ITALMOBILIARE

Consolidated quarterly report
as of 30 September 2004

ITALMOBILIARE

CONSOLIDATED QUARTERLY REPORT
as of 30 September 2004

12 November 2004

DIRECTORS, OFFICERS AND AUDITORS

Board of Directors
Term ends on approval of financial statements at 31 December 2004

Giampiero Pesenti	1	Chairman – Chief Executive Officer
Giovanni Giavazzi	1-2	Deputy Chairman
Pier Giorgio Barlassina	7	
Mauro Bini	3-4-5	
Giorgio Bonomi	3	
Italo Lucchini	1-3	
Luca Minoli	2	
Giorgio Perolari	2-3-4	
Carlo Pesenti	1	General Manager
Livio Strazzera		
Graziano Molinari	6	Secretary to the Board

Board of Statutory Auditors
Term ends on approval of financial statements at 31 December 2004

Acting auditors		
Luigi Guatri		Chairman
Claudio De Re		
Paolo Marchi		
Substitute auditors		
Dino Fumagalli	5	
Eugenio Mercorio		
Pietro Curcio		

Independent auditors RECONTA Ernst & Young S.p.A.

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 Board
6 Secretary to the Executive Committee
7 Appointed 18 May 2004

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COMMENTS ON THIRD-QUARTER OPERATIONS AND SIGNIFICANT EVENTS

During the third quarter of 2004 the Italmobiliare Group posted net income of 127.3 million euro and Group net income of 38.2 million euro, down compared to 155.3 million euro and 47.8 million euro in the same period of 2003, mainly due to the lack of significant non-recurring income that was a feature of the same period in 2003.

The year to date to 30 September 2004 posted consolidated net income of 335.4 million euro and Group net income of 115.7 million euro, compared to 345.8 million euro and 133.6 million euro respectively at 30 September 2003.

Confirming the business trend seen in the first part of 2004, the third quarter saw:

- better operating results at the Italcementi group compared to the same period in 2003, albeit at a lower rate of growth than that recorded in the first half;
- a less significant contribution from the operations of the Sirap Gema group;
- a positive contribution, but of a smaller size compared to the same period in 2003, from the financial companies.

Performance by the main business lines was as follows.

The **Italcementi group**, Italmobiliare's chief industrial equity investment, in the third quarter of 2004 recorded group net income of 92.7 million euro, which, while benefiting from the marked containment of financial charges, was down compared to 108.2 million euro in the third quarter of 2003. This fall was largely due to the trend in non-recurring items, which had a negative balance in the quarter under review and a significant positive balance in the same quarter in 2003.

In the period January-September 2004 group net income was 222.2 million euro, an increase of 3.5% compared to income of 214.6 million euro at the end of September 2003, thanks to the significant improvement already achieved in the first half of the year.

In the quarter the **Sirap Gema group**, which operates in food packaging and thermal insulation, recorded consolidated net income of 1.1 million euro (2.0 million euro in the third quarter of 2003), which brought year to date net income at 30 September 2004 to 4.8 million euro (7.0 million euro at 30 September 2003). The fall in results was due to both a marked increase in raw material costs and a general reduction in sale prices.

In the third quarter the main wholly owned financial companies reported:

Italmobiliare International Finance Ltd, which operates on the international capital markets, a net income of 3.3 million euro (4.4 million euro previously), that brought year to date net income at 30 September 2004 to 9.4 million euro (15.2 million euro at 30 September 2003), with a fall due to the negative trend in interest rates;

Fincomind group, comprising Finter Bank Zurich and Finter Bank France, a consolidated net income of 602 thousand Swiss francs (net income of 435 thousand Swiss francs previously). The consolidated result for the first nine months of the year recorded net income of 3,083 thousand Swiss francs (a loss of 805 thousand Swiss francs in 2003). Last year's result was affected by the provision of charges for the restructuring of Finter Bank France. In 2004 the process to gradually close down the latter commenced;

Société de Participation Financière Italmobiliare S.A., a financial holding that manages important equity investments, a net income of 2.3 million euro (5.4 million euro previously); the result for the first nine months was income of 8.0 million euro (22.2 million euro at 30 September 2003). It should be noted that the results for 2003 benefited from the significant revaluations of some equity investments that had been written down in previous years.

The parent company **Italmobiliare S.p.A.**, in the nine months at the end of September 2004, recorded net income of 72.6 million euro, up compared to 45.3 million euro in the same period in 2003. As already mentioned in the half year report, this increase was largely due to adjustments of 15.9 million euro in relation to the elimination of prior tax adjustments. Without these adjustments net income would have been 56.7 million euro, in any case better than the previous year.

Significant events in the third quarter of 2004 related to the parent company Italmobiliare and its financial subsidiaries

On 9 July Italmobiliare acquired from Gemina 10,511,134 RCS MediaGroup ordinary shares for a total outlay of 46.3 million euro. The new shares acquired were bound to the majority shareholders' voting and consultation trust for RCS MediaGroup. Following this transaction the Italmobiliare Group holds 52,672,217 RCS MediaGroup ordinary shares (that represent 7.19% of the total of ordinary shares issued), of which, at 9 July, 45,648,353 shares (6.23%) were bound to the trust. Under the covenants, Italmobiliare had the option to increase to 7% the percentage of its share capital holding linked to the trust. On 11 October the Italmobiliare Group exercised this option by transferring to the trusta further 5,638,509 RCS MediaGroup ordinary shares, which were already in its possession, and thus raised the share capital holding percentage bound to the trust to 7%.

On 29 September 2004 the participants in the GIM voting trust, of which Italmobiliare S.p.A. is part, agreed on a Memorandum of Understanding with Intek S.p.A. relating to Intek's entry into GIM's share capital structure, through a GIM share capital increase (subject to annulment of the increase that had already been passed in May 2004) worth approximately 152 million euro overall, linked to the issue of about 105 million warrants, to which it is envisaged that Intek will contribute approximately 65 million euro and the participants in the current voting trust approximately 34 million. This Memorandum of Understanding followed the signing of the exclusivity agreement on 24 September, valid until 25 October and subsequently extended to 15 November 2004.

It is also envisaged that Intek and the members of the voting trust will be involved in the creation of a consortium to guarantee the underwriting of a residual amount of approximately 53 million euro for the share capital increase.

The GIM recapitalization operation, thus organized, is subordinate to a series of conditions.

Group highlights

The results for the Italmobiliare Group in the third quarter of 2004 and in the year to date to 30 September 2004 are summarized below.

(in millions of euro)	3rd quarter 2004	3rd quarter 2003	% Change	Year to date 30 September 2004	Year to date 30 September 2003	% Change	2003
Net sales	1,208.1	1,144.5	*5.6*	3,542.2	3,323.7	*6.6*	4,397.1
Gross operating profit	318.1	319.7	*-0.5*	860.7	817.9	*5.2*	1,077.4
% of net sales	*26.3*	*27.9*		*24.3*	*24.6*		*24.5*
Amortization, depreciation and other write-downs	(98.0)	(100.7)	*-2.7*	(292.9)	(296.8)	*-1.3*	(416.2)
Operating income (difference value/costs of production)	220.1	219.0	*0.5*	567.8	521.1	*9.0*	661.2
% of net sales	*18.2*	*19.1*		*16.0*	*15.7*		*15.0*
Financial income and charges	(20.8)	(25.1)	*16.8*	(35.5)	(47.5)	*25.3*	(54.8)
% of net sales	*-1.7*	*-2.2*		*-1.0*	*-1.4*		*-1.2*
Adjustments to financial asset values	9.6	7.2	*33.6*	21.9	20.6	*6.6.*	16.0
% of net sales	*0.8*	*0.6*		*0.6*	*0.6*		*0.4*
Non-recurring items	(3.7)	32.6	*n.s.*	(9.7)	43.9	*n.s.*	61.8
% of net sales	*-0.3*	*2.8*		*-0.2*	*1.3*		*1.4*
Income before tax	205.2	233.7	*-12.2*	544.5	538.1	*1.2*	684.2
% of net sales	*17.0*	*20.4*		*15.4*	*16.2*		*15.6*
Tax	(77.9)	(78.4)	*0.5*	(209.1)	(192.3)	*-8.8*	(242.2)
Income before minority interest	127.3	155.3	*-18.1*	335.4	345.8	*-3.0*	442.0
Minority interest	89.1	107.5	*-17.2*	219.7	212.2	*3.5*	273.3
Group net income	38.2	47.8	*-20.0*	*115.7*	133.6	*-13.4*	168.7
% of net sales	*3.2*	*4.2*		*3.3*	*4.0*		*3.8*
Investments in fixed assets	129.1	75.1	*71.9*	282.2	301.7	*-6.5*	399.7
Employees at period end (heads)				*18,373*	*17,907*	*2.6*	*17,722*

	30 September 2004	30 June 2004	31 December 2003
Net debt	1,470.2	1,678.1	1,606.2

n.s. = not significant

Net sales

In the third quarter of 2004 Group consolidated net sales stood at 1,208.1 million compared to 1,144.5 million in the third quarter of 2003, an increase of 5.6%.

Overall net sales in the nine months stood at 3,542.2 million euro, an increase of 6.6% compared to the same period in 2003.

Overall growth was due to:

- the positive business performance (volumes and prices) for 7.1%;
- changes of the consolidation area for 1.2%;
- the negative impact arising from exchange rate variations for 1.7%, above all following the fall in value of the US dollar against the euro.

The breakdown of net sales by geographical and business area was:

(in millions of euro)	3rd quarter 2004	3rd quarter 2003	Change	
			Value	%
Geographical area				
European Union	841.1	786.2	54.9	*7.0*
of which Italy	*388.8*	*354.8*	*34.0*	*9.6*
North America	171.8	165.3	6.5	*3.9*
Other countries and trading	195.2	193.0	2.2	*1.1*
Total	**1,208.1**	**1,144.5**	**63.6**	***5.6***
Business segment				
Construction materials	1,168.9	1,115.9	53.0	*4.7*
Food packaging and insulation	39.2	27.8	11.4	*41.0*
Other	-	0.8	(0.8)	*-100.0*
Total	**1,208.1**	**1,144.5**	**63.6**	***5.6***

	Year to date 30 September 2004	Year to date 30 September 2003	% change	
			published	At constant size and exchange rates
Geographical area				
European Union	2,576.7	2,403.5	*7.2*	*6.1*
of which Italy	*1,176.7*	*1,095.7*	*7.4*	*7.4*
North America	416.3	403.1	*3.3*	*13.8*
Other countries and trading	549.2	517.1	*6.2*	*6.8*
Total	**3,542.2**	**3,323.7**	***6.6***	***7.1***
Business segment				
Construction materials	3,428.8	3,239.1	*5.9*	*7.3*
Food packaging and insulation	113.1	82.6	*36.9*	*2.1*
Other	0.3	2.0	*(85.0)*	*-85.0*
Total	**3,542.2**	**3,323.7**	***6.6***	***7.1***

n.s. = not significant

Financial income and charges and other items

Financial income and charges in the third quarter of 2004 recorded a loss of 20.8 million euro compared to a loss of 25.1 million euro in the same period in 2003, an improvement of 4.3 million euro, mainly in relation to lower financial charges linked to the reduction in debt and interest rates. Also in the year to date for the nine months net financial charges saw a marked fall, from 47.5 million euro in 2003 to 35.5 in 2004.

Adjustments to financial asset values saw a positive balance of 9.6 million euro in the third quarter and 21.9 in the year to date at 30 September 2004 compared to 7.2 and 20.6 million euro respectively in the corresponding periods last year. In the third quarter of 2004 there was a positive contribution from companies consolidated on the equity basis as well as from revaluations made by the financial companies owned by Italmobiliare, in relation to the value of some listed equity investments.

Non-recurring items in the quarter saw a loss of 3.7 million euro compared to a positive balance of 32.6 million euro in the same period in 2003. Also in the year to date over the nine months there was a loss of 9.7 million euro in 2004 and a profit of 43.9 million in 2003. The change was due mainly to the impact of non-recurring items in the construction sector, that was negative in the period under consideration, but very positive in the same period of the previous year.

Net debt

Group net debt at 30 September 2004 stood at 1,470.2 million euro, markedly down compared to 30 June 2004 (1,678.1 million euro). At 31 December 2003 it was 1,606.2 million euro.

During the quarter investments in fixed assets totaled 129.1 million euro, of which 50.0 million euro was in financial equity investments; in the third quarter of 2003 these were respectively 75.1 million euro and 3.2 million euro. In the first nine months of 2004 investments totaled 282.2 million euro, of which 59.4 million euro was in financial equity investments; at 30 September 2003 the figures were 301.7 and 88.6 million euro.

The net financial position of Italmobiliare and the wholly owned financial subsidiaries was as follows:

(in thousands of euro)	**30 September 2004**		**30 June 2004**		**31 December 2003**	
	Italmobiliare S.p.A.	Consolidation Italmobiliare + financial companies (*)	Italmobiliare S.p.A.	Consolidation Italmobiliare + financial companies (*)	Italmobiliare S.p.A.	Consolidation Italmobiliare + financial companies (*)
Cash, cash equivalents and current financial assets	20,608	585,202	25,181	584,986	28,506	579,477
Short-term financing	(121,908)	(123,197)	(78,156)	(79,136)	(377,821)	(380,707)
Short-tern net financial position	**(101,300)**	**462,005**	**(52,975)**	**505,850**	**(349,315)**	**198,770**
Medium/long-tern financing	(279,810)	(279,810)	(279,810)	(279,810)	-	-
Net financial position	**(381,110)**	**182,195**	**(332,785)**	**226,040**	**(349,315)**	**198,770**

(*) Comprising: Italmobiliare International Finance Limited - Italmobiliare International B.V. - Intermobiliare S.p.A. - Société de Participation Financière Italmobiliare S.A. – Fincomind S.A. and the financial companies in the Fincomind Group.

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

Group highlights

(in millions of euro)	3rd quarter 2004	3rd quarter 2003	% change	Year to date 30 September 2004	Year to date 30 September 2003	% change	2003
Net sales	1,169.8	1,116.8	*4.8*	3,432.0	3,241.7	*5.9*	4,284.7
Gross operating profit	316.2	315.3	*0.3*	854.4	806.5	*5.9*	1,060.9
% of net sales	*27.0*	*28.2*		*24.9*	*24.9*		*24.8*
Amortization, depreciation and other write-downs	(95.1)	(97.7)	*(2.7)*	(284.8)	(288.0)	*(1.1)*	(404.5)
Operating income	221.1	217.6	*1.6*	569.6	518.5	*9.9*	656.4
% of net sales	*18.9*	*19.5*		*16.6*	*16.0*		*15.3*
Financial income and charges	(22.9)	(28.6)	*(20.0)*	(65.8)	(88.4)	*(25.5)*	(114.5)
Adjustments to financial asset values	5.6	4.5	*25.7*	14.0	4.0	*n.s.*	8.9
Non-recurring items	(4.1)	32.4	*n.s.*	(11.1)	40.9	*n.s.*	54.0
Income before tax	199.7	225.8	*(11.6)*	506.7	475.0	*6.7*	604.8
% of net sales	*17.1*	*20.2*		*14.8*	*14.7*		*14.1*
Tax	(76.3)	(78.1)	*(2.3)*	(204.5)	(183.0)	*11.7*	(229.1)
Income before minority interest	123.4	147.7	*(16.4)*	302.3	292.0	*3.5*	375.7
% of net sales	*10.6*	*13.2*		*8.8*	*9.0*		*8.8*
Minority interest	(30.7)	(39.5)	*(22.3)*	(80.1)	(77.4)	*3.5*	(98.9)
Group net income	92.7	108.2	*(14.3)*	222.2	214.6	*3.5*	276.8
% of net sales	*7.9*	*9.7*		*6.5*	*6.6*		*6.5*
Employees at period end (heads)				*17,563*	*17,282*		*17,102*

n.s. = not significant

	30 September 2004	30 June 2004	31 December 2003
Net debt	1,632.1	1,882.2	1,797.8

The third quarter of 2004 saw a world economy that was still in a period of expansion, with continuing high levels of growth in North America and in Asia, and more restrained in the euro zone. However, the first signs of a slowdown started to appear, mainly due to the increases recorded in energy and raw materials prices.

In the industrialized countries where the Italcementi group operates, the liveliness of the residential construction business drove growth in the whole construction sector with

positive results once again in the Group's main markets: Italy, France and the United States.
Also in emerging countries where the Group operates, the positive global economic trend encouraged investments in the construction sector.

In this scenario, in the third quarter of 2004 the Italcementi Group saw overall growth in its levels of business accompanied by increases in sale prices. Net sales improved (+4.8% compared to the same period in 2003), with a lower rate of growth than that seen in the first half (+ 6.5%). Overall growth in net sales in the January-September period in 2004 compared to the previous year was 5.9% and was due to: 7.3% the positive trend in business, 0.3% the enlargement of the consolidation area, while the changes in exchange rates, especially owing to the fall in value of the US dollar, produced a negative effect of 1.7%.
Operating results, although helped by the growth in net sales, were particularly affected by the deterioration in operating costs, especially for fuel, as well as the exchange rate negative effect. Consequently operating results in the third quarter were only slightly above results of the same period in the previous year (+0.3% for gross operating profit and +1.6% for operating income).
Net income of 123.4 million euro in the third quarter of 2004 fell compared to the same period in 2003 (147.7 million euro), owing to the impact in non-recurring items, that saw a negative balance in period under review but was very positive in the same period in 2003, and despite the sharp fall in financial charges. Group net income stood at 92.7 million euro (108.2 in 2003).

In the nine months at 30 September 2004, operating results made good progress once again compared to the previous year (+5.9% for gross operating profit and + 9.9% for operating income), thanks to the significant improvement already achieved in the first half. Total net income in the year to date at the end of September was 302.3 million euro and stayed above the level of the previous year (292.0 million euro), also owing to the impact of the marked reduction in financial charges and the increased contribution from companies consolidated on the equity basis, despite the negative impact in non-recurring items.

As for gross operating profit the appreciation of the euro against other currencies led to a significant negative impact on the translation of results, totaling 6.3 million euro in the third quarter and 13.4 million euro in the year to date to 30 September.

As already mentioned in the half year report at 30 June 2004, among significant events in the period we highlight that on 9 August 2004 the Competition and Market Authority notified Calcestruzzi S.p.A. and Cemencal S.p.A. of its decision in respect of the proceeding opened on 3 April 2003, against eleven companies operating on the ready mixed concrete market. The Authority considered as substantiated and proven the agreement regarding the distribution of ready mixed concrete supplies in the province of Milan and a number of communes in the adjoining provinces and imposed a fine on all those involved.

The legal advisors for Calcestruzzi S.p.A. and Cemencal S.p.A., whose fines amounted to 10,200,000 euro and 1,650,000 euro respectively, consider there are sufficient grounds for an appeal to the administrative magistracy (the regional administrative tribunal of Lazio) against the decision. They trust for the annulment, at least in part, of the decision and a consequent reduction in the fine. As it is impossible to hypothesize the level of this reduction, the two companies have considered it fit, for the sake of prudence, to record, at 30 June 2004, a provision for the entire amount of the fines imposed.

Sales volumes and internal transfers

	Cement (millions of metric tons)			**Aggregates * (millions of metric tons)**			**Ready mixed concrete (millions of m³)**		
	2004	% change on 2003		2004	% change on 2003		2004	% change on 2003	
		Published	At constant size		Published	At constant size		Published	At constant size
3rd quarter 2004	12.5	*3.9*	*2.3*	13.7	*(0.5)*	*(0.1)*	5.2	*(2.1)*	*(2.1)*
30 September 2004	36.5	*5.9*	*4.7*	43.4	*5.0*	*5.1*	15.8	*0.3*	*1.2*

* excluding outgoes on work-in-progress account

Group sales volumes in the third quarter were up compared to the same period in 2003 in the cement sector, albeit at a more modest growth rate than that recorded in the first half of the year, while there was a fall in the aggregates and ready mixed concrete sector.

The rise in sales in the cement sector saw marked progress in North America and in the European Union, except for Greece, and a fall in Asia (on a constant size basis) and in trading.

In the aggregates sector, the basis stability of business volumes, compared to the same quarter of 2003, was the result of varying trends in a range of countries.

In the ready mixed concrete sector, the positive results achieved in Italy and France did not entirely offset the falls experienced in Greece, Spain and Turkey.

In the nine months at the end of September 2004 sales volumes grew in each of the business sectors, with high growth rates in the cement and aggregates sectors. In the ready mixed concrete sector the fall in the third quarter did not reverse the overall progress in the nine months.

Performance by geographical area

(in millions of euro)	Net sales		Gross operating profit		Investments in fixed assets	
	3rd quarter 2004	% change on 3rd quarter 2003	3rd quarter 2004	% change on 3rd quarter 2003	3rd quarter 2004	3rd quarter 2003
European Union	819.9	*6.1*	204.1	*(1.4)*	41.3	36.3
North America	171.8	*3.9*	46.0	*8.9*	11.6	12.1
Asia (*)	59.9	*8.6*	18.2	*(3.2)*	2.5	2.7
Other emerging countries	123.6	*(0.6)*	45.0	*6.7*	5.6	3.3
Trading	39.6	*(10.0)*	2.1	*(33.0)*	1.6	0.1
Other and eliminations	(45.0)	n.s.	0.8	n.s.	1.3	0.4
Changes in payables for fixed assets	-	-	-	-	6.6	9.9
Total	**1,169.8**	***4.8***	**316.2**	***0.3***	**70.5**	**64.8**

(in millions of euro)	Net sales		Gross operating profit		Investments in fixed assets	
	Year to date at 30.09.2004	% change on year to date at 30.09.2003	Year to date at 30.09.2004	% change on year to date at 30.09.2003	Year to date at 30.09.2004	Year to date at 30.09.2003
European Union	2,520.2	*6.5*	592.1	*4.4*	129.1	117.2
North America	416.3	*3.3*	85.4	*9.4*	26.2	38.8
Asia (*)	182.8	*16.6*	60.8	*16.2*	5.6	5.4
Other emerging countries	332.0	*3.2*	113.0	*15.0*	11.9	10.8
Trading	115.0	*1.4*	6.7	*(20.1)*	2.4	0.3
Other and eliminations	(134.2)	n.s.	(3.5)	n.s.	2.4	0.7
Changes in payables for fixed assets	-	-	-	-	21.6	22.0
Total	**3,432.0**	***5.9***	**854.4**	***5.9***	**199.2**	**195.2**

n.s. = not significant
(*) Includes Kazakhstan in 2004

EUROPEAN UNION

In ***Italy*** the favorable trend in cement consumption strengthened further in the third quarter on the back of a recovery in demand in the North. Therefore, sale volumes grew, with higher prices compared to last year and the first half of 2004 thanks to the application of the new price list as from the second part of May.

The positive trend in net sales in the third quarter (+6.9% compared to the same period of 2003) led to solid growth in gross operating profit despite the increase in operating costs. The favorable result in this quarter did not make up for the fall in the first half.

The growth of the ready mixed concrete market also continued in the third quarter, which enabled increases in volumes accompanied by a positive price/cost trend, with a subsequent improvement in gross operating profit.

In ***France***, in a market that still remains positive, cement sales in the 3rd quarter made good progress (approximately 5%) with sale prices above those in the previous year. Operating results in the quarter, however, fell owing to the increase in energy and some fixed costs. In the nine months at the end of September, however, operating results showed a marked improvement on last year.

The aggregates and ready mixed concrete businesses also confirmed the positive trend in the quarter with significant improvements in net sales, which did not completely make up for the rise in costs. Operating results in these sectors grew strongly to the end of the September.

In ***Belgium***, in a rising market that was severely affected by imports from Germany, in the third quarter Compagnie des Ciments Belges saw a solid recovery in domestic cement sales, while price levels were significantly lower than those in 2003.

Overall, the fall in net sales, the increase in the cost of fuel and the weakness of sales in the ready mixed concrete and aggregates sectors, had a major impact on operating results for the quarter, that were sharply down, causing a reduction also in the results for the nine months to the end of September.

Cement sale volumes in ***Spain*** made a strong recovery in the quarter (+ 4.9% compared to the same period in 2003), which more than made up for the losses in volumes recorded in the first part of the year.

The positive trend in sale prices, the initiatives undertaken to contain fixed costs and the reduction in clinker purchases led to improved operating results for the quarter and for the nine months to the end of September.
In ***Greece*** the expected slowdown in cement consumption linked to the end of the works for the Olympic Games, led to a fall in sale volumes on the domestic market that was more than made up for by the increase in exports.
Overall, the containment of operating costs and the improvement in sale prices enabled to minimize the drop in operating results in the quarter and to record in the nine months results broadly in line with the reasonably good results in the previous year.

NORTH AMERICA

The growth in the United States economy that started at the end of the summer in 2003 continued, albeit at a lesser rate and the construction sector too continued to follow a very positive trend. In this favorable market situation group cement sale volumes recorded a significant rise with higher average prices.
The positive impact of the growth in net sales, that was only partially diluted by the increase in fuel costs, enabled in the third quarter a confirmation of the positive operating performance in the first half with gross operating profit, in local currency, up by over 19%.
The growth in gross operating profit, in local currency, in the nine months to the end of September 2004 was 20.5%; the exchange rate impact limited the improvement in euro to 9.4%.

ASIA

In ***Thailand,*** in the quarter, operating results were sharply down owing to the fall in export volumes and the reduction in prices on the domestic market, together with the increase in fuel costs. Nonetheless, the good performance in the first part of the year produced an improvement in operating results in the overall situation to the end of September, compared to the same period in 2003.

The solid contribution made by the increase in volumes and the trend in sale prices led to an improvement of operating results in the quarter in ***India***, and enabled the achievement at the end of September, of rising gross operating profit compared to the fall seen at the end of June.

In ***Kazakhstan*** the trend in operating results was once again very positive, helped by rising sale volumes and prices, despite the unfavorable impact from the fuel mix owing to the use of all the plants to meet growing demand.

OTHER EMERGING COUNTRIES

The expansion of cement consumption on the domestic market continued in ***Bulgaria;*** the increase in sale volumes and prices produced several positive effects on net sales and, above all, on operating results in the quarter and in the nine months, despite the negative impact of the price increase for fuel.

In a more stable economic context, the construction sector in ***Turkey*** made a recovery in the quarter compared to the opposite trend in the second quarter, with a subsequent increase in sale volumes on the domestic market.

The constant improvement in cement sale prices and the fall in electricity costs (following new contracts with suppliers) enabled to improve operating results for the quarter and for the nine months, thus making up for the increase in other cost factors, especially fuel.

In ***Morocco*** overall net sales were down and suffered, as in the first half of the year, from the “solidarity tax” per metric ton of cement sold which translated into a reduction in sale prices, only partially offset, in operating result terms, by falls in electricity tariffs and fuel import taxes.

During the quarter, there was a slight recovery in cement consumption in ***Egypt*** with a favorable impact on sales at Suez Cement. Cement and clinker exports continued to show a marked increase compared to the previous year. Overall, despite the negative exchange rate, operating results saw an improvement thanks to the increases in sale prices, thus enabling the increase in energy costs to be absorbed.

Outlook

Despite a still unstable geo-political situation, the international economy is maintaining positive growth levels, especially in North America and in emerging countries, albeit less dynamic than in the first half, also due to the high level of raw material prices, and especially of petrol.

The construction sector, although remaining at levels that historically high are generally helped by the residential sector, may show some signs of a slowdown in the last part of the year.

In this scenario, it seems likely that the weakening of the trend in operating income that emerged in the 3rd quarter will continue into the last part of the year, mainly due to the impact of growing energy costs.

The good performance already achieved in the first 9 months of the year and the contribution ensured by the positive trend in financial items should, however, keep results, before non-recurring items are considered, above the level achieved last year.

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

In 2004 the companies in the Petruzalek group that were acquired in December 2003 were consolidated on a line-by-line basis for the first time. The comparison with the same period last year is, therefore, not on the same basis.

Group highlights

(in millions of euro)	3rd quarter 2004	3rd quarter 2003	% change	Year to date 30 September 2004	Year to date 30 September 2003	Change %	2003
Net sales	39.2	27.8	41.0	113.1	82.6	36.9	111.6
Gross operating profit	4.5	6.6	(31.8)	15.4	18.3	(15.8)	23.9
% of net sales	*11.5*	*23.7*		*13.6*	*22.2*		*21.4*
Operating income	2.3	4.5	(48.9)	9.0	12.3	(26.8)	15.8
% of net sales	*5.9*	*16.2*		*8.0*	*14.9*		*14.2*
Income before tax	2.2	3.4	(35.3)	8.4	10.6	(20.8)	14.1
% of net sales	*5.6*	*12.2*		*7.4*	*12.8*		*12.6*
Net income	1.1	2.0	(45.0)	4.8	7.0	(31.4)	8.9
% of net sales	*2.8*	*7.2*		*4.2*	*8.5*		*8.0*
Employees at period end (heads)				*752*	*564*		*560*

	30 September 2004	30 June 2004	31 December 2003
Net debt	41.3	42.8	32.9

In the third quarter results at the Sirap Gema group, despite the positive contribution from the Petruzalek group and the increase in volumes on traditional markets, were further hard hit by the negative trend in raw material prices. In addition, in the quarter the difficult economic situation did not allow for an even partial recovery in sale prices that remained on average at the level of the first half and below those of the same period in 2003. These events led to a marked fall in operating results. Also the results for January-September 2004 saw a sharp fall compared to the previous year, albeit less marked than to the fall in the quarter.

Performances by business sector

Food packaging

Both the Italian and the French markets for food packaging suffered from the general fall in demand in the third quarter, as part of a general and significant reduction in household consumption. Sale prices remained in line with the levels seen in the first part of the year, albeit below the figures for 2003, while the trend in volumes proved to be positive, in particular on the Italian market thanks to an effective marketing policy. Overall net sales in the quarter grew by 50%, thanks to the contribution from Petruzalek, while, excluding this contribution, sales stayed largely at the same levels of the third quarter in 2003.
Gross operating profit, that was affected by the factors above and also by the marked rise in raw material costs, fell by 20.4% despite the positive contribution arising from the consolidation of Petruzalek.
Also in countries, where Petruzalek is present, note should be made of a harsher competitive climate following the reduction in consumption and the action of local producers.

Thermal insulation

The demand for insulation products remained high in the quarter.
Prices, following the fall recorded in the first half, stabilized also owing to greater awareness among all the producers about the rising polymer price trend.
In this scenario, in the third quarter of 2004, the group confirmed the growth trend in net sales (+17.6%), owing to higher volumes, and managed to contain the fall in margins (-11.8%) thanks to a prudent policy to keep costs down and improve efficiency.

Significant events after the third quarter

At the start of October the Sirap Gema group bought total control of Hungaropack (the Petruzalek group) by buying the remaining stakes, equivalent to 30.2%, held by minority shareholders for a price of €.175,000

Outlook

In relation to polymer prices, it is believed that in the fourth quarter prices will remain in line with the high levels recorded in September.

This phenomenon, together with an unfavorable trend in demand in the food packaging sector, will probably lead to a further reduction in results, only partly offset by the move to increase prices, the impact of which it is impossible to judge at the moment.

The sector includes the financial companies over which Italmobiliare has, directly or indirectly, full control.

Italmobiliare International Finance Limited (Dublin)

Its main financial figures for the third quarter of 2004 and 2003 were as follows:

(in millions of euro)	3rd quarter 2004	3rd quarter 2003	Change	30 September. 2004	30 September. 2003	Change	2003
Net financial income	4.5	5.3	(0.8)	13.4	17.5	(4.1)	23.5
Value adjustments	(0.5)	-	(0.5)	(2.2)	-	(2.2)	(1.6)
Operating costs, amortization and depreciation	(0.3)	(0.2)	(0.1)	(0.8)	(0.6)	(0.2)	(0.9)
Net income	3.3	4.4	(1.1)	9.4	15.2	(5.8)	18.9

	30 September. 2004	30 June 2004	2003
Shareholders' equity	589.2	585.9	579.8
Net financial position	562.6	558.3	571.8

Net income in the third quarter of 2004 of 3.3 million euro was down compared to the third quarter of 2003 (4.4 million euro). Also the result for the year to date to 30 September 2004 of 9.4 million euro was down compared to the first nine months of 2003, which ended with net income of 15.2 million euro.

The fall in financial income was due to the less favorable market conditions compared to 2003; short-term interest rates in the euro zone remained at very low levels and penalized the variable rate part of the portfolio, while there was a reduction in trading opportunities linked to the decrease of interest rates and credit spreads that were a feature in 2003.

The increase in negative value adjustments was mainly due to the losses on investments made during the first quarter in funds of hedge funds.

The net financial position at 30 September 2004 stood at 562.6 million euro compared to 571.8 million euro at 31 December 2003. This fall was due to the investment made during the first quarter in funds of hedge funds, which, for 20 million euro, did not qualify for inclusion in the net financial position.

In consideration of the results achieved to date and of the aforementioned market trends, 2004 should close with net income below that for 2003.

Fincomind Group S.A. (Zurich)

The main financial figures for the Fincomind Group were as follows:

(in thousands of Swiss francs)	**3rd quarter 2004**	**3rd quarter 2003**	**Change**	**30 September. 2004**	**30 September. 2003**	**Change**	**2003**
Net interest income	1,483	2,462	(979)	5,264	7,072	(1,808)	8,609
Net commissions	9,228	10,196	(968)	31,077	28,858	2,219	40,387
Trading income	1,540	2,115	(575)	4,793	6,820	(2,027)	9,213
Gross operating profit	(126)	717	(843)	2,789	3,402	(613)	1,115
Income before tax	799	804	(5)	3,996	251	3,745	(675)
Net income	602	435	167	3,083	(805)	3,888	(1,844)

The fall in business on the financial markets, that was commented on in the report for the first half, was even more marked in the period July-September 2004, and had a particular impact on income from the trading of financial instruments.

Net interest income fell, compared to the previous quarters and to 2003, owing to the combined impact of the low level of interest rates and, above all, the less favorable trend in financial markets that led to a reduction in spreads.

The overall fall in net sales was only offset by a partial reduction in administrative and general costs which, in any case, were worsened by the charges in relation to the process related to Finter Bank France, aimed at gradually phasing out its banking activity. These further costs, while on the one hand impacting on gross profit from operations, are not, on the other, impacting on net income since, for those costs incurred in the period and already included in specially constituted funds, it has benefited of matching recoveries from those funds as well as some contingency gains. The current amount of provisions made by Finter Bank France, and at a consolidated level, is considered adequate to cover the likely remaining charges for the whole project.

Net income in the third quarter totaled 602 thousand Swiss francs (435 thousand Swiss francs in 2003), thus bringing the result in the first nine months to 3,083 thousand Swiss francs, compared to the loss of 805 thousand Swiss francs at 30 September 2003, which was largely due to losses of a non-recurring nature.

Finter Bank Zurich, the main subsidiary, at 30 September 2004 recorded consolidated net income of 5,752 thousand Swiss francs, markedly up compared to the same period in 2003 (4,528 thousand Swiss francs). Third party assets under management at the end of the first nine months of the year were just over 5 billion Swiss francs, up by 6.4% compared to 31 December 2003 (4.7 billion Swiss francs).

The management of Finter Bank France continued with the initiatives aimed at gradually closing down the business, as resolved by the shareholders' meeting last May. The actions undertaken are constantly monitored in order to respect the operational and financial plan that was formulated at the time.

Fincomind S.A.'s net debt at 30 September 2004 was 26.7 million Swiss francs, up compared to 29.2 million Swiss francs at 31 December 2003.

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

The main reclassified financial results for the third quarter of 2004 and for the year to date to 30 September may be summarized as follows:

(in millions of euro)	3rd quarter 2004	3rd quarter 2003	Change	30 September. 2004	30 September. 2003	Change	2003
Financial income	0.2	0.8	(0.6)	4.2	1.4	2.8	22.7
Value adjustments and provisions for reserve for risks	2.1	4.6	(2.5)	3.9	20.9	(17.0)	12.8
Operating costs, amortization and depreciation	-	-	-	(0.1)	(0.1)	-	(0.2)
Net income	2.3	5.4	(3.1)	8.0	22.2	14.2	35.4

	30 September 2004	30 June 2004	31 December 2003
Equity investments	122.4	119.8	146.4
Shareholders' equity	134.3	132.1	135.4
Net financial position (debt)	17.3	17.5	(5.9)

Net income in the third quarter of 2004 was 2.3 million euro compared to 5.4 million euro in the same period in 2003 that, thanks to the general improvement in share prices, had benefited from significant revaluations of some equity investments written down in previous years.

The overall result for the first nine months of 2004 showed net income of 8.0 million euro, sharply down compared to the same period in 2003 (22.2 million euro) for the same reasons shown in relation to the result for the third quarter. Financial income was up at 4.2 million euro (1.4 million euro in 2003) thanks to increased capital gains realized on the sale of Banca Intesa shares and the increased flow of dividends received.

The net financial position at 30 September 2004, of 17.3 million euro, was in line with that at 30 June 2004 (17.5 million euro) and, following the sale of part of the equity investment in Banca Intesa, improved compared to 31 December 2003 that saw net debt of 5.9 million euro.

The result for the whole of 2004 is largely dependent on the trend in share prices in terms of their impact on some significant shareholdings. However, considering that the result for 2003 was largely positive, owing to the aforementioned revaluations of some equity investments, for 2004 we may forecast a lower outcome. The uncertainty, that is still a characterizing of stock markets, makes it difficult to predict the amount of this reduction.

DEALINGS WITH RELATED PARTIES

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

For the purposes of the consolidated report dealings with related parties in the quarter 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 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 services to some associated companies which are regulated according to the costs attributable to provided the services.
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 Chief Executive Officer and majority shareholder is Italo Lucchini, a director 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 Casella – Minoli, of which the Italmobiliare director Luca Minoli is part;
- judicial and extrajudicial assistance provided to Group companies by Giorgio Bonomi, a director of Italmobiliare;
- 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) with whom a two-year project was established during the second quarter of 2004.

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

SIGNIFICANT EVENTS AFTER THE THIRD QUARTER OF 2004

Significant events after the end of the period are given here to complete those already included in in previous comments.

At the end of July 2004 the Board of Directors of Mittel S.p.A., acting on the delegated power given to it by the Extraordinary Shareholders' meeting of 17 February 2000, resolved to increase its share capital through the issue of 27,000,000 ordinary shares, with a par value of 1 euro each, to be offered to shareholders at a maximum price of 2.5 euro per share. Subsequently Italmobiliare committed itself to underwriting the percentage of the new shares that corresponds to its own stake in Mittel's share capital (12.91%). The total investment for Italmobiliare will be approximately 8.7 million euro and should be completed by the end of the year.

OUTLOOK

The trend in the global economy, the instability of the geopolitical situation and the results for the first nine months of the year achieved by various sectors in the Group confirm the basis of the forecasts made in the half year report.

The consolidated finance statements for 2004 should, therefore, conclude with Group net income below that of last year which benefited from significant non-recurring income items, large capital gains and revaluations.

On the other hand, we may confirm that the result for the parent company Italmobiliare S.p.A. should be better than that for 2003, subject to unforeseen events.

Financial statements

Income statement

In thousands of euro

Income statement	3rd quarter 2004	%	3rd quarter 2003	%	Change	%
Net sales	1,208,092	100.0%	1,144,512	100.0%	63,580	5.6%
Change in inventories	(5,562)	(0.5%)	(814)	(0.1%)	(4,748)	583.3%
Increase in internal work	3,391	0.3%	4,523	0.4%	(1,132)	(25.0%)
	1,205,921	**99.8%**	**1,148,221**	**100.3%**	**57,700**	**5.0%**
Other operating income	14,671	1.2%	8,322	0.7%	6,349	76.3%
Net sales and other operating income	**1,220,592**	**101.0%**	**1,156,543**	**101.0%**	**64,049**	**5.5%**
Raw, ancillary and consumable materials and supplies	314,131	26.0%	294,076	25.7%	20,055	6.8%
Services	373,742	30.9%	337,484	29.5%	36,258	10.7%
Other operating costs	29,902	2.5%	25,908	2.3%	3,994	15.4%
ADDED VALUE	**502,817**	**41.6%**	**499,075**	**43.6%**	**3,742**	**0.7%**
Personnel expenses	179,661	14.9%	174,884	15.3%	4,777	2.7%
Provisions and write-downs	5,044	0.4%	4,478	0.4%	566	12.6%
GROSS OPERATING PROFIT	**318,112**	**26.3%**	**319,713**	**27.9%**	**(1,601)**	**(0.5%)**
Amortization, depreciation and other write-downs	98,007	8.1%	100,726	8.8%	(2,719)	(2.7%)
OPERATING INCOME	**220,105**	**18.2%**	**218,987**	**19.1%**	**1,118**	**0.5%**
(Diff. value/costs of production)						
Financial income and charges	(20,820)	(1.7%)	(25,030)	(2.2%)	4,210	(16.8%)
Adjustments to financial asset values	9,641	0.8%	7,219	0.6%	2,422	33.6%
Non-recurring income and charges	(3,676)	(0.3%)	32,558	2.8%	(36,234)	(111.3%)
Income before tax	**205,250**	**17.0%**	**233,734**	**20.4%**	**(28,484)**	**(12.2%)**
Income tax	(77,937)	**(6.5%)**	(78,367)	**(6.8%)**	430	**(0.5%)**
Income before minority interest	**127,313**	**10.5%**	**155,367**	**13.6%**	**(28,054)**	**(18.1%)**
Minority interest	89,066	7.4%	107,534	9.4%	(18,468)	(17.2%)
GROUP NET INCOME	**38,247**	**3.1%**	**47,833**	**4.2%**	**(9,586)**	**(20.0%)**
CASH FLOW (income + amortization, depreciation and other write-downs)	**225,320**		**256,093**		**(30,773)**	
INVESTMENTS IN FIXED ASSETS	**129,017**		**75,069**		**53,948**	

In thousands of euro

INCOME STATEMENT	Year to date at 30.09.2004	%	Year to date al 30.09.2003	%	Change	%	2003	%
Net sales	3,542,152	100.0%	3,323,730	100.0%	218,422	6.6%	4,397,103	100.0%
Change in inventories	(10,913)	(0.3%)	(8,862)	(0.3%)	(2,051)	23.1%	12,472	0.3%
Increase in internal work	10,066	0.3%	12,550	0.4%	(2,484)	(19.8%)	15,009	0.3%
	3,541,305	**100.0%**	**3,327,418**	**100.1%**	**213,887**	**6.4%**	**4,424,584**	**100.6%**
Other operating income	40,328	1.1%	25,848	0.8%	14,480	56.0%	41,007	0.9%
Net sales and other operating income	**3,581,633**	**101.1%**	**3,353,266**	**100.9%**	**228,367**	**6.8%**	**4,465,591**	**101.6%**
Raw, ancillary and consumable materials and supplies	931,915	26.3%	854,053	25.7%	77,862	9.1%	1,138,081	25.9%
Services	1,128,205	31.9%	1,031,353	31.0%	96,852	9.4%	1,382,172	31.4%
Other operating costs	84,480	2.4%	84,701	2.5%	(221)	(0.3%)	108,220	2.5%
ADDED VALUE	**1,437,033**	**40.6%**	**1,383,159**	**41.6%**	**53,874**	**3.9%**	**1,837,118**	**41.8%**
Personnel expenses	557,101	15.7%	547,808	16.5%	9,293	1.7%	731,052	16.6%
Provisions and write-downs	19,250	0.5%	17,474	0.5%	1,776	10.2%	28,630	0.7%
GROSS OPERATING PROFIT	**860,682**	**24.3%**	**817,877**	**24.6%**	**42,805**	**5.2%**	**1,077,436**	**24.5%**
Amortization, depreciation and other write-downs	292,906	8.3%	296,751	8.9%	(3,845)	(1.3%)	416,268	9.5%
OPERATING INCOME	**567,776**	**16.0%**	**521,126**	**15.7%**	**46,650**	**9.0%**	**661,168**	**15.0%**
(Diff. value/costs of production)								
Financial income and charges	(35,477)	(1.0%)	(47,480)	(1.4%)	12,003	(25.3%)	(54,757)	(1.2%)
Adjustments to financial asset values	21,943	0.6%	20,586	0.6%	1,357	6.6%	15,962	0.4%
Non-recurring income and charges	(9,732)	(0.3%)	43,890	1.3%	(53,622)	(122.2%)	61,772	1.4%
Income before tax	**544,510**	**15.3%**	**538,122**	**16.2%**	**6,388**	**1.2%**	**684,145**	**15.6%**
Income tax	(209,122)	**(5.9%)**	(192,277)	**(5.8%)**	(16,845)	**8.8%**	(242,173)	**(5.5%)**
Income before minority interest	**335,388**	**9.4%**	**345,845**	**10.4%**	**(10,457)**	**(3.0%)**	**441,972**	**10.1%**
Minority interest	219,712	6.2%	212,276	6.4%	7,436	3.5%	273,300	6.2%
GROUP NET INCOME	**115,676**	**3.2%**	**133,569**	**4.0%**	**(17,893)**	**(13.4%)**	**168,672**	**3.8%**
CASH FLOW (income + amortization, depreciation and other write-downs)	**628,294**		**642,596**		**(14,302)**		**858,240**	
INVESTMENTS IN FIXED ASSETS	**282,186**		**301,654**		**(19,468)**		**399,682**	

In thousands of euro

Net debt	**30 September 2004**	**30 June 2004**	**31 December 2003**
Cash, cash equivalents and current financial assets	(895,742)	(846,952)	(823,732)
Short-term financing	736,992	776,933	1,029,217
Medium/long-term financial assets	(435)	(435)	(8,121)
Medium/long-term financing	(1,629,349)	(1,748,542)	(1,408,830)
Net debt	**(1,470,164)**	**(1,678,088)**	**(1,606,194)**
Net floating rate subordinated securities	29,836	37,160	51,194
Net debt + net floating rate subordinated securities	**1,500,000**	**1,715,248**	**1,657,388**
Total shareholders' equity	**3,850,927**	**3,742,509**	**3,638,708**

NOTES TO THE FINANCIAL STATEMENTS

Foreword

The consolidated financial statements at 30 September 2004 have been drawn up pursuant to article 82 of the regulation approved by CONSOB with resolution no. 11971 of 14 May 1999 and subsequent amendments.
The financial statements, the tables and the explanatory notes to the statements contained in this quarterly report are expressed in thousands of euro, unless otherwise indicated.

Basis of presentation

The consolidated financial statements have been drawn up on the basis of the accounts at 30 September 2004 of the consolidated companies, adjusted, where necessary, to ensure alignment with the Group's classification criteria and accounting policies by applying the valuation criteria and consolidation principles used during the preparation of the consolidated financial statements for the 2003 accounting period.

CONSOLIDATION AREA

The consolidation area presents the following changes compared to 30 September 2003:

- ***Companies that entered the consolidation area***:

  line-by-line method
  Naga Property Co. (Thailand), Shymkent Cement* (Kazakhstan),Sociète Bètons Torcy, Béton Contrôle de l'Entreprise*, Vermeulen Béton Holding*, Béton Contrôle de l'Entreprise Amiens Picardie*, Synergy S.A.R.L.* (France), Axim Maroc* (Morocco), Greyrock WV Inc.* (USA), Petruzalek Group (consolidated on an equity basis 31 December 2003) (Austria)

  proportional method
  Santes Béton S.A.R.L.* (50 %),Valoise* (60 %)

- ***Merged companies***

  In Halyps Building Materials S.A. (Greece)
  Ammos East S.A. (Greece)

  In Speedybeton S.p.A. (Italy)
  Progecal S.p.A. (Italy)

  In Cemencal S.p.A. (Italy)
  Cavecem S.r.l. (Italy)

  In Ciments Calcia S.A. (France)
  Ciments de l'Adour* (France)

  In Unibéton S.A. (France)
  Béton sud Atlantique* (France)

  In GSM S.A.. (France)
  Carrières Olivier S.A.R.L.* (France)

(*) Change compared also to 31 December 2003

There are no changes compared to the consolidation area described in the notes to the financial statements at 30 June 2004.

Exchange rates used to translate the accounts of non-Italian companies

The foreign-currency balances of non-Italian subsidiaries consolidated on a line-by-line or proportional basis and those of non-Italian associated companies valued with the equity method, have been translated into the accounting currency using the exchange rate ruling at 30 September 2004 for balance sheet items and the average rate for the first nine months of 2004 for the income statement.

(Local currency compared to euro)

	Average rate			Period-end rate		
Currency	September 2004	December 2003	September 2003	September 2004	December 2003	September 2003
US dollar	1.22551	1.13116	1.11178	1.24090	1.26300	1.16520
Pound sterling	0.67306	0.69199	0.69014	0.68680	0.70480	1.57170
Swiss franc	1.54737	1.52120	1.51030	1.55240	1.55790	0.69860
Thai baht	49.32447	46.89827	46.77158	51.44630	50.01400	0.58445
Moroccan dirham	10.98343	10.81191	10.77346	11.07200	11.10890	10.90000
Canadian dollar	1.62808	1.58168	1.58695	1.57400	1.62340	1,571,236.00
Albanian lek	127.61509	136.71495	137.49666	125.21500	133.94100	1.54040
Egyptian lira	7.56023	6.61568	6.40216	7.66885	7.70439	46.56570
Turkish lira	1,736,324.57	1,686,291.87	1,677,642.26	1,845,162.00	1,745,072.00	53.28450
Mauritanian ouguyia	315.90044	299.12391	295.02595	315.43100	324.59100	303.46000
Indian rupee	55.67908	53.05255	52.70167	56.97590	57.58200	136.41200
Sri Lankan rupee	122.04468	111.87306	110.30292	128.47900	124.55300	113.50600
Cypriot sterling	0.58327	0.58409	0.58411	0.57560	0.58637	7.10780
Kazakhstan tange	168.50242	168.88778	167.07830	166.66500	180.80400	173.42100
Czech corona	32.15364	31.84587		31.66000	32.41000	
Slovakian corona	40.21580	41.48890		40.05500	41.17000	
Serbian dinar	70.37370	68.21700		75.05380	68.35630	
Hungarian florin	253.61200	253.61800		247.41000	262.50000	
Ukranian hrivna	6.52474	6.02710		6.59414	6.73431	
Croatian kuna	7.46921	7.55721		7.60541	7.64964	
Romanian leu	40,739.00000	37,550.60		41,135.00000	41,158.00	
Bulgarian lev	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
Bosnian mark	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
Slovenian tallero	238.83300	233.84800		239.98000	236.70000	

Net sales and other operating income

Net sales of goods and services, which totaled 1,208,092 thousand euro in the third quarter of 2004 and 3,542,152 thousand euro in the year to date at 30 September 2004, were as follows:

in thousands of euro

	3rd quarter 2004	3rd quarter 2003	Change	% change
Sales of products	1,168,139	1,119,581	48,558	4.3%
Revenues on supply of services	32,852	22,982	9,870	42.9%
Other net sales	7,101	1,949	5,152	264.3%
Total	**1,208,092**	**1,144,512**	**63,580**	**5.6%**

in thousands of euro

	Year to date 30/09/2004	Year to date 30/09/2003	Change	% change
Sales of products	3,419,208	3,246,224	172,984	5.3%
Revenues on supply of services	102,777	71,162	31,615	44.4%
Other net sales	20,167	6,344	13,823	217.9%
Total	**3,542,152**	**3,323,730**	**218,422**	**6.6%**

A breakdown of net sales by business and by geographical area is provided in the Directors' Report.

Raw, ancillary and consumable materials and supplies

These were 931,915 thousand euro, as follows:

in thousands of euro

	Year to date 30/09/2004	Year to date 30/09/2003	Change	% change
Raw materials and semi-finished goods	409,275	425,754	(16,479)	-3.9%
Fuel	206,186	179,599	26,587	14.8%
Packaging, materials and machinery	190,579	175,588	14,991	8.5%
Finished goods	145,949	84,255	61,694	73.2%
Change in inventories	(20,074)	(11,143)	(8,931)	80.1%
Total	**931,915**	**854,053**	**77,862**	**9.1%**

Services

These totaled 1,128,205 thousand euro, as follows:

in thousands of euro

	Year to date 30/09/2004	Year to date 30/09/2003	Change	% change
Electrcity, water, gas	223,036	204,314	18,722	9.2%
Maintenance	295,554	280,617	14,937	5.3%
Transport	360,784	314,129	46,655	14.9%
Consultancy fees	44,768	42,395	2,373	5.6%
Rent	60,495	61,782	(1,287)	-2.1%
Insurance	30,610	27,900	2,710	9.7%
Other	112,958	100,216	12,742	12.7%
Total	**1,128,205**	**1,031,353**	**96,852**	**9.4%**

Other operating costs

These totaled 84,480 thousand euro, as follows:

in thousands of euro

	Year to date 30/09/2004	Year to date 30/09/2003	Change	% change
Subscriptions	7,125	7,131	(6)	-0.1%
Other taxes	48,643	44,297	4,346	9.8%
Other costs	28,712	33,273	(4,561)	-13.7%
Total	**84,480**	**84,701**	**(221)**	**-0.3%**

Personnel expenses

Total personnel expenses stood at 557,101 thousand euro, as follows:

in thousands of euro

	Year to date 30/09/2004	Year to date 30/09/2003	Change	% change
Wages and salaries	388,996	382,961	6,035	1.6%
Social security contributions	136,821	143,641	(6,820)	-4.7%
Employees' leaving entitlements	11,832	12,530	(698)	-5.6%
Pensions and similar obligations	19,452	8,676	10,776	124.2%
Total	**557,101**	**547,808**	**9,293**	**1.7%**

The number of employees at the end of the period and the average for the period were as follows:

(heads)

	Year to date 30/09/2004	Year to date 30/09/2003	2003
Number of employees at period end	18,373	17,907	17,722
Average number of employees	18,388	18,228	18,159

Provisions and write-downs

The overall total of 19,250 thousand euro (17,474 thousand euro at 30 September 2003) reflects the provision for bad debts of 7,303 thousand euro (11,047 thousand euro at 30 September 2003) and other provisions of 11,947 thousand euro (6,427 thousand euro at 30 September 2003) mainly for the restoration of quarries.

Amortization, depreciation and other write-downs

The overall amount of 292,906 thousand euro (296,751 thousand euro at 30 September 2003) reflects the amortization of intangible assets for 67,831 thousand euro (72,860 thousand euro at 30 September 2003) and the depreciation of tangible assets for 225,075 thousand euro (223,891 thousand euro at 30 September 2003).

Financial income and charges

The net total of 35,477 thousand euro arose as follows:

in thousands of euro

	Year to date 30/09/2004	Year to date 30/09/2003	Change	% change
Income and gains from equity investments	29,887	35,873	(5,986)	-16.7%
Interest income and financial income	42,795	48,401	(5,606)	-11.6%
Interest expense and financial charges	(99,506)	(120,714)	21,208	-17.6%
Net translation differences	(2,106)	(4,447)	2,341	-52.6%
Other	(6,547)	(6,593)	46	-0.7%
Total	**(35,477)**	**(47,480)**	**12,003**	**-25.3%**

Adjustments to financial assets values

The net positive balance at 30 September 2004 of 21,943 thousand euro (20,586 thousand euro at 30 September 2003) was as follows: net income of companies valued with the equity method for 23,256 thousand euro (including the Suez Cement Group for 9.2 million euro, Ciment du Quebec for 5.0 million euro, Mittel S.p.A for 2.4 million euro, Vassiliko Cement Works Ltd for 2.0 million euro and the Fincomind Group for 2.0 million euro), revaluations of shares and equity investments for 6,847 thousand euro, write-downs of financial assets for 635 thousand euro and of shares and equity investments for 4,036 thousand euro, and losses of companies valued with the equity method for 3,489 thousand euro.

Non-recurring income and charges

At 30 September 2004 non-recurring charges, net of income, stood at 9,732 thousand euro (net income of 43,890 thousand euro at 30 September 2003); in the third quarter of 2004 net non-recurring charges were 3,676 thousand euro (net income of 32,558 in the third quarter of 2003).
The fall of 36.2 million euro reflects the impact of the non-recurring income items realized during the third quarter of 2003 in the construction sector, including the windfall gain in Belgium of 28.5 million euro (the favorable closure of tax disputes) and the capital gain realized in Spain of 9.8 million euro (asset disposal in the ready mixed concrete and aggregate sector).

Tax

The tax charge on the income statement, 209,122 thousand euro, may be analyzed as follows:

in thousands of euro

	Year to date 30/09/2004	Year to date 30/09/2003	Change	% change
Current tax	205,565	184,024	21,541	11.7%
Deferred tax	3,557	8,253	(4,696)	-56.9%
Total	**209,122**	**192,277**	**16,845**	**8.8%**

Investments in fixed assets

In the year to date to 30 September 2004 investments in fixed assets were 282.2 million euro, as follows:

in thousands of euro

	Year to date 30/09/2004	Year to date 30/09/2003	Change	% change
Intangible assets	14,551	11,862	2,689	22.7%
Tangible assets	186,610	179,177	7,433	4.1%
Financial assets	60,189	81,521	(21,332)	-26.2%
Change in payables for tangible asset purchases	21,594	22,004	(410)	-1.9%
Change in payables for financial asset purchases	(758)	7,090	(7,848)	-110.7%
Total	**282,186**	**301,654**	**(19,468)**	**-6.5%**

In the third quarter of 2004 overall investments were 129.0 million euro, of which 74.1 million euro for investment in tangible assets; the most important additions were in Italy, the United States and France.

Investments in financial assets of 60.2 million euro at 30 September 2004 were up of the 50.5 million euro in comparison to the situation described in the notes to the half-year report for 2004.

Net debt

At 30 September 2004, net debt stood at 1,470,164 thousand euro (1,606,194 thousand euro at 31 December 2003); this was made up of gross financial payables of 2,366,341 thousand and medium/long-term financial assets, liquid founds and current financial assets of 896,177 thousand.

“Gross financial payables” of 2,366,341 thousand euro (2,438,047 thousand euro at 31 December 2003) includes short-term financing of 736,992 thousand euro (1,029,217 thousand euro at 31 December 2003) and medium/long-term financing of 1,629,349 thousand euro (1,408,830 thousand euro at 31 December 2003).

The fall compared to 31 December 2003 was of 136,030 thousand euro, as follows:

in thousands of euro

	Change compared to 31 December 2003
Cash, cash equivalents and current financial assets	(72,010)
Short-term financing	(292,225)
Change in net short-term debt	**(364,235)**
Medium/long-term assets	7,686
Medium/long-term financing	220,519
Change in net medium/long-term debt	**228,205**
Change in total net debt	**(136,030)**

The fall in net debt compared to the start of the year of 136.0 million euro was the result of the following:

- financial inflows from operations for 539.3 million euro;
- total investments for 282.2 million euro;
- disposals for 18.4 million euro;
- paid dividends for 130.0 million euro;
- other net movements for a negative balance of 9.5 million euro.