or purchase.

g) Increase in share capital; disposal of shares

In the case of options for the underwriting of shares the Board of Directors, by virtues of the delegated power given by the shareholders' meeting, will pass a resolution to increase the paid up share capital for an amount equal to the options to be allocated through the issue of shares to be reserved in accordance with art. 2441, para. 5, Italian Civil Code, to the Human Resources division of Italmobiliare S.p.A. and its subsidiaries and to be issued at a price equal to the arithmetic mean of the share price recorded in the period between the date of the offer of the option rights and the same day one calendar month previously. To this end the independent auditors have issued their view on the congruity of the issue price of the new shares, as envisaged by art. 158 of Legislative Decree 58/98.

In the case of options for the purchase of shares the Company, by virtue of the authorization for the purchase and arrangement of own shares resolved by the shareholders' meeting, will dispose of the Italmobiliare S.p.A. shares at a price established by the Board of Directors, at the moment of the offer of the options, on the proposal of the Chief Executive Officer and having heard the opinion of the Remuneration Committee.

h) Features of the shares

The shares held by the participants in the Plan following the exercise of the option will be freely available and can be sold on the market as from the start of the sixth year after the allocation of the options. Italmobiliare S.p.A. will have a right of pre-emption on the shares put up for sale. In the case of merger or demerger the options allocated will give the right to underwrite or acquire Italmobiliare S.p.A. shares in a measure proportionate to the rate of exchange; in the case of the cancellation of Italmobiliare S.p.A. from stock market listing, the limit for the exercise of the option will be duly brought forward and the shares will be immediately tradable.

i) Other allocations for the Board of Directors

The Board of Directors can temporarily suspend the exercise of the option right in specific cases envisaged by the Regulations and in the fact of specific and partial needs; it can also modify some conditions of the Plan in order to ensure beneficiaries an equivalent treatment to that offered initially.

Annex 2

Remuneration paid to directors and auditors and to chief operating officers in 2005

The remuneration shown in the table is reported on an accruals basis.
Therefore, in keeping with the indications provided by CONSOB in its Regulation for Issuers, in the column:

- **Emoluments for the position**, if present, refers to one or more of the following items: (i) for directors, the share of net income for 2005 (102.5 thousand euro to the Chairman, 76.8 thousand euro to the Deputy Chairman, 51.2 thousand euro to each Director in proportion to the duration of their appointment, 25.6 thousand euro to each Director who is a member of the Executive committee) and for the auditors the accrued fee for the year; (ii) compensation for the particular role covered; (iii) compensation for involvement in the Remuneration Committee, the Internal Control Committee and the Supervisory Body; (iv) lump-sum repayment of expenses;
- **Non-monetary benefits** indicates fringe benefits (in accordance with a criterion of taxability), including insurance policies;
- **Bonuses and other incentives** include the shares of remuneration that accrue on a one-off basis;
- **Other remuneration**: here are indicated (i) emoluments for positions held in listed and unlisted subsidiaries; (ii) any remuneration arising from professional services supplied to the Company and/or its subsidiaries; (iii) remuneration for work as an employee (gross of employee social security and tax charges and provision for leaving entitlement) and (iv) compensation at end of tenure.

Finally, it should be noted that:

- part of the remuneration allocated to the Chairman - Chief Executive Officer and the Chief Operating Officer varies depending on the economic results achieved by the company or on the achievement of specific targets;
- the compensation voted on by the Italcementi Board of Directors for its Chief Executive Officer, Carlo Pesenti (who at the same time covered the role of Chief Operating Officer at Italmobiliare with which he has a position as manager), and the share of profits due to him, are paid in full to the Company to which he belongs;
- the fee indicated in the column "Other fees" for the Director Luca Minoli corresponds to the share due to him for the services he provides to Italmobiliare and its subsidiaries and which are invoiced by the Legal Office where he practices.

Compensation to directors, auditors and chief operating officers for 2005

Full name (in thousands of euro)	Position held	Period for which the position has been held	Termination of the position	Emoluments of the position	Non-monetary benefits	Bonuses and other incentives	Other fees
Giampiero Pesenti	Chairman Chief Executive Officer Chairman Executive Committee	1.1-12.31	2007	908.14	-	0.59	2,656.27
Italo Lucchini	Director Deputy Chairman Member Executive Committee	1.1-12.31 5.19-12.31 1.1-12.31	2007	130.74	-	-	54.56
Giovanni Giavazzi	Director Deputy Chairman Member Executive Committee	1.1-5.19		58.86	-	-	232.54
Carlo Pesenti	Director Chief Operating Officer Member Executive Committee	1.1-12.31	2007	76.89	3.28	-	1,889.91
Pier Giorgio Barlassina	Director	1.1-12.31	2007	51.26	1.18	-	252.58
Mauro Bini	Director	1.1-12.31	2007	89.84	-	-	-
Giorgio Bonomi	Director	1.1-12.31	2007	64.84	-	-	107.30
Gabriele Galateri di Genola	Director	5.19-12.31	2007	32.04	-	-	-
Luca Minoli	Director	1.1-12.31	2007	55.26	-	-	3.02
Giorgio Perolari	Director Member Executive Committee	1.1-12.31 5.19-12.31	2007	84.86	-	-	-
Livio Strazzera	Director	1.1-12.31	2007	51.26	-	-	-
Luigi Guatri	Chairman Board of Statutory Auditors	1.1-12.31	2007	56.10	-	-	62.31
Claudio De Re	Acting Auditor	1.1-12.31	2007	37.40	-	-	72.25
Eugenio Mercorio	Acting Auditor	5.19-12.31	2007	21.82	-	-	39.16
Paolo Marchi	Acting Auditor	1.1-5.19		15.58	-	-	33.93

Annex 3

Stock options allocated to directors and chief operating officers

Italmobiliare S.p.A.

		Options held at the start of the year			Options allocated during the year			Options exercised during the year			Options expired during the year	Options held at the end of the year		
A	B	1	2	3	4	5	6	7	8	9	10	11= 1+4-7-10	12	13
Full name	Position held	Number of options	Average exercise price	Average expiry date	Number of options	Average exercise price	Average expiry date	Number of options	Average exercise price	Average market price when exercised	Number of options	Number of options	Average exercise price	Average expiry date
Giampiero Pesenti	Chief Executive Officer	45,000	35.199	2010	55,000	54.535	2011	-	-	-	-	100,000	45.834	2011
Carlo Pesenti	Director Chief Operating Officer	51,000	33.16	2009	37,500	54.535	2011	-	-	-	-	88,500	42.219	2010

Explanatory notes for the principles and aims of the stock option plans

Please refer to the section in the Director's Report on Operations under the paragraphs "Stock option plan for directors" and "Stock option plan for managers".

Italcementi S.p.A.

		Options held at the start of the year			Options allocated during the year			Options exercised during the year			Options expired during the year	Options held at the end of the year		
A	B	1	2	3	4	5	6	7	8	9	10	11= 1+4-7-10	12	13
Full name	Position held	Number of options	Average exercise price	Average expiry date	Number of options	Average exercise price	Average expiry date	Number of options	Average exercise price	Average market price when exercised	Number of options	Number of options	Average exercise price	Average expiry date
Giampiero Pesenti	Chairman	240,000	8.839	2009	150,000	13.387	2011	-	-	-	-	390,000	10.588	2010
Carlo Pesenti	Chief Executive Officer	178,100	8.878	2008	135,000	13.387	2011	-	-	-	-	313,100	10.822	2009

Explanatory notes for the principles and aims of the stock option plans

The stock option plans for directors and managers have the aim of linking the overall treatment of the beneficiaries of the plan to the medium/long-term success of the company and to the creation of value as shareholders, as well as to increase managers' sense of belonging by providing incentives for them to stay at the company.

In accordance with the regulations:

- the options are named, personal and non-transferable, and are allocated in annual cycles and can be exercised for a period between the fourth and tenth year following their allocation;
- the price for underwriting/purchase is set for each stock option plan and is equal to the arithmetic mean of the share prices recorded in the period between the date of the offer of the option rights and the same day one calendar month previously;
- on the shares issued following exercise of the option there will be a one-year impediment to their free movement for the stock option plan for directors, and two years for the stock option plan for managers.

Additional information

Statement of cash flows

(in thousands of euro)	12.31.2005	12.31.2004
Analysis of sources and application of funds		
Sources of funds:		
Net income	71,320	76,380
Generated by income on operations:		
Amortization and provisions, net of application of funds	723	(2,597)
Writedowns/restatements of equity inv., net of application of funds	(11,430)	(15,133)
Cash generated from income on operations (A)	**60,613**	**58,650**
Other sources:		
Share capital increase and reserves	3	3
Disposals of equity investments held under fixed assets	2,719	347
Disposals of equity investments held under current assets	17	709
Repayment of surplus on equity investments held under current assets	-	23
Disposals of tangible assets, net of application of funds	84	182
Total other sources (B)	**2,823**	**1,264**
Change in current assets and liabilities:		
Change in receivables due from customers	(16)	43
Change in receivables due from subsidiaries	975	(2,308)
Change in receivables due from associated companies	(9)	84
Change in receivables due from tax authorities	(8,580)	(5,503)
Change in receivables due from others	(103)	308
Change in financial receivables held as fixed assets due from subsidiaries	12,000	8,878
Change in financial receivables held as fixed assets due from associated companies	50	(5,947)
Change in other receivables held as fixed assets	4	40
Change in prepayments and accrued income	(24)	330
Change in payables for payments on account	(4)	5
Change in payables due to suppliers	(646)	(269)
Change in payables due to subsidiaries	6,696	7,673
Change in other payables	1,175	699
Change in accruals and deferred income	7	(101)
Net change (C)	**11,525**	**3,932**
Applications:		
Tangible assets	131	161
Intangible assets	5	13
Equity investments held under fixed assets and treasury shares	61,256	46,534
Equity investments held under current assets	-	709
Payment of dividends	42,630	38,877
Payment to Board of Directors	743	533
Total applications (D)	**104,765**	**86,827**
Change in net financial position (A+B+C-D)	**(29,804)**	**(22,981)**
Deficit net of cash at start of the period	**(372,296)**	**(349,315)**
Deficit net of cash at the end of the period	**(402,100)**	**(372,296)**

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