ITALMOBILIARE

Consolidated quarterly report
at 31 March 2000

Contents

Contents of the quarterly report 3

Comments on the Group's results
and most significant events of the quarter 4

Consolidated financial schedules 16

Notes to the consolidated financial schedules 18

Format of the quarterly report

This quarterly report has been prepared in an international format and in English for the convenience of international readers. It is based on Italmobiliare Group's quarterly figures prepared in Italian for statutory purposes in accordance with Consob's - National Commission for Listed Companies - Communication no 11971 of 14 May 1999. Copies of the Italian report are available on request from the company's head office in Via Borgonuovo 20, 20121 Milan, Italy.
Unless stated otherwise, all financial figures in this report refer to Italmobiliare Group, quarter end balances are as at 31 March 2000. All references to Italmobiliare are understood to mean Italmobiliare Group (Italmobiliare Società per Azioni and its consolidated subsidiaries).

Consolidated quarterly report at 31 March 2000

ITALMOBILIARE
Società per Azioni

Head office: via Borgonuovo, 20
20121 Milan, Italy

Share capital Lire 192,628,725,000
Milan Companies Register no 54377

Board of Directors

Giampiero Pesenti	*•	Chairman – Managing director
Giovanni Giavazzi	*	Vice chairman
Mario Ardito		
Italo Lucchini	*	
Giorgio Perolari	•	
Carlo Pesenti		
Franz Schmitz	•	
Graziano Molinari	**	Secretary to the Board

Board of statutory auditors

Acting auditors	
Luigi Guatri	Chairman
Claudio De Re	
Paolo Marchi	
Substitute auditors	
Dino Fumagalli	
Eugenio Mercorio	
Pietro Curcio	
KPMG S.p.A.	Independent auditors

* Member of the Executive Committee

** Secretary of the Executive Committee

• Member of the Remuneration Committee

Contents of the quarterly report

This report on the 2000 first quarter activities of Italmobiliare Group has been drawn up in accordance with the instructions set out in annex 3D of Consob (National Commission for Listed Companies and the Italian Stock Exchange) Communication no 11971 of 14 May 1999.
As this is the first year that a quarterly report has been prepared, comparative 1999 first quarter figures are not given as allowed by Consob. 31 December 1999 data are however shown with respect to the net financial position.
The quarterly report has been prepared on a consolidated basis as Italmobiliare is obliged to prepare consolidated accounts. Moreover, in order to provide further information, the significant economic and financial figures of the main consolidated subsidiaries are also given together with details of their operating activities during the first three months of 2000.

Seasonal factors have a strong impact on the construction materials sector, the Group's core business, and this should be kept in mind when considering the figures herein. Weather conditions, normally unfavourable during winter, mean that this sector is less active during those months when most of the maintenance work on the cement production plants takes place and the related costs are incurred.

Comments on the Group's results and most significant events of the quarter

The Group showed a significant improvement in all its activities with net sales of Lire 1,722 billion, up 19.5% on the first quarter in 1999.
Its operating result for the quarter was Lire 154.9 billion.
The performance and activities of the Group's core businesses may be summarized as follows:

- Italcementi Group recorded net sales of Lire 1,654 billion, up 23.2% on the first quarter of 1999, and an operating profit of Lire 152 billion.
  Sales grew steadily in both Europe and the United States due to the acceleration of the recovery in Europe and continued constant demand in the United States. Most of the emerging countries also showed improvements in their economies. Favourable weather conditions were a contributing factor.
- The holding company, Italmobiliare finalized an important agreement, effective from last April, with Saur group (Bouygues). This agreement provided for the sale of its 100% investment in Crea, active in the gas distribution and water treatment sector, to Sigesa (Saur) and the acquisition of a 29% stake in the latter company. This sale generated a net inflow of approximately Lire 90 billion, subject to adjustment based on Italmobiliare's financial schedules at 31 March 2000. Accordingly, the contribution to the consolidated results of this sector, which has been reduced, will decrease significantly.
- The other production and industrial services sectors performed as follows:
  - Sirap Gema group (food packaging and thermal insulation): 2000 first quarter net sales of Lire 51.9 billion (+18% compared to the same period in 1999) and an operating profit of Lire 4.2 billion;
  - SAB group (public transport): 2000 first quarter sales of Lire 17.3 billion, largely in line with the first quarter of 1999 and an operating profit of Lire 3 billion;
  - Crea group: sold as described above.

* * *

The Group's 2000 first quarter results may be summarized as follows:

(in millions of euro)		(in billions of lire)
1st quarter 2000		1st quarter 2000
889	**Net sales**	**1,722**
	Variation on 1st quarter 1999	*+19.5%*
171	**Gross operating profit**	**332**
80	**Operating income**	**155**

31 March 2000		31 March 2000	31 December 1999
(1,673)	**Net debt**	**(3,239)**	**(3,388)**
	Employees (no)	19,810	20,519

Net sales

Group 2000 first quarter consolidated net sales were Lire 1,722 billion, up 19.5% on the same period in 1999 due to:

- growth in activities (+ 14.5%);
- changes in the consolidation area (+ 3.2%);
- exchange rate movements (+ 1.8%).

A breakdown of net sales by business and geographical area is as follows:

(in millions of lire)

	1st quarter 2000	%	1st quarter 1999	%	1st quarter 2000 1st quarter 1999 %
Business					
Construction	1,652,066	95.9	1,341,552	93.1	23.2
Food packaging and insulation	51,906	3.0	43,982	3.1	18.0
Transport	17,328	1.0	17,929	1.2	(3.4)
Water and gas distribution	-	-	36,154	2.5	-
Other and tourism	686	0.1	1,751	0.1	n.s.
Total	**1,721,986**	**100.0**	**1,441,368**	**100.0**	**19.5**
Geographical area					
European Union	1,320,310	76.7	1,158,187	80.4	14.0
North America	211,473	12.3	159,991	11.1	32.2
Trading and other countries	190,203	11.0	123,190	8.5	54.4
Total	**1,721,986**	**100.0**	**1,441,368**	**100.0**	**19.5**
Total using the same exchange rates and consolidation					**14.5**

Operating results

As mentioned, the Group's core business (construction materials) is strongly affected by seasonal factors. Moreover, during the first quarter of each year, many companies decrease production in order to perform most of their maintenance work, the costs of which are accounted for in the period in which they are incurred.
The gross operating profit/net sales and operating income/net sales ratios were affected accordingly (19.3% and 9% respectively).

Net debt

The Group's net debt decreased by Lire 148.9 billion on 31 December 1999. This improvement is due to cash flows from operating activities of approximately Lire 273.6 billion, total investments of Lire 192.9 billion and disposals and other transactions of approximately Lire 68.2 billion (of which Lire 36.3 billion related to the exclusion from consolidation of the investments sold to third parties).

Construction materials sector

This sector includes Italcementi Group's activities in the cement, ready mixed concrete and aggregates sectors.
The group's consolidated quarterly figures may be summarized as follows:

(in millions of euro)		(in billions of lire)
1st quarter 2000		1st quarter 2000
854	**Net sales**	**1,654**
	Variation on 1st quarter 1999	*+23.2%*
165	**Gross operating profit**	**320**
79	**Operating income**	**152**

31 March 2000		31 March 2000	31 December 1999
(1,681)	**Net debt**	**(3,254)**	**(3,344)**
	Employees (no)	17,982	18,086

Most of the countries in which Italcementi Group operates performed well. Despite the upward trend of operating costs, the group achieved considerably higher quarterly results than the estimates for the same period in 1999.

Sales volumes *

		Variations on	
		1st quarter 1999	1st quarter 1999 with same consolidation
Cement	8.6 million metric tons	16.4	7.7
Aggregates	13.0 million metric tons	12.9	6.5
Ready mixed concrete	4.3 million cubic meters	13.4	8.8

* including transfers among businesses

The growth trend in all business sectors in the first quarter was boosted by very favourable weather conditions. By applying the same consolidation area, all the countries contributed to the increase in group **cement** sales except for Turkey and Thailand. Turkey continued to be affected by the slowdown in its economy while Thailand's activities were in line with the previous year. The most significant increases were seen in Italy, North America, France, Morocco and Spain.

Aggregates sales and consumption were positive or in line with the first quarter of 1999 except for Turkey.
Ready mixed concrete volumes increased mainly in Italy, France and Spain. Only Turkey again showed a sharp downturn compared to the same quarter in 1999.

Net sales, gross operating profit and capital expenditure by geographical area

(sub-consolidated data by area)

(in billions of lire)

	Net sales		Gross operating profit	Capital expenditure
	1st quarter 2000	Variation on 1st quarter 1999 %	1st quarter 2000	1st quarter 2000
European Union	1,269.5	18.5	255.2	69.8
North America	211.5	32.2	23.2	25.8
Trading and emerging countries	223.1	56.8	41.2	14.4
Eliminations of intercountry sales	(50.5)	64.7	-	-
Total	**1,653.6**	**23.2**	**319.6**	**110.0**

European Union

The group performed well in all the countries in which it operates.

Cement consumption in **Italy** grew rapidly, helped by two extra working days compared to the same quarter in 1999 and very favourable weather conditions. Sales volumes were up 13.7% on the first quarter of 1999.
The strong market trend had a positive effect on the group's operating results.
The ready mixed concrete market also benefited from the same favourable conditions which affected the cement business. Calcestruzzi S.p.A. and subsidiaries increased their volumes by 14.3%.

Ciments Calcia increased its domestic sales volumes in **France** by roughly 9.2% compared to the same quarter in 1999 improving sales prices due to the high general cement demand.
The aggregates market also performed positively. By applying the same consolidation area, GSM improved its sales volumes by roughly 7% compared to the first quarter of 1999. Unibéton's increase in ready mixed concrete sales was even greater at +15% (using the same consolidation). The group's unit average sales prices increased in both the aggregates and ready mixed concrete sectors.

In **Belgium**, Compagnie des Ciments Belges (CCB) benefited from the positive scenario and increased cement sales in Belgium and Holland by about 9% and 6% respectively, with an increase in sales prices.
Sales volumes made through Ciments Calcia to the French market also grew significantly.
Use of alternative fuels allowed the group to limit energy costs.

The growth in cement demand in the north and south of **Spain** boosted the activities of Financiera y Minera which increased its domestic sales by almost 10% even if its prices remained in line with those of 1999.
Group aggregates sales volumes increased by 17.7% over the first quarter of 1999. Ready mixed concrete volumes grew by roughly 16%.

The cement market in **Greece** performed well, especially in the Attica region. Total Halyps sales grew by approximately 23%, boosted by exports which more than doubled compared to the same quarter in 1999.

North America

Cement consumption in the United States and Ontario, Canada increased again, favoured by the continued good performance of the North American economy.
Due to the positive general scenario and excellent weather conditions in March, Essroc increased its cement sales by 14.6% compared to the same quarter in 1999.
Operating results were affected by the increase in fuel costs, only partly offset by the decrease in specific thermal consumption, and especially by maintenance work on several plants. This work was concentrated in the first quarter of the year and led to a decrease in production.

Emerging countries

As noted, the first quarter performances of emerging countries in which the group operates were mixed.

Turkey was again heavily affected by the economic slow-down caused by the disastrous results of the 1999 earthquakes. Moreover, the construction sector was negatively affected by the unfavourable weather conditions and continued difficulties in obtaining construction permits, due to strict public supervision.
Due to this difficult situation group sales dropped sharply in all sectors. Resulting fierce competition also led to decreasing sales prices.

Cement consumption in **Morocco** is estimated to have increased on the first quarter of 1999 despite a slight decrease in March.
By applying the same consolidation area, Ciments du Maroc sales volumes were up approximately 14.5% on the same quarter in 1999. Unit average sales prices have increased mainly due to the sales mix, focused on the high range products.

In **Bulgaria**, the first quarter cement market decreased partly due to unfavourable weather conditions.
Devnya and Vulkan both showed a decrease in domestic sales and prices due to this situation. The significant increase in Devnya’s exports led to an overall growth of roughly 9% in its sales volumes, compared to the same quarter in 1999.
The companies achieved variable cost savings due to the continued switch from oil and gas to coal and petcoke. On the other hand, fixed costs increased mainly due to maintenance work at the Devnya plant.

In **Thailand**, Jalaprathan increased its cement sales volumes by roughly 16% while its already limited exports decreased significantly. The Thai market was substantially stable compared to the first quarter of 1999.
Sales prices decreased due to strong competition while operating results were positively affected by the containment of variable production costs following investments made to improve plant efficiency.

Asia Cement recorded a modest decrease in its domestic cement sales and a significant fall in its clinker and cement exports. Its ready mixed concrete business was positively affected by favourable weather conditions and advance purchases by customers. It thus showed a considerable growth on the same quarter of 1999.

Outlook

Excluding unforeseeable and extraordinary events, based on the performance of the first quarter and the most updated estimates, the 2000 year-end results should be higher than those of 1999.

Food packaging and thermal insulation

The Group is active in the food packaging and thermal insulation sectors through Sirap Gema S.p.A. and its subsidiaries.
Its summarized consolidated figures are as follows:

(in millions of euro)		(in billions of lire)
1st quarter 2000		1st quarter 2000
26.8	**Net sales**	**51.9**
	Variation on 1st quarter 1999	*+18%*
3.6	**Gross operating profit**	**7.0**
2.2	**Operating income**	**4.2**

31 March 2000		31 March 2000	31 December 1999
(20.9)	**Net debt**	**(40.5)**	**(43.1)**
	Employees (no)	666	651

Raw material prices increased significantly more than expected in the first quarter of 2000. In spite of this trend the **food packaging** sector performed well. The Group companies achieved an operating income of Lire 4.4 billion thanks to sufficiently stable demand in the Italian and French markets.

The Group companies active in the **thermal insulation** sector recorded an operating loss of Lire 0.6 billion due to contrasting trends in the two main markets. Sales volumes increased in Italy with related improved results while the German market was penalized again by the increase in polymer costs after a difficult 1999 which was characterized by tough competition and unprofitable prices.
Although the consolidated result for the year will be positive, it will be affected by the above events which are not expected to change over the short term and will thus be lower than the 1999 result.

Public transport

The Group is active in the public transport sector through its companies controlled by SAB Autoservizi S.r.l. in northern Italy.
Its summarized consolidated figures are as follows:

(in millions of euro)			(in billions of lire)
1st quarter 2000			1st quarter 2000
19.8	**Net sales and grants for operating expenses**		**38.4**
	Variations on 1st quarter 1999		*-2%*
3.4	**Gross operating profit**		**6.7**
1.6	**Operating income**		**3.0**
31 March 2000		31 March 2000	31 December 1999
19.9	**Net financial position**	**38.5**	**33.3**
	Employees (no)	1,097	1,105

The operating income for the quarter is the result of both peculiar seasonal elements affecting the sector and gains generated by the sale of buses as part of their replacement program. Profits from ordinary activities were affected by fuel price increases which led to a significant growth in traction costs.
The initiatives aimed at strengthening and developing the Group's market share continued in the form of agreements with other operators.
The project with AEM Cremona involving the set up of a new company controlled by AEM but which will be run by SAB Group is at an advanced stage. The new company will take over the concessions managed by the two shareholders in the Cremona area. Development of the agreement between SIA and ASM Brescia, described in previous years, has continued as planned.
The final stage of assignment of its management of the Trieste public transport system has begun and should be finished by the end of May 2000. The Group is reasonably optimistic about the outcome.

Financial sector

Italmobiliare has significant investments in financial institutions and companies which contribute substantially to the Group's consolidated results. Its investments include:
- majority and minority investments in the financial-banking sector;
- qualified minority investments in important Italian industrial groups;
- wholly controlled financial companies; details on the first quarter performance of the most important thereof are given below.

Italmobiliare International Finance Limited (Dublin)

Its first quarter figures may be summarized as follows:

(in millions of euro)		(in billions of lire)
1st quarter 2000		1st quarter 2000
4.0	**Financial income and charges, net**	**7.8**
0.0	**Adjustments to the value of financial assets**	**0.0**
(0.1)	**Operating costs, amortization and depreciation**	**(0.2)**
3.6	**Net income**	**6.9**

31 March 2000		31 March 2000	31 December 1999
351.8	**Net financial position**	**681.2**	**673.9**

The company continues to operate with the aim of improving the value of financial assets, mainly through interest-bearing securities. The result for 2000 is expected to be better than that of 1999 due to higher interest rates.

Société de Participation Financière Italmobiliare S.A. - formerly Franco Tosi Finance S.A. (Luxembourg)

In early 2000, Société de Participation Financière Italmobiliare S.A. was merged by incorporation with Franco Tosi Finance S.A. with accounting effect from 1 January 2000. The latter took on the name of the merged company.
Its financial figures may be summarized as follows:

(in millions of euro)		(in billions of lire)
1st quarter 2000		1st quarter 2000
1.9	**Financial income and charges, net**	**3.8**
0.2	**Adjustments to the value of financial assets**	**0.4**
(0.1)	**Operating costs, amortization and depreciation**	**(0.2)**
2.0	**Net income**	**3.9**

31 March 2000		31 March 2000	31 December 1999
126.7	**Net financial position**	**245.4**	**246.2**

The above figures do not include dividends from investments normally approved and accounted for in the second half of the year.
The company invested Lire 4.5 billion (to be increased to Lire 9 billion during the year) in Consortium S.r.l. This company will operate on the stock market concentrating its investments in the insurance sector.
It has also agreed to invest up to a maximum of Lire 11 billion in two closed-end funds, Draper Fisher Juverton ePlanet Ventures LP and Ascend Technology Ventures LP, specialized in Internet and Internet-related initiatives.
As part of its financial activities, the company sold Poligrafici Editoriale shares on the market, decreasing its investment therein to 8.41%.
The year end result should be in line with the previous year.

Fincomind S.A. (Zurich)

Its consolidated figures are as follows:

(in millions of Swiss francs)

	1st quarter 2000
Financial income and charges, net	**7.8**
Operating costs, net	**(0.8)**
Non-recurring income and (charges)	**0.0**
Net income	**7.0**

	31 March 2000	31 December 1999
Net debt	**(45.3)**	**(44.8)**

Its main subsidiary Finter Bank Zürich operates in the private banking sector and had assets under management of Sfr 5.2 billion at 31 March 2000 (+6% on 31 December 1999) with a net income of Sfr 8.5 million.
The first quarter results of the other subsidiary Finter Bank France were again negative, although improved, thus continuing the trend already seen in 1999. As described in previous years, the bank is involved in the restructuring of its activities to concentrate on private banking.
Based on the first quarter results of Fincomind and good profit forecasts for its main subsidiary, the year end result should be higher than that of 1999 unless events not currently foreseeable take place.

Transactions with related parties

Transactions with related group companies took place with:
– subsidiaries, valued using the equity or cost methods;
– associated companies.

Transactions with related parties in the construction sector concern the achievement of existing synergies with respect to integration of production and commercial resources, efficient use of existing skills and rationalization of the use of central structures and financial resources.
The transactions are of a commercial and financial nature.
Italmobiliare also provides administrative services to some associated companies.
All the above transactions take place on an arm's length basis.

Subsequent quarter-end events

The agreements reached with Saur group (Bouygues) for the sale of Italmobiliare's 100% stake in Crea and acquisition of 29% of Sigesa S.p.A. (Saur) were implemented in April. The sale generated a gross gain of approximately Lire 53 billion.

Italmobiliare agreed a preliminary sales contract for its entire investment in Sabtilf S.r.l. and its subsidiaries Agrustos S.r.l. and Marsilio S.r.l. The quotas will be transferred in the second half of May.

Société de Participation Financière Italmobiliare S.A. acquired 10% of Dieci S.r.l. which launched a public purchase offer for all the shares of Cartiere Burgo S.p.A. Italmobiliare directly holds 2.68% of the latter company's ordinary share capital.

Outlook

At a consolidated level and excluding unforeseeable events, the 2000 year end result should be better than that of 1999.
Italmobiliare's year end result should also be significantly greater considering the dividends approved by its main subsidiaries and the already finalized or planned significant transactions involving its investments.

(in millions of lire)

	1st quarter 2000	%
Net sales	1,721,986	100.0
Variation on 1st quarter 1999	*19.5 %*	
Operating costs (net of other revenues and operating income)	(1,037,278)	(60.2)
Added value	**684,708**	**39.8**
Personnel expenses	(343,275)	(19.9)
Provisions and write-downs	(9,602)	(0.6)
Gross operating profit	**331,831**	**19.3**
Amortization and depreciation	(176,942)	(10.3)
Operating income	**154,889**	**9.0**
Investments	**192,864**	

	31 March 2000	31 December 1999
Net debt (net financial assets)		
Liquid funds and current financial assets	(1,599,965)	(1,541,403)
Short term financing	1,061,068	980,693
Medium to long term financial assets	(634,327)	(588,839)
Medium to long term financing	4,412,021	4,537,202
Net debt	**3,238,797**	**3,387,653**
Variation on 31/12/1999	*(148,856)*	
Floating rate subordinated securities, net	**263,927**	**273,093**

(in thousands of euro)

	1st quarter 2000	%
Net sales	889,332	100.0
Variation on 1st quarter 1999	*+19.5%*	
Operating costs (net of other revenues and operating income)	(535,709)	(60.2)
Added value	**353,622**	**39.8**
Personnel expenses	(177,287)	(19.9)
Provisions and write-downs	(4,959)	(0.6)
Gross operating profit	**171,377**	**19.3**
Amortization and depreciation	(91,383)	(10.3)
Operating income	**79,994**	**9.0**
Investments	**99,606**	

	31 March 2000	31 December 1999
Net debt (net financial assets)		
Liquid funds and current financial assets	(826,313)	(796,068)
Short term financing	547,996	506,486
Medium to long term financial assets	(327,603)	(304,110)
Medium to long term financing	2,278,619	2,343,269
Net debt	**1,672,699**	**1,749,577**
Variation on 31/12/1999	*(76,878)*	
Floating rate subordinated securities, net	**136,307**	**141,041**

The accounting and consolidation policies are consistent with those used for the 1999 consolidated financial statements.

The quarterly figures reflect, in terms of description and contents, the consolidated 1999 accounts. Moreover management accounts, structured in larger groups than those in the accounting records, have been used to determine some headings, in particular, operating costs. The management accounts and accounting records are however linked.

The consolidation area has changed from 1999 due to the exit of Crea S.p.A., Sabtilf S.r.l. and Calci Idrate S.r.l. and the inclusion of Betoncar S.p.A., now fully controlled. Asia Cement Public Co. Ltd and Asmar (subsequently merged by incorporation with Ciments du Maroc) have been consolidated from 1 September and 1 May 1999 respectively. Therefore they were not part of the consolidation area during the first quarter of 1999.

Foreign currency balances of consolidated foreign subsidiaries have been converted into lire using the exchange rates applicable at the last day of the quarter for the balance sheet items and the average quarter rates for the income statement.

Net sales

These amount to Lire 1,721,986 million. A breakdown of consolidated net sales by geographical area and business segment is set out in the section on the Group's operating results (page 6).

Operating costs, other revenues and operating income

These amount to Lire 1,037,278 million and include materials, service costs and other operating charges, net of inventory variations, increase on internal work capitalized under fixed assets and other revenues.

Personnel expenses

Personnel expenses are Lire 343,275 million broken down as follows between Italy and abroad:

	(in millions of lire)
	1st quarter 2000
Italy	130,554
Abroad	212,721
Total	**343,275**

	(number)
Employees at quarter end (no)	19,810
Average number of employees	19,859

Amortization and depreciation

Amortization and depreciation of Lire 176,942 million comprise:

	(in millions of lire)
	1st quarter 2000
Amortization of intangible assets	44,374
Amortization of tangible assets	132,568
Total	**176,942**

Operating result

The operating result of Lire 154,889 million is equal to 9% of consolidated net sales.

Investments

Group investments during the first quarter of 2000 were Lire 192.9 billion. They consisted of capital expenditure of Lire 113.8 billion, investments in intangible assets of Lire 24.5 billion and equity investments of Lire 54.6 billion (of which Lire 46.9 billion to strengthen the Group's interests in subsidiary and associated companies and Lire 7.7 billion for the purchase of own shares).

Net debt

Net debt improved by Lire 148,856 million on 31 December 1999 due to the following movements:

	(in millions of lire)
Liquid funds and current financial assets	(58,562)
Short term financing	80,375
Variation in short term net debt	**21,813**
Medium to long term financial assets	(45,488)
Medium to long term financing	(125,181)
Variation in medium to long term net debt	**(170,669)**
Variation in total net debt	**(148,856)**